MURCHISON HOLDINGS LIMITED
ABN 52 004 707 260

ASX Announcement
& Media Release

Date : 31th August 2012

Continuing Global debt crisis and marked decline in activities impacted performance

Full Year To 30 June 2012 Financial Results Highlights

Financial results for the full year ended 30 June 2012, compared to the previous Corresponding period ("pcp')

Murchison Holdings Limited (ASX : MCH) today announced a Net Loss of HK$3.50 million as compared to a Net profit of HK$3.931 million for the pcp.

Total Revenues from Ordinary Activities fell to HK$310.7 million for the year ended 30 June 2012 as compared to HK$509.7 million in the pcp.

Financial liabilities continued to trend downwards reflecting our de-gearing effort in times of economic uncertainties. This is in line with our objective of minimizing the negative interest differential between cash deposit rates and borrowing rates charged by the banks. Net Tangible Assets per share was HK$ 9.14 .

Financial Highlights

- Revenue from ordinary activities was HK$310.7 million , a fall of 39% as compared to the pcp;
- Net loss on continuing operations was HK$3.5 million;
- Expense base declined mirrored the reduced turnover and costs saving targets being achieved;
- A near 50% reduction in financial liabilities achieved on our de-gearing plan in times of uncertainties;
- Savings from office lease expense and professional fees otherwise payable will be evident over the next two years.

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Highlights of the operating businesses

Quest Investments Limited

We are advised by Quest Investments Limited ("QST"), our 63.97% subsidiary, that its operating performance was affected by the poorer economic conditions that prevailed in most countries in which it conducted business. Revenue declined for most of its operating businesses, mirroring the much reduced demand for goods and services globally. Revenue from operating activities fell 64% to HK$95.3 million on lower contributions from its stockbrokerage, marine resources, treasury, and investment activities.

Net Attributable loss was HK$2.49 million as compared to HK$5.36 million profit registered in the pcp.

QST's financial liabilities fell to a modest HK$1.56 million from $3.04 million.

The cost rationalization programmes instituted have yielded good results. Expense base reductions mirrored the much-reduced turnover and better productivity levels being achieved.

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$1.898 billion. This represents a decline of 42% from the pcp. Commission income earned was HK$4.419 million, a fall of 28% as compared to the pcp.

QSB experienced very challenging operating environment. The slow US economic recovery (which appears to be stalling), and the subsequent downgrade of its sovereign credit ratings, and the devastating earthquake in Japan precipitated major flight of capital from the equity markets globally. Against this backdrop, investors deserted the emerging markets in preference to more developed markets. Turnover in the shares traded on Hong Kong Stock Exchange fell by about 35% in the year under review.

Reflecting the drastic decline in stock market turnover, QSB registered a loss of HK$2.042 million as compared to profit of HK$3.61 million in the pcp. This was the first loss recorded by QSB since 2005FY.

Nominees Services

Quest Nominees Limited ("QNL") continued to receive steady income from its traditional activities of providing secretarial and nominees services to its regional clients who have business exposure in Hong Kong.

The rental income it obtained for leasing out its membership in a leading club in Hong Kong carried a yield of about 22% per annum. QNL's carrying cost for this investment is HK$360,000. The market value for the club membership is presently around HK$650,000.

In view of the sharp fall in the equity market in the financial year, QNL's management deemed it prudent to provide HK$169,528 against diminution in the value of its investment portfolio. This provision resulted in QNL achieving only a modest profit of HK$1,606.

Telecommunications

Quest Telecom Limited ("QTL") registered a satisfactory performance. Net profit for the year was HK$68,854. Revenue from telecom and treasury activities was HK$32.02m. A more focused and active management of treasury and investment activities continued to generate good returns for its investment portfolio. QTL would have recorded better profitability had it not been for a HK$92,000 redundancy payment arising from a rationalization of its technical support staff. The emphasis QTL placed on managing its cost base through more stringent evaluation of its suppliers' and professional service providers' fee charges will result in a significant reduction in its operating expenses going forward. QTL's balance sheet continued to be strong with miniscule liabilities.

