

Murchison Holdings Limited

Annual Report 2011

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

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MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

COMPANY PARTICULARS

BOARD OF DIRECTORS

Wee Tiong Chiang, (Chairman) B.Sc (Hons), MBA

Grant Anthony Robertson, B.Ec, LLB, CPA

Dr Kim Chan Koh, MBBS (Malaya), MRCP(G), MRACP, DIH

Hung Ngok Wong, MA, FAIA

AUDITOR

Bentleys Melbourne Partnership (In Australia)

Level 7, 114 William Street,

Melbourne, VIC 3000,

Australia

COMPANY SECRETARY

Grant Anthony Robertson, B.Ec, LLB, CPA

NK Wong & Co (In Hong Kong)

Room 1206, Harbour Crystal Centre

100 Granville Road,

Tsim Sha Tsui,

Kowloon, Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

In Australia

Level 2, 11 Queens Road, Melbourne, Victoria 3004, Australia

Telephone : (03) 9867 7033

Fax : (03) 9867 7088

Principal place of business In Hong Kong

Room 202, 2nd Floor, Chinaweal Centre 414-424 Jaffe Road, Hong Kong

Telephone : (852) 2877 6828

Fax : (852) 2596 0451

BANKERS

Commonwealth Bank of Australia

367 Collins Street,

Melbourne, VIC 3000,

Australia

National Australia Bank Limited

271 Collins Street,

Melbourne, VIC 3000,

Australia

SHARE REGISTRY

BoardRoom Pty Limited

Level 7, 207 Kent Street,

Sydney, NSW 2000

Australia

Telephone : (02) 9290 9600

Fax : (02) 9279 0664

STOCK EXCHANGE LISTING

Murchison Holdings Limited is listed and its shares are quoted on the Australian Stock Exchange.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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CHAIRMAN'S STATEMENT

Dear Shareholders,

This past financial year has seen a continued improvement in our business activities notwithstanding the volatility in the global economy and financial markets. We remained focus on improving our existing mix of businesses and to avoid any unnecessary cash burn in new investments.

We also introduced new services and enhanced the efficiency of our existing operations. An internet trading platform was added to service a growing trend of stock trading through the internet by clients. We expanded our scope of services in corporate financing activities, helping to tap into growing demand for fund raising by small and medium sized enterprises.

We also established additional food sources and revamped our processing facilities to meet growing demand by international food companies for out-sourcing their processing business to a low cost and efficient processor. Our marine resource business benefited by this out-sourcing business given our enhanced and available production capacity.

The audited accounts of the Company for the previous financial year ended 30 June 2010 did not include HK\$3.085 million of the Company's share of the net profits of our seafood associated company. This error has been corrected by restating each of the affected financial statement line items for the year ended 30 June 2010. This amount represents the difference between the profit reported by the Company and that announced to the Australian Securities Exchange ("ASX") on or about 31 August 2011. The Company's share of net profits of our seafood associated company for the two year period ended 30 June 2011 equal the aggregate amounts previously reported whilst the Statement of Financial Position as at 30 June 2011 has not changed.

Against the background of an all-round improvement in our operating businesses, I am happy to report that our Group of companies continued to grow and performed satisfactorily in an often challenging and volatile environment.

We are presenting for the first time our financial accounts in Hong Kong Dollar ("HKD") for the financial year ended 30 June 2011. This change will provide shareholders with a more accurate reflection of the Company's underlying performance given that in excess of 90% of the Company's revenue and the Group's banking facilities are denominated in HKDs.

Total Revenues from Ordinary Activities rose 728% to HK\$509.75 million for the financial year ended 30 June 2011 as compared to the previous corresponding period ("pcp").

The Company reported in its 2010 Annual Report an amount equivalent to HK\$1,105 million as its share of the Net Profit from its seafood associated company. The Appendix 4E lodged by the Company with the ASX on or about 31 August 2011 included an amount of HK\$3,085 million being the Company's share of the Net Profit from its seafood processing company for the year ended 30 June 2011.

An issue arose as to whether HK\$3,085 million of the Company's share of the Net Profit from the seafood processing company should be included in the 2010 financial year or the 2011 financial year. The Company took a conservative view of the matter and deferred the recognition of the same to the 2011 financial year. The Company and its auditors have determined that as a result of timing and income recognition matters that the Company's share of the Net Profit from its seafood associated company should be included in the 2010 financial year results and have consequently restated the same by increasing the share of the Net Profit from its seafood processing company by HK\$3,085 million to HK\$4,190 million with a resulting Net Profit of the Company for the year ended 30 June 2010 being HK\$8,017 million rather than the equivalent of HK\$4.932m as stated in the 2010 annual report.

It is also important to note that there has been NO change to the Company's net asset or total equity for this 2011 financial year as a result of this restatement. Please refer to that part of Note 1 on Page 37 of this Report.

Net Profit of the Company for the year ended 30 June 2011 was HK\$3,931 million. Basic earnings per share was 11.19 HK cents. Fully diluted earnings per share was 10.56 HK cents.

Our financial position continued to improve and remained healthy. Gearing level continued to trend down with loan to capital ratio at 2% as compared to 4% in the pcp.

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CHAIRMAN'S STATEMENT (CONT'D)

We fully repaid the A\$1.0 million bank loan from an Australian bank in the year under review and avoided the additional financial burden associated with the strong rise in the Australian Dollar in 2010 and 2011. The repayment made was mainly through improved operating cash flow and rationalization of surplus assets. Other than loans taken up to cover our brokerage subsidiary's settlement obligations, which are fully secured by fixed deposits, our Group does not have any large unsecured financial liabilities.

Total assets rose by 4.02% to HK\$216.32 million with Net Tangible Assets per share of HK\$9.41.

BUSINESS REVIEW

Quest Investments Limited

We are advised by Quest Investments Limited ("QST"), our 63.87% subsidiary, that it registered a significant improvement in both operating revenue and net profit. Revenue from operating activities rose 543% to HK\$264.75 million on higher contributions from its stockbrokerage, marine resources, treasury and investment activities.

Net attributable Profit was HK\$5.364 million.

QST's financial liabilities fell to HK\$3.04 million from HK\$4.5 million. Balance sheet continued to be healthy with current ratio standing at 1.98.

The cash flow position remained healthy, mainly resulting from net cash contribution from operating businesses.

Stockbrokerage Business

Our stockbrokerage business conducted through Quest Stockbrokers (HK) Limited ("QSB") continues to register good increases in both turnover and commission earned. Total value of transactions executed by QSB was HK\$3.38 billion. This represents a significant increase of 48% from the pcp. Commission income earned was HK\$7.396 million, an increase of 13% as compared to the pcp.

In line with our business plan to expand on the services QSB can provide to our corporate and institutional clients, QSB has placed greater emphasis on corporate fund raising activities to augment its traditional stock brokerage business. Total income from underwriting activities rose 450% to HK\$3.05m as compared to pcp. A total of HK\$385 million was raised for a number of corporate clients through placements and rights issues in the period under review.

Reflecting the enhanced level of activities, QSB registered a 85% increase in Net Profit to HK\$3.375m as compared to HK\$1.824m in the pcp.

QSB's internet brokerage system was launched in April 2011 to service its clients globally.