Marine Resource

We have been advised by Quest Marine Resources Limited ("QMR"), and its wholly-owned subsidiary Dalian Jixiang Foods Limited ("DJFL") that they have recorded decline in sales and profits. QMR's contribution to the Group's earnings was HK$1.42 million as compared to HK$1.74 million in the pcp. DJFL's sales was affected by the contraction in the EU economies.

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.

MHI managed to maintain its revenue at almost the same level as in the previous FY albeit in a much more challenging operating conditions. Revenue stood at HK$207.5million, a marginal increase of 0.9%% from HK$ 205.7 million. Profit arising from its trading activities was HK$1.72 million compared to HK$1.67 million in the pcp.

MHI's 2% investment in the Zhongshan property project continued to progress satisfactorily. Construction on the 7 residential blocks of 25-storey have been completed. We have been informed by the project manager that pre-sale activities have started recently. 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 year. 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 year had been a very challenging year for the financial and investment services companies globally. The constant flare-up of problems associated with the European debt crisis, the down grading of the US's AAA credit rating by Standard and Poor, and the contagion effect these developments have on other high debt countries such as Italy and Spain resulted in flight to safety by global investors, mainly away from emerging markets.

The outlook for the global economy in 2012 is bleak. We are concerned with a number of strong headwinds facing the global economy. Firstly, there is the lack of firmed resolve to tackle the on-going European debt crisis. Germany, the strongest economy in Europe , has began to exhibit signs of a marked slow down in activities. Secondly, the US deficit amounts to US$1.3 trillion and is still growing. The "fiscal cliff" of broad-based tax increases and spending cuts in 2013 if the US Congress does not reach agreement on deficit-reduction targets are expected by many analysts to have a devastating impact on the financial markets globally. The risk of that occurring is regarded by many to be high.

Added to these potential adverse developments is the decelerating economy in the PRC. China's economy grew at the slowest pace in 3 years in the second quarter of 2012. Recent signs that its economic slowdown is worsening has fueled fears of a hard landing. China's factory output dropped to a nine-month low. The HSBC Flash Purchasing Managers Index (PMI) fell to 47.8% in August 2012 from 49.5% in July. Of significance is the fall in export orders, which slumped to their lowest level since March 2009 on weak external demand and glut in stocks of finished goods. Further decelerating growth in China would have significant and substantial impact on the global economy.

Domestically, the PRC is taking a number of administrative measures to cushion this adverse development. Since November 2011, the People's Bank of China has cut its Reserve Requirement Ratio three times, by 50 basis points on each occasion. It also reduced interest rate twice to try to bolster the economic growth. The steps taken thus far have reinforced the perception that further round of stimulus can be expected.

Given the rather bleak landscape, it is not surprising that financial markets to expect another co-ordinated round of interventions by central banks worldwide to inject yet more liquidity into the global financial system.

The Way Forward

Our performance for the year under review had been negatively impacted by the significant reduction in economic activities and low market turnover in the markets we operating in. We remain convinced that the prospect of a significant turn around in operating conditions is unlikely for 2012.

Initial results of the first two months of 2012/13 financial year suggest that the difficult operating environment is likely to persist, at least for the fourth quarter of 2012. Policy uncertainty in both the US and EU countries are immediate causes of concern. This coupled with a significant slow down in the Chinese economy are dampening investors' sentiment. We do not expect volume and turnover in the capital markets to reverse the present downward trend. This will impact negatively on our brokerage subsidiary's performance.

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 and fees paid to professional service providers. The benefits of these measures will be felt over the next two years.

We will remain focus on managing our risk exposure given that poor operating conditions are likely to persist for the short to medium term. We also expect to see more volatile trading conditions.

We have also conducted a strategic review of our existing investments, with an objective of building sustainable income streams over the longer term. We have been informed by QST that it intends to expand QTL's business scope into infrastructural projects in the telecommunication sector. QST is planning to raise further equity financing in the near future to fund the necessary feasibility studies and other associated "soft costs" as a follow up to implementing the next stage as planned in the Memorandum of Understandings it signed recently with a leading telecom technology company to build submarine fibre optic telecommunications system between Taiwan and Hong Kong , and between Australia and New Zealand.

Barring unforeseen Black Swan events developing in 2012/13, we are cautiously optimistic in achieving better performance for the next twelve months.

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