Nominees Services

Quest Nominees Limited ("QNL") continued to expand its traditional activities of providing secretarial and nominee services to its regional clients who have business exposure in Hong Kong. QNL is effectively debt free with a good portfolio of investment assets. Net profit rose 1850% to HK\$1,477,282 as compared to HK\$75,754 achieved in the pcp.

Telecom Business

Quest Telecom Limited ("QTL") recorded a profit of HK\$94,209 in a highly competitive market. This is in contrast to the loss of HK\$158,362 suffered in the pcp. Revenue from telecom and treasury activities rose to HK\$74.573m, an increase of 921% from the pcp. A more focused and active management of treasury and investment activities helped support the telecom business segment. QTL balance sheet is healthy with modest liabilities.

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CHAIRMAN'S STATEMENT (CONT'D)

Marine Resource Business

We have been advised by Quest Marine Resources Limited ("QMR") and its wholly-owned subsidiary Dalian Jixiang Foods Limited ("DJFL") that each of them registered satisfactory performance. QMR's turnover from ordinary activities was HK\$94.1 million and contribution to the Group's earnings was HK\$1.74 million. QMR and DJFL had witnessed a developing trend of switching by international food companies to countries with lower processing cost. With DJFL's available processing capacity and a lower cost base, it is able to benefit from this switch.

Sourcing Business

Murchison International Limited ("MHI") had been reorganizing its business focus with a view to widen its scope of products sourcing to include commodities and support services to its clients in Asia as well as in Europe. It also focused more on its proprietary trading in regional equities to complement its knowledge of business and fund flows between the emerging economies and those of the developed world. The need for this refocusing has become more urgent given the negative impact the economic malaise in some of the weaker EU countries has on MHI's performance in the past two years.

This switch in strategy has enabled MHI to report strong rise in revenue and profitability. For the financial year ended 30 June 2011, MHI recorded a strong increase in its revenue and net profit. Total operating revenue stood at HK\$205.71 million. Net profit was HK\$2.65 million. This contrasted markedly with the loss of HK\$3.19 million in the pcp.

Real Estate Business

MHI's investment in the Zhongshan property project continued to progress satisfactorily. Our main partner in this project is an established property group listed on the main board of the Hong Kong Stock Exchange. The project is a residential and commercial development comprising 7 high-end towers with 1,150 residential units, a club house and retail shops. Total Gross Floor Area is about 129,000 sq m. We have been advised by the majority owner of the project that the expected date of completion in late 2012. We have been further informed by the project manager that pre-sale activities are slated to start in the last quarter of 2011. 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 the future. 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.

PROSPECTS

The past six months had seen a marked deterioration of the economic conditions in both the US and EU countries. The situation is not helped by the disruption to the global supply chain in the automobile and electronics industries caused by the devastating effects of the tsunami that hit Japan. The re-emergence of the sovereign debt crisis in peripheral European countries and the downgrade of the US credit status were also other unsettling factors. The bi-partisan wrangling over the extension of the debt ceiling has caused further disruption to the US economy at a time when its unemployment levels remained stubbornly high and a marked slow down of the US economy in the second-quarter of 2011.

The implementation by the US Federal Reserves ("FED") of the quantitative easing schemes and the near-zero interest rates did not result in significant improvement to the US economy. To some observers, these schemes benefited Wall Street more rather than to the "Main Street". The imbalances in the world economies are structural rather than a temporary misallocation of resources. For most Asia-Pacific countries, including the PRC, the need to increase domestic demand through increasing consumption and lowering savings is crucial in engineering structural changes to the composition of their economies. For some countries, this adjustment may prove an immense challenge.

For the developed economies, such as the US, the need to implement fiscal discipline rather than relying on monetary policy remedies has become the clarion call. The financial markets will continue to remain vulnerable to wide swings in sentiment as long as the US continues to maintain its trillion-dollar annual deficit and without a clear and credible plan to address its inordinately high debt level to GDP ratio of over 90%.

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CHAIRMAN'S STATEMENT (CONT'D)

China, being an important engine of growth for the global economies, is presently facing a number of significant challenges. The recent market shocks in the developed economies have caused great concern for the Chinese economic policymakers. This comes at a time when the Chinese government is grappling with ongoing efforts to control rising inflation and to ensure that economic growth does not slacken to below 8% given the recent slowing growth trajectory. China's inflation rose to a three-year high of 6.5% in July 2011 from the same month a year ago. However, exports in July were higher than anticipated. Given the conflicting trends, it is unlikely that the policymakers will ease off their present tight monetary policy.

Food prices have been China's main inflationary component. It contributed in July 2011 4.38% to overall inflation of 6.5%. Rising food prices is potentially a troublesome development especially in the context of social stability in China. Social stability is of paramount importance and concern to the PRC authorities.

Domestically, the PRC is taking a number of measures to prevent 'bubbles' being formed in its property market. It raised interest rates and banking reserves on a number of occasions to cool demand in the real estate market and to rein in the massive credit expansion in its domestic banking system. Official statistics suggest fixed-asset investment accounts for 70% of economic activity. Much of that comes from real estate investment. From January to July 2011, fixed asset investment increased 25.4% over the same period last year. Although this growth has moderated, it remains relatively robust. Hence, it is our perception that it may not be time yet for monetary easing in the near term.

On balance, it is our view that the most important issue on the global economic agenda is the rebalancing and restoration of global demand. Without an effective rebalancing programme, growth is likely to be sub-par, and employment difficult to restore on a sustainable basis. Therefore we see greater volatility ahead for the global financial markets. Investor sentiment is likely to swing from renewed confidence in the recovery process on further stimulus measures to pessimistic fear of a 'double dip' recession precipitated by a possible deterioration in the debt situations affecting various European countries.

THE WAY FORWARD

It is important to recognise that MCH is a small company in the process of building sustainable earning streams. MCH has been adopting a prudent strategy of avoiding high leverage to increase revenue and profitability. This emphasis has served us well particularly in periods of great economic uncertainties such as the world is presently facing.

In line with this philosophy, it is gratifying to report that our company has fully repaid all our outstanding loans through internally generated funds to our Australian banker in December 2010. MCH is therefore effectively debt free.

Our strategic decision to focus the Group's resources in expanding its existing businesses rather than seeking out new investments has yielded satisfactory results. Our operating businesses conducted through our 63.85% subsidiary, Quest Investments Limited ("QST"), have reported good growth in both revenue and profits. This encouraging development augurs well for the MCH Group. It is our objective to continue to support QST's business expansion, with emphasis focused on further expanding both the brokerage and marine resources businesses. Both of these businesses have good clients and order books.

Shareholders would undoubtedly have noticed the growing disconnect between our Net Tangible Assets ("NTA") per share and the prevailing market price of the company's shares traded on the ASX. Our NTA per share stood at HK\$9.41 (about A\$1.13) in marked contrast to the A\$0.30 (about HK\$2.49) traded on the ASX.

In line with our conviction that the market price of MCH shares traded on the ASX does not reflect the fundamental value of the Company, we will continue to pursue a share buy-back programme in the coming months as part of our declared objective of returning cash back to our shareholders. The buy-back programme will also assist the Company to tidy up its shareholders list and to enable shareholders with small and non-marketable parcel of shares to liquidate their holdings if they so desire. The programme will also reduce the economic cost of maintaining non-marketable parcel of shares in our registered shareholders list.

In addressing a more volatile and uncertain operating environment your management is focused on pursuing a continuation of our prudent and risk-averse investment strategy in this new financial year. We shall hold fast to our defined mission in the challenging times ahead. The work of building up sustainable earnings streams for MCH continues, and our cause shall endure.

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CHAIRMAN'S STATEMENT (CONT'D)

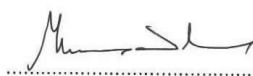
Proposed Dividend

It is the Directors' intention to recommend to shareholders at the 2011 Annual General Meeting that the Company pay a dividend of 0.275 of an Australian cent (A\$0.00275) per share unfranked for the year ended 30 June 2011.

The financial effect of this proposed dividend has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognized in subsequent financial periods. The proposed record date for determining entitlements to the dividend will be determined at the said AGM. This proposed dividend is an increase of 10% from the previous dividend paid in 2009/10 FY and reaffirms the continuation of our objective in maintaining a steady dividend policy based on earning streams for future years. Shareholders will be afforded the opportunity to either receive a cash dividend or to receive the same in a scrip form pursuant to our Dividend Reinvestment Plan.

In Appreciation

On behalf of the Board of Directors, let me conclude by expressing my sincere appreciation to all our employees, shareholders and clients for their continued support and confidence.


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Chiang Wee Tiong
Chairman

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CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the recommendations of the ASX Corporate Governance Council (including 2010 amendments) have been applied for the entire financial year ended 30 June 2011.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

The name of independent directors of the company is:

Koh Kim Chan

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chair prior to incurring any expense on behalf of the company.

The Board of Directors perform the functions ordinarily carried out by a nomination committee.

Ethical Standards

The Board acknowledges and emphasises the importance of all directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.

A code of conduct has been established requiring directors and employees to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the management committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

The Board of Directors perform the functions ordinarily carried out by an audit committee.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

Performance Evaluation

An annual performance evaluation of the Board and all Board members was conducted by the Board for the financial year ended 30 June 2011. The Board developed a internal review system for all Board members and members of the senior management team to provide feedback on how they thought the Board had performed. The chairman also speaks to each director individually regarding their role as director. The results from the internal review system were collated and developed into a series of recommendations to improve performance. This was presented to the Board at which time an action plan was developed to implement the recommendations and set the performance criteria and goals for the next year.

Board Roles and Responsibilities

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board sought external guidance to assist the drafting of its 'Board Governance Document' which has been made publicly available on the company's website. This document details the adopted practices and processes in relation to matters reserved for the Board's consideration and decision-making and specifies the level of authorisation provided to other key management personnel. The Board is ultimately responsible for ensuring its actions are in accordance with key corporate governance principles.

Shareholder Rights

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Murchison Holdings Limited, to lodge questions to be responded by the Board and are able to appoint proxies.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the business's risk profile is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The Board has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The worsening economic environment has emphasised the importance of managing and reassessing its key business risks.

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the key management personnel, was developed by the management committee. All executives receive a base salary, superannuation, mandatory provident fund, fringe benefits and retirement benefits. The management committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half yearly which is based on the forecast growth of the company's profits and shareholders value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all key management personnel for the company and the five highest paid executives, including all monetary and non-monetary components, are detailed in the directors report under the heading Key Management Personnel Compensation. All remuneration paid to executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the consolidated group. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

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CORPORATE GOVERNANCE STATEMENT (CONT'D)

The payment of options and other incentive payments are reviewed by the management committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Remuneration Committee

The Group does not have remuneration committee. The management committee takes the roles of remuneration committee in determining the package for all senior executives.

There are no schemes for retirement benefits other than statutory superannuation or mandatory provident funds for non-executive directors.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at <www.murchisongroup.com>.

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DIRECTORS' REPORT

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2011.

Principal Activities and Significant changes in Nature of Activities

The principal activities of the consolidated group during the financial year were:

- Investments
Investments in marketable securities.
- Stockbroking
Provision of share trading services to clients.
- Venture capital investment
Mezzanine investments in companies suitable for eventual floatation on recognised stock exchanges.
- Telecom
Provision of communication services to clients.
- Sourcing and Distribution
Provision of sourcing and distribution of consumer electronic products.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated profit of the consolidated group amounted to HK\$2,253,100 after providing for income tax and eliminating minority equity interests. This represented a 69% decrease in profits for the year. Further discussion on the Group's operations now follows.

Review of Operations

Murchison Holdings Limited's core performance improved in the financial year ended 30 June 2011. The stockbrokerage business recorded a HK\$3.28billion turnover.

Financial Position

The net assets of the consolidated group did not significantly change during the year ended 30 June 2011. The directors believe the Group is in a healthy and stable position to develop and expand its current operations.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the parent entity during the financial year.

Dividends Paid or Recommended

Subject, inter alia, to the continuing profitability of the Company, the Directors have determined to recommend to shareholders at the 2011 Annual General Meeting that the Company pay a dividend of 0.275 of an Australian cent (A\$0.00275) per share unfranked for the year ended 30 June 2011. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial periods. The proposed record date for determining entitlements to the dividend will be determined at the said AGM.

After Reporting Date Events

No event after the reporting date has to be disclosed.

Future Developments, Prospects and Business Strategies

In the current financial year, the group's emphasis was principally focused on consolidating and expanding group's existing portfolio of businesses. The Group met most of the targets set in the business plan as evidenced by the better financial results achieved.

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DIRECTORS' REPORT (CONT'D)

For the 2011/12 financial year, the Group intends to continue devoting more resources to further deepen and strengthen the present market position in both the financial services business as well as the marine resources business. Notwithstanding the anticipated stronger headwinds arising from a turbulent and volatile market condition, the group believe that both of these businesses have the necessary capacities to handle further increases in the volume of trades without the risk of over-expansion. As the group repaid most of the external financial liabilities in the past year, therefore, confronting the present global financial crisis on a better footing and with a healthier statement of financial position.

Initial results of the first two months of 2011/12 financial year suggest that the operating environment has indeed become more challenging and difficult. The wide swings in investors' sentiment and market gyrations have become more frequent - a trend that is unprecedented in this increasingly globalised world.

A number of developments presently unfolding which can be rather unsettling have convinced the group to be more vigilant in monitoring and executing various plans.

Environmental Issues

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Information on Directors

- | | |
|--|--|
| Wee Tiong Chiang | – Chairman (executive) |
| Qualifications | – B. Sc (Hons), MBA |
| Experience | – Appointed Chairman and Board member since 1991. Mr. Chiang has considerable experience in stock broking, investment, banking and asset management gained in Singapore, Hong Kong and PRC. |
| Interest in Shares and Options | – 807,374 Ordinary Shares and 560,000 options in Murchison Holdings Limited. |
| Special Responsibilities | – Mr Chiang is also the Senior Economic advisor to The People's Government of Nan'an District, Chongqing City, PRC. |
| Directorships held in other listed entities during the these years prior to the current year | – Current director and chairman of Quest Investments Limited since 1991. |
| Grant Anthony Robertson | – Director (Executive) |
| Qualifications | – B. Ec, LLB., CPA |
| Interest in Shares and Options | – 7,473,261 Ordinary Shares and 396,000 options of Murchison Holdings Limited. |
| Experience | – Board member since 1991. Mr. Robertson was a lawyer and general counsel of Dibbs Abbott Stillman, and has considerable experience in property development, corporate and taxation matters. |
| Directorships held in other listed entities during the these years prior to the current year | – Current director of Quest Investments Limited since 1991. |
| Kim Chan Koh | – Director (Non-executive) |
| Qualifications | – MBBS, MRCP, MRACP, DIH |
| Experience | – Board member since 2001. Dr Koh is a retired medical practitioner specialising in aviation medicine. |
| Interest in Shares and Options | – 908 Ordinary Shares and 50,000 options of Murchison Holdings Limited. |
| Directorships held in other listed entities during the these years prior to the current year | – Current director of Quest Investments Limited since 2001 |

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DIRECTORS' REPORT (CONT'D)

- Hung Ngok Wong** – Director (Executive)
- Qualifications – MA, FAIA
- Interest in Shares and Options – NIL Ordinary Shares and 135,147 options of Murchison Holdings Limited.
- Experience – Appointed on 26 Oct 2010, Mr. Wong has over 20 years working experience in banking, accounting and auditing.
- Directorships held in other listed entities during the these years prior to the current year – Current director of Quest Investments Limited since 2010.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Grant Anthony Robertson - B. Ec, LLB., CPA, the director and company secretary of the Group. Details information for Mr Robertson can be referred to the information on the directors.

Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | |
|-------------------------|---------------------------|-----------------|
| | Number eligible to attend | Number Attended |
| Wee Tiong Chiang | 11 | 11 |
| Grant Anthony Robertson | 11 | 11 |
| Kim Chan Koh | 11 | 11 |
| Hung Ngok Wong | 6 | 6 |

Indemnifying Officers or Auditor

During or since the end of the financial year the company has agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was HKD118,355.

Wee Tiong Chiang

Grant Anthony Robertson

Kim Chan Koh

Hung Ngok Wong

Options

At the date of this report, the unissued ordinary shares of Murchison Holdings Limited under option are as follows :

| <u>Grant Date</u> | <u>Date of Expiry</u> | <u>Exercise Price</u> | <u>Number under option</u> |
|-------------------|-----------------------|-----------------------|----------------------------|
| 26 November 2010 | 26 November 2015 | AUD 0.42 | 1,999,149 |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

DIRECTORS' REPORT (CONT'D)

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2011, no ordinary shares of Murchison Holdings Limited were issued on the exercise of options granted. No further shares have been issued since year end. No amounts are unpaid on any of the shares.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The auditors of the Group and its controlled entities did not provide non-audit services during the year. This is not incompatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 23 of the Annual Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Change in presentation currency

Murchison Holdings Limited has elected to change its presentation currency from Australian dollars to HK dollars. The directors believe that changing the presentation currency to HK dollars will enhance comparability with its industry peer group, a majority of which report in HK dollars. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To change the presentation currency, the assets and liabilities of entities with an Australian dollar functional currency at 30 June 2010 were converted into HK dollars at a fixed exchange rate on 1 July 2010 of AUD1:HKD6.634 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive HK dollar comparatives, the Australian dollar functional currency assets and liabilities at 30 June 2010 were converted at the spot rate of AUD1:HKD6.634 on the reporting date; revenue and expenses for the half-year ended 31 December 2010 were converted at the average exchange rate of AUD1:HKD7.3972 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable, and equity balances were converted at applicable historical rates.

Earnings per share for 2010 has also been restated in HK dollars to reflect the change in the presentation currency.

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of Murchison Holdings Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Murchison Holdings Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Group is as follows:

- The remuneration policy is to be developed by the management committee and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, MPF, fringe benefits and options.
- No performance incentives are paid during the year.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The management committee reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. Incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution and Mandatory provident funds (MPF) which is currently 10% and 5% respectively and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation and MPF.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The management committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Key management personnel are also entitled and encouraged to participate in the employee option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, ie put options, on unvested shares and options which form part of their remuneration package

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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REMUNERATION REPORT

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually. Following the assessment, the KPIs are reviewed by the management committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Murchison Holdings Limited bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports will be obtained from organisations.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The options method has issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy was effective in increasing shareholder wealth over the past 5 years.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|----------|----------|----------|------------|-------------|
| | HKD000 | HKD000 | HKD000 | HKD000 | HKD000 |
| Revenue | 56,943 | 81,077 | 34,159 | 61,597 | 509,745 |
| Net Profit / (loss) | 2,297 | 11,632 | 12,004 | 7,286 | 2,253 |
| Dividend | - | - | - | AUD 0.0025 | AUD 0.00275 |
| Share price | AUD 1.01 | AUD 1.30 | AUD 0.70 | AUD 0.38 | AUD 0.29 |

During the year there was on-market share buy-back. The directors felt this was appropriate as it enabled the company to tidy up odd lot shares. The buy-back took effect from 7 Apr 2011 and expired 6 Apr 2012.

During the year, the share price traded between a low of AUD 0.28 and a high of AUD 0.46. The Board has decided to improve investor awareness of the company with the aim of ensuring that the company's share price is in tandem with a consistent and stable financial position of the Company.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

REMUNERATION REPORT

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of share option schemes. Incentive payments provide management with a performance target which focuses upon organic sales growth utilising existing group resources.

The performance – related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to bath reinforce the short and long term goals of the group and provide a common interest between management and shareholder.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the key Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

| Group Key Management Personnel | Position held as at 30 June 2011 and any change during the year | Contract details (duration & termination) | Proportions of elements of remuneration related to performance | | | Proportions of elements of remuneration not related to performance | |
|--------------------------------|---|---|--|---------------|-----------------|--|-------|
| | | | Non-salary cash-based incentives | Shares/ Units | Options/ Rights | Fixed Salary/ Fees | Total |
| | | | % | % | % | % | % |
| Wee Tiong Chiang | Director | No-fixed term | 28 | - | 21 | 51 | 100 |
| Grant Anthony Robertson | Director | No-fixed term | - | - | 21 | 79 | 100 |
| Kim Chan Koh | Director | No-fixed term | - | - | 18 | 82 | 100 |
| Hung Ngok Wong | Director | 3 months notice period | - | - | 22 | 78 | 100 |
| Other Executives | | | | | | | |
| Jason Chiu | Dealing Director | 3 months notice period | - | - | 24 | 76 | 100 |
| Sharon Tan | Senior Manager | 3 months notice period | - | - | 33 | 67 | 100 |
| Wendy Cheung | Administration Manager | 3 months notice period | - | - | 28 | 72 | 100 |
| Anna Tsui | Accountant | 3 months notice period | - | - | 30 | 70 | 100 |
| Carol Rudico | Settlement Supervisor | 3month notice period | - | - | 26 | 74 | 100 |

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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REMUNERATION REPORT

Terms of employment require that the relevant Group entity provide an executive contracted person with a minimum of 1-3 months notice prior to termination of contract. Termination payments equal to the required notice of termination are generally payable. A contracted person deemed who is employed on a permanent basis may terminate their employment by providing at least one month notice. No termination payments is payable on resignation.

Non-executive directors do not have a definite employment term. No termination payments will be paid upon termination.

On 26 Oct 2010, Mr Hung Ngok Wong commenced as director of the company.

Remuneration Details for the Year Ended 30 June 2011

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the key Group executives receiving the highest remuneration:

Table of Benefits and Payments for the Year Ended 30 June 2011

| Group Key Management Personnel | | Short-term Benefits | | | | Total |
|--------------------------------|------|---------------------|-----------------------------|-------------------|---------|-----------|
| | | Salary and Fees | Superannuation Contribution | Non-cash Benefits | Options | |
| Directors | | HKD | HKD | HKD | HKD | HKD |
| Wee Tiong Chiang | 2011 | 1,218,825 | 61,740 | 714,449 | 535,657 | 2,530,671 |
| | 2010 | 1,089,850 | 60,480 | 671,508 | - | 1,821,838 |
| Grant Anthony Robertson | 2011 | 1,278,614 | 115,824 | - | 379,078 | 1,773,516 |
| | 2010 | 1,125,138 | 116,630 | - | - | 1,241,768 |
| Kim Chan Koh | 2011 | 193,897 | 18,716 | - | 47,725 | 260,338 |
| | 2010 | 171,515 | 34,303 | - | - | 205,818 |
| Hung Ngok Wong | 2011 | 445,300 | 20,265 | - | 134,350 | 599,915 |
| | 2010 | 440,000 | 20,000 | - | - | 460,000 |
| Executives | | | | | | |
| Jason Chiu | 2011 | 329,000 | 21,630 | - | 108,754 | 459,384 |
| | 2010 | 447,784 | 21,000 | - | - | 468,784 |
| Sharon Tan | 2011 | 274,062 | 18,484 | - | 145,524 | 438,070 |
| | 2010 | 277,022 | 18,692 | - | - | 295,714 |
| Wendy Cheung | 2011 | 326,500 | 22,155 | - | 134,193 | 482,848 |
| | 2010 | 322,000 | 21,840 | - | - | 343,840 |
| Anna Tsui | 2011 | 226,500 | 15,855 | - | 103,347 | 345,702 |
| | 2010 | 222,000 | 15,540 | - | - | 237,540 |
| Carol Rudico | 2011 | 226,500 | 15,855 | - | 85,328 | 327,683 |
| | 2010 | 222,000 | 15,540 | - | - | 237,540 |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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REMUNERATION REPORT

Securities Received that are not Performance Related

No members of the key management personnel are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

| | Remuneration Type | Grant Date | Reason for Grant (Note 1) | Percentage Vested/Paid during Year % (Note 2) | Percentage Forfeited during Year % | Percentage Remaining as Unvested % | Expiry Date for Vesting or Payment | Range of Possible Values Relating to Future Payment |
|---------------------------------------|-------------------|-------------|---------------------------|---|------------------------------------|------------------------------------|------------------------------------|---|
| Group Key Management Personnel | | | | | | | | |
| Directors | | | | | | | | |
| WeeTiong Chiang | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Grant Anthony Robertson | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Kim Chan Koh | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Hung Ngok Wong | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Executives | | | | | | | | |
| | | | As part of remuneration | 100 | 0 | 0 | - | - |
| Jason Chiu | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Sharon Tan | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Wendy Cheung | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Anna Tsui | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |
| Carol Rudico | Option | 26 Nov 2010 | As part of remuneration | 100 | 0 | 0 | - | - |

Note 1 The options have been granted subject to the completion of one year continued employment with Murchison Holdings Limited and subject to the individual meeting predetermined performance criteria. The options vest evenly at the anniversary of the grant date for 5 years.

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All options were issued by Murchison Holdings Limited and entitle the holder to one ordinary share in Murchison Holdings Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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REMUNERATION REPORT

Options and Rights Granted

| | Grant Details | | | For the Financial Year Ended 30 June 2011 | | | | Overall | | |
|---------------------------------------|---------------|------------------|-----------------------|--|------------------------------|---------------|---------------------------|-------------|---------------|-------------|
| | Date | No. | Value HKD (Note 1) | Exercised No. (Note 2) | Exercised HKD (Note 3) | Lapsed No. | Lapsed HKD (Note 4) | Vested % | Unvested % | Lapsed % |
| Group Key Management Personnel | | | | | | | | | | |
| Directors | | | | | | | | | | |
| WeeTiong Chiang | 26 Nov 2010 | 560,000 | 381,136 | - | - | - | - | - | - | - |
| Grant Anthony Robertson | 26 Nov 2010 | 396,000 | 269,518 | - | - | - | - | - | - | - |
| Kim Chan Koh | 26 Nov 2010 | 50,000 | 34,030 | - | - | - | - | - | - | - |
| Hung Ngok Wong | 26 Nov 2010 | 135,147 | 91,981 | - | - | - | - | - | - | - |
| Executives | | | | | | | | | | |
| Jason Chiu | 26 Nov 2010 | 113,674 | 77,367 | - | - | - | - | - | - | - |
| Sharon Tan | 26 Nov 2010 | 151,565 | 103,155 | - | - | - | - | - | - | - |
| Wendy Cheung | 26 Nov 2010 | 140,264 | 95,464 | - | - | - | - | - | - | - |
| Anna Tsui | 26 Nov 2010 | 108,023 | 73,520 | - | - | - | - | - | - | - |
| Carol Rudico | 26 Nov 2010 | 89,188 | 60,701 | - | - | - | - | - | - | - |
| Total | | 1,743,861 | 1,186,872 | - | - | - | - | - | - | - |

Note 1 The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable Australian Accounting Standards.

Note 2 All options exercised resulted in the issue of ordinary shares in Murchison Holdings Limited on a 1:1 basis. All persons exercising options paid the relevant exercise price in its entirety.

Note 3 The value of options that have been exercised during the year as shown in the above table was determined as at the time of their exercise.

Note 4 The value of options that have lapsed during the year due to vesting conditions not being satisfied has been determined at the time of their lapsing as if vesting conditions had been satisfied.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

REMUNERATION REPORT

Description of Options/Rights Issued as Remuneration

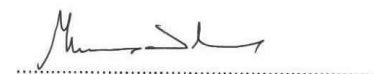
Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

| Grant Date | Issuer | Entitlement on Exercise | Dates Exercisable | Exercise Price AUD | Value per Option at Grant Date | Amount Paid/ Payable by Recipient AUD |
|-------------------|------------------------|--------------------------------|--------------------------|---------------------------|---------------------------------------|--|
| 26 Nov 2010 | Murchison Holdings Ltd | - | - | 0.42 | 0.082 | - |

Option values at grant date were determined using the Black-Scholes method.

Details relating to service and performance criteria required for vesting have been provided in the previous table.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Wee Tiong Chiang, Director

Dated : 04th October, 2011

Bentleys Melbourne

Partnership

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MURCHISON HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



**BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS**



**GORDON ROBERTSON
PARTNER**

Dated in Melbourne on this 4th day of October 2011

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2011**

| | | Consolidated group | |
|---|-------------|---------------------------|-------------------------|
| | Note | 2011 HK\$000 | 2010 HK\$000 |
| Revenue | 3 | 509,745 | 61,597 |
| Cost of Sales | | (503,046) | (54,560) |
| Gross Profit | | 6,699 | 7,037 |
| Other income | 3 | 17,927 | 13,166 |
| Employee benefits expense | | (8,572) | (7,405) |
| Depreciation and amortization expense | | (142) | (125) |
| Finance costs | | (467) | (473) |
| Other operating expenses | | (13,253) | (8,373) |
| Share of net profits of an associated company | | 1,739 | 4,190 |
| Profit before income tax | 4 | 3,931 | 8,017 |
| Income tax expense | 5 | - | - |
| Profit for the year | 4 | 3,931 | 8,017 |
| Profit for the year | | 3,931 | 8,017 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign entities: | | 3,041 | 4,606 |
| Other comprehensive income/(loss) for the year, net income tax | | 3,041 | 4,606 |
| Total comprehensive income / (loss) for the year | | 6,972 | 12,623 |
| Profit attributable to: | | | |
| Members of the parent entity | | 2,253 | 7,286 |
| Non-controlling interest | | 1,678 | 731 |
| Profit for the year | | 3,931 | 8,017 |
| Total comprehensive income/(loss) attributable to : | | | |
| Members of the parent entity | | 5,294 | 14,141 |
| Non-controlling interest | | 1,678 | (1,518) |
| | | 6,972 | 12,623 |
| Earnings per share | | | |
| From continuing and discontinued operations: | Note | | |
| Basic earnings per share (cents) | 9 | 11.12 | 36.14 |
| Diluted earnings per share (cents) | 9 | 10.56 | 18.06 |
| From continuing operations: | | | |
| Basic earnings per share (cents) | 9 | 11.12 | 36.14 |
| Diluted earnings per share (cents) | 9 | 10.56 | 18.06 |

The accompanying notes form part of these financial statements.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

| | | Consolidated group | |
|---|------|--------------------|-----------------|
| | Note | 2011 HK\$000 | 2010 HK\$000 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | 6,680 | 5,617 |
| Trade and other receivables | 11 | 54,650 | 63,026 |
| Financial assets | 14 | 15,139 | 2,465 |
| Other assets | 17 | 30 | 87 |
| TOTAL CURRENT ASSETS | | 76,499 | 71,195 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 11 | 53,872 | 54,066 |
| Investments accounted for using the equity method | 12 | 33,150 | 31,441 |
| Other financial assets | 14 | 51,786 | 50,195 |
| Plant and equipment | 16 | 256 | 329 |
| Other non-current assets | 17 | 760 | 760 |
| TOTAL NON-CURRENT ASSETS | | 139,824 | 136,761 |
| TOTAL ASSETS | | 216,323 | 207,956 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 18 | 23,735 | 19,353 |
| Borrowings | 19 | 3,043 | 6,391 |
| TOTAL CURRENT LIABILITIES | | 26,778 | 25,744 |
| TOTAL LIABILITIES | | 26,778 | 25,744 |
| NET ASSETS | | 189,545 | 182,212 |
| EQUITY | | | |
| Issued capital | 20 | 138,486 | 138,501 |
| Reserves | 29 | 13,951 | 10,534 |
| Retained earnings/(Accumulated losses) | | 5,316 | 3,063 |
| Parent interest | | 157,753 | 152,098 |
| Non-controlling interest | | 31,792 | 30,114 |
| TOTAL EQUITY | | 189,545 | 182,212 |

The accompanying notes form part of these financial statements.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2011

Consolidated Group

| | Note | Reserves | | | | | Non-controlling interests | Total |
|---|------|----------------|-----------------|---------------|------------------------------|--|---------------------------|---------|
| | | Ordinary share | Capital Profits | Share Options | Foreign Currency Translation | Retained Earnings / (Accumulated Losses) | | |
| | | HK\$000 | HK\$000 | HK\$000 | HK\$000 | HK\$000 | HK\$000 | |
| Balance at 1 July 2009 | | 138,720 | 1,666 | 2,110 | (97) | (4,223) | 31,632 | 169,808 |
| Comprehensive income | | | | | | | | |
| Profit and loss | | - | - | - | - | 7,286 | 731 | 8,017 |
| Other Comprehensive income for the year | | | | | | | | |
| Foreign currency translation difference | | - | - | - | 6,855 | - | (2,249) | 4,606 |
| Total comprehensive income for the year | | - | - | - | 6,855 | 7,286 | (1,518) | 12,623 |
| Transactions with owners, in their capacity as owners, & other transfers | | | | | | | | |
| Share issued during the year | | 79 | - | - | - | - | - | 79 |
| Shares bought back during the year | | (298) | - | - | - | - | - | (298) |
| Balance at 30 June 2010 | | 138,501 | 1,666 | 2,110 | 6,758 | 3,063 | 30,114 | 182,212 |
| Balance at 1 July 2010 | | 138,501 | 1,666 | 2,110 | 5,386 | 3,063 | 30,114 | 182,212 |
| Comprehensive income | | | | | | | | |
| Profit and loss | | - | - | - | - | 2,253 | 1,678 | 3,931 |
| Other Comprehensive income for the year | | | | | | | | |
| Foreign currency translation difference | | - | - | - | 3,041 | - | - | 3,041 |
| Total comprehensive income for the year | | - | - | - | 3,041 | 2,253 | 1,678 | 6,972 |
| Transactions with owners, in their capacity as owners, & other transfers | | | | | | | | |
| Shares issued during the year | | 208 | - | - | - | - | - | 208 |
| Shares bought back during the year | | (223) | - | - | - | - | - | (223) |
| Share Options expenses | | - | - | 376 | - | - | - | 376 |
| Balance at 30 June 2011 | | 138,486 | 1,666 | 2,486 | 8,427 | 5,316 | 31,792 | 189,545 |

The accompanying notes form part of these financial statements.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2011

| | | Consolidated group | |
|--|------|--------------------|-----------------|
| | Note | 2011 HK\$000 | 2010 HK\$000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 545,270 | 77,610 |
| Payments to suppliers and employees | | (540,814) | (72,653) |
| Dividends received | | 55 | 21 |
| Interest received | | 453 | 56 |
| Finance costs | | (467) | (473) |
| Net cash provided by (used in) operating activities | 24 | 4,497 | 4,561 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investment / plant and equipment | | (71) | (121) |
| Net cash used in investing activities | | (71) | (121) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from shares issued | | 208 | 79 |
| Payment for share buy back | | (223) | (298) |
| Net cash used in financing activities | | (15) | (219) |
| Net increase / (decrease) in cash held | | 4,411 | 4,221 |
| Cash and cash equivalents at beginning of financial year | | (774) | (4,995) |
| Cash at end of financial year | 10 | 3,637 | (774) |

The accompanying notes form part of these financial statements.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

This consolidated financial statements and notes represent those of Murchison Holdings Limited and controlled entities ('Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Murchison Holdings Limited have not been presented within this financial reports as permitted by the Corporation Act 2001.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are a general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Murchison Holdings Limited at the end of the reporting period. A controlled entity is any entity over which Murchison Holdings Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 15 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more business.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognizing any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(b) **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset or liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(c) **Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|-----------------------------|--------------------------|
| Plant and equipment | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(e) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to statement of comprehensive income immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit and loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in statement of comprehensive income.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, where they are expected to be sold mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in statement of comprehensive income.

Also, any cumulative decline in fair value previously recognized in other comprehensive income is reclassified to statement of comprehensive income.

Financial Guarantees

Where material, financial guarantees issued, that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Impairment of Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in statement of comprehensive income, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(g) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's statement of comprehensive income.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of the investment is recognised in statement of comprehensive income in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the reporting dates of the Group and the associate are different, the associate prepares, for the Group's use, financial statements as of the same date as the financial statements of the Group with adjustments being made for the effects of significant transactions or events that occur between that date and the date of the investor's financial statements.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 13.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Hong Kong dollars are recognized in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

(j) **Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(k) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(m) **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

(n) **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(o) **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Group has applied retrospectively, applied an accounting policy made a retrospective restatement of items in the financial statements, or reclassified items in its financial statements an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(r) **Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest \$1,000.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) *Impairment*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of in respect of property, plant, equipment and trade and others receivable for the year ended 30 June 2011.

Key Judgement

(i) Recoverability of receivables from associated entities

Included in non-current term receivables at the end of the reporting period are amounts owing to the Group from associated companies of HK\$53,872,324 (2010 : HK\$54,066,850). A director of these companies has pledged to provide continued financial support to enable them to meet their debts as and when they fall due. As such the directors believe the full amount of the receivables are recoverable and therefore no provision for impairment has been made.

(ii) Account receivables for investment in Chongqing East Toptrend Demo Limited ("CEDT")

Included in non current available for sales financial assets at the end of the reporting period is an investment at cost of HK\$36,618,700 for 46.43% of the issue securities of CEDT. The remaining 52.27% of the issued securities are held by a single investor whose representative is the sole director of CEDT. As such the Group does not have representation on the board of CEDT. The Group also does not provide technical information to CEDT and has no interchange of managerial personnel. Accordingly, the Group does not believe that it has significant influence over CEDT and does not account for it as an investment in an Associate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) **Correction of error in prior period and revision of preliminary report**

It was disclosed that the group's share of prior year net profits of an associated company was understated.

This error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

| | 30 June 2010 HKD\$000 | Increase/(Decrease) HKD\$000 | 30 June 2010 (Restated) HKD\$000 |
|--|--------------------------|---------------------------------|--|
| Statement of Financial Position (Extract) | | | |
| Investments accounted for using the equity method | 28,326 | 3,085 | 31,411 |
| Net Assets | 179,127 | 3,085 | 182,212 |
| Accumulated losses/Retained earnings | (22) | 3,085 | 3,063 |
| Statement of Comprehensive Income (Extract) | | | |
| Share of net profits of an associated company | 1,105 | 3,085 | 4,190 |
| Profit for the year | 4,932 | 3,085 | 8,017 |
| Total comprehensive income for the year | 4,932 | 3,085 | 8,017 |

Basic and diluted earnings per share have also been restated.

Variance from preliminary report

In accordance with ASX listing rule 4.5A, set out below are certain differences between information contained in the Appendix 4E lodged with the ASX and this financial report.

A correction of prior period error relating to the share of net profits of an associated entity resulted in the following differences:

- (1) Share of net profits of an associated company has decreased from HKD\$4,824,178 to HKD\$1,739,463.

There has been no change to net asset or total equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) **Change in presentation currency**

An entity's functional currency is the currency of the primary economic environment in which the entity operates. Given that in excess of 90% of the Company's revenue and the Group's banking facilities are denominated in HK dollars, the Company announced on 28 February 2011 that the directors had determined that the functional currency of the Company and all its subsidiaries is HK dollars. The change in functional currency has been applied with effect from 1 July 2010 in accordance with the requirements of the Accounting Standards. Murchison Holdings Limited has elected to change its presentation currency from Australian dollars to HK dollars. The directors believe that changing the presentation currency to HK dollars will enhance comparability with its industry peer group, a majority of which report in HK dollars. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in functional current, the assets and liabilities of entities with an Australian dollar functional currency at 30 June 2010 were converted into HK dollars at a fixed exchange rate on 1 July 2010 of AUD1:HKD6.634 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive HK dollar comparatives, the Australian dollar functional currency assets and liabilities at 30 June 2010 were converted at the spot rate of AUD1:HKD6.634 on the reporting date.

Earnings per share for 2010 has also been restated in HK dollars to reflect the change in the presentation currency.

(v) **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on:
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differentiated financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- The Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirement for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Group.

-AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101& AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 07, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

-AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

- AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

This Standard is not expected to impact the Group.

Note 2: Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | 2011 HKD\$000 | 2010 HKD\$000 |
|--|------------------|------------------|
| STATEMENT OF FINANCIAL POSITION | | |
| ASSETS | | |
| Current assets | 13,114 | 10,828 |
| Non-current assets | 161,691 | 158,236 |
| TOTAL ASSETS | 174,805 | 169,064 |
| LIABILITIES | | |
| Current liabilities | 4,228 | 4,426 |
| TOTAL LIABILITIES | 4,228 | 4,426 |
| NET ASSETS | 170,577 | 164,638 |
| EQUITY | | |
| Issued capital | 138,487 | 138,502 |
| Retained profits | 22,727 | 20,975 |
| Reserve | 9,363 | 5,161 |
| TOTAL EQUITY | 170,577 | 164,638 |
| STATEMENT OF COMPREHENSIVE INCOME | | |
| Total profit / (losses) | (3,019) | 2,612 |
| Total comprehensive income | (3,019) | 2,612 |

Guarantees

Murchison Holdings Limited has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

At 30 June 2011 Murchison Holdings Limited had no contingent liabilities.

Contractual Commitments

At 30 June 2011 Murchison Holdings Limited has not entered into any contractual commitments.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

| Note 3: Revenue and Other Income | Note | Consolidated Group | |
|---|-------------|---------------------------|--------------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| a. Revenue from continuing operations | | | |
| Sales revenue: | | | |
| – Proceeds from sales of quoted securities | | 502,349 | 55,055 |
| – Commission | | 7,396 | 6,542 |
| | | <hr/> | <hr/> |
| | | 509,745 | 61,597 |
| | | <hr/> | <hr/> |
| Other revenue: | | | |
| – Dividends received: | | | |
| – other persons | | 3 | 21 |
| Interest received | | | |
| – other persons | | 60 | 137 |
| – Placement | | 3,167 | 1,268 |
| – Unrealized gain on stock | | 6,852 | 291 |
| – Exchange gain | | 1,062 | 2,858 |
| – Other revenue | | 6,783 | 8,591 |
| | | <hr/> | <hr/> |
| | | 17,927 | 13,166 |
| | | <hr/> | <hr/> |
| Total Revenue | | 527,672 | 74,763 |
| | | <hr/> | <hr/> |
| b. Total revenue and other income from continuing operations | | | |
| – Attributable to member of the parent entity | | 351,143 | 47,347 |
| – Attributable to non-controlling interests | | 176,529 | 27,416 |
| | | <hr/> | <hr/> |
| | | 527,672 | 74,763 |
| | | <hr/> | <hr/> |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

| Note 4: Profit for the year | Note | Consolidated Group | |
|--|-------------|---------------------------|--------------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Profit before income tax from continuing operations includes the following specific expenses | | | |
| a. Expenses | | | |
| Cost of sales | | 503,046 | 54,560 |
| Interest expense on financial liabilities not at fair value through profit or loss | | | |
| – other person | | 467 | 473 |
| Rental expense on operating leases | | | |
| – rental expenses | | 1,109 | 1,631 |
| Depreciation and amortization | | 142 | 125 |
| Foreign currency translation loss | | 1,866 | 588 |
| | | | |
| Note 5: Income Tax Expense | | | |
| | | | |
| a. The components of tax expenses companies | | | |
| Current tax | | 2,105 | 1,480 |
| Deferred tax | | (1,460) | 185 |
| Recoupment of prior year tax losses | | (645) | (1,665) |
| | | - | - |
| | | | |
| b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%) | | | |
| – consolidated group | | 2,105 | 1,480 |
| | | | |
| Add : Tax effect of : | | | |
| – Adjustment for foreign tax rate | | (1,460) | 185 |
| Less : Tax effect of: | | | |
| – Share of net profits of the associated entity | | (1,447) | (332) |
| | | (802) | 1,333 |
| | | | |
| Recoupment of prior year tax losses not previously brought to account | | 802 | (1,333) |
| | | | |
| Income tax attributable to entity | | - | - |
| | | | |
| Deferred income tax assets not brought to account | | 52,158 | 53,298 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**Note 6: Interests of Key Management Personnel (KMP)**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2011 | 2010 |
|------------------------------|-----------------|-----------------|
| | HKD\$000 | HKD\$000 |
| Short-term employee benefits | 5,544 | 5,313 |
| Post-employment benefits | - | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | 487 | - |
| | <hr/> 6,031 | <hr/> 5,313 |

KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

| 30 June 2011 | Balance at beginning of year | Granted as remuner- ation during the year | Exercised /lapsed during the year | Other changes during the year | Balance at end of year | Vested during the year | Vested and exer- ciseable | Vested and unexer- cisable |
|-------------------------|---|--|--|--|---------------------------------------|---------------------------------------|--|---|
| Directors | | | | | | | | |
| WeeTiong Chiang | - | 560,000 | - | - | 560,000 | - | - | 560,000 |
| Grant Anthony Robertson | - | 396,000 | - | - | 396,000 | - | - | 396,000 |
| Kim Chan Koh | - | 50,000 | - | - | 50,000 | - | - | 50,000 |
| Hung Ngok Wong | - | 135,147 | - | - | 135,147 | - | - | 135,147 |
| Executives | | | | | | | | |
| Jason Chiu | - | 113,674 | - | - | 113,674 | - | - | 113,674 |
| Sharon Tan | - | 151,565 | - | - | 151,565 | - | - | 151,565 |
| Wendy Cheung | - | 140,264 | - | - | 140,264 | - | - | 140,264 |
| Anna Tsui | - | 108,023 | - | - | 108,023 | - | - | 108,023 |
| Carol Rudico | - | 89,188 | - | - | 89,188 | - | - | 89,188 |
| Total | <hr/> - | <hr/> 1,743,861 | <hr/> - | <hr/> - | <hr/> 1,743,861 | <hr/> - | <hr/> - | <hr/> 1,743,861 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 6: Interests of Key Management Personnel (KMP) (CONT'D)

| 30 June 2010 | Balance at beginning of year | Granted as remuneration during the year | Exercised /lapsed during the year | Other changes during the year | Balance at end of year | Vested during the year | Vested and exercisable | Vested and unexercisable |
|-------------------------|------------------------------|---|-----------------------------------|-------------------------------|------------------------|------------------------|------------------------|--------------------------|
| Directors | | | | | | | | |
| WeeTiong Chiang | 250,000 | - | (250,000) | - | - | - | - | - |
| Grant Anthony Robertson | 150,000 | - | (150,000) | - | - | - | - | - |
| Kim Chan Koh | 50,000 | - | (50,000) | - | - | - | - | - |
| Executives | | | | | | | | |
| Jason Chiu | 50,000 | - | (50,000) | - | - | - | - | - |
| Sharon Tan | 100,000 | - | (100,000) | - | - | - | - | - |
| Hung Ngok Wong | 50,000 | - | (50,000) | - | - | - | - | - |
| Wendy Cheung | 50,000 | - | (50,000) | - | - | - | - | - |
| Total | 700,000 | - | (700,000) | - | - | - | - | - |

KMP Shareholdings

The number of ordinary shares in Murchison Holdings Limited held by each KMP of the Group during the financial year is as follows:

| 30 June 2011 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|---------------------------------|------------------------------|---|---|-------------------------------|------------------------|
| Directors | | | | | |
| WeeTiong Chiang | 680,466 | - | - | - | 680,466 |
| (1) | 126,908 | - | - | - | 126,908 |
| Grant Anthony Robertson (2),(3) | 7,256,656 | - | - | - | 7,256,656 |
| | 147,271 | - | - | - | 147,271 |
| | 69,334 | - | - | - | 69,334 |
| Kim Chan Koh | 908 | - | - | - | 908 |
| Hung Ngok Wong | - | - | - | - | - |
| Executives | | | | | |
| Jason Chiu | 12,000 | - | - | - | 12,000 |
| Sharon Tan (2) | 7,256,656 | - | - | - | 7,256,656 |
| | 330,451 | - | - | - | 330,451 |
| Wendy Cheung | 25,000 | - | - | - | 25,000 |
| Anna Tsui | - | - | - | - | - |
| Carol Rudico | 11,339 | - | - | - | 11,339 |
| Total | 15,916,989 | - | - | - | 15,916,989 |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**Note 6: Interests of Key Management Personnel (KMP) (CONT'D)**

| 30 June 2010 | Balance at beginning of year | Granted as remuneration during the year | Issued on exercise of options during the year | Other changes during the year | Balance at end of year |
|-------------------------|-------------------------------------|--|--|--------------------------------------|-------------------------------|
| Directors | | | | | |
| WeeTiong Chiang | 680,466 | - | - | - | 680,466 |
| (1) | 126,908 | - | - | - | 126,908 |
| Grant Anthony Robertson | 7,256,656 | - | - | - | 7,256,656 |
| | 136,914 | - | - | 10,357 | 147,271 |
| | - | - | - | 69,334 | 69,334 |
| Kim Chan Koh | 908 | - | - | - | 908 |
| Executives | | | | | |
| Hung Ngok Wong | - | - | - | - | - |
| Jason Chiu | 12,000 | - | - | - | 12,000 |
| Sharon Tan | 7,256,656 | - | - | - | 7,256,656 |
| | 330,451 | - | - | - | 330,451 |
| Wendy Cheung | 25,000 | - | - | - | 25,000 |
| Anna Tsui | - | - | - | - | - |
| Carol Rudico | 11,339 | - | - | - | 11,339 |
| Total | 15,837,298 | - | - | 79,691 | 15,916,989 |

Note

- (1) 680,466 ordinary shares are relevant interest in own name.
126,908 ordinary shares are relevant interest as director of Even More Profits Limited.
- (2) 7,256,656 ordinary shares are relevant interest as a director of Jondara Pty Limited.
- (3) 147,271 ordinary shares are relevant interest as a director of Serenar Nominees Pty Ltd.
69,334 ordinary shares are relevant interest as a director of Joymeg Pty Ltd.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 27: Related Party Transactions.

No loans to KMP have been made during the year.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**Note 7: Auditors' Remuneration**

| | Consolidated Group | |
|--|---------------------------|--------------------------|
| | 2011 HKD\$000 | 2010 HKD\$000 |
| Remuneration of the auditor of the parent entity for: | | |
| – Auditing or reviewing the financial statements | 669 | 282 |
| Remuneration of other auditors of subsidiaries for: | | |
| – auditing or reviewing the financial statements of subsidiaries | 1,141 | 677 |
| | 1,810 | 959 |
| | 1,810 | 959 |

Note 8: DIVIDENDS

| | Consolidated Group | |
|---|---------------------------|--------------------------|
| | 2011 HKD\$000 | 2010 HKD\$000 |
| Distributions paid: | | |
| 2010 final dividend (unfranked) of AUD\$0.0025 per share paid in 2011 | 385,413 | - |
| | 385,413 | - |

Total dividends per share

Proposed final 2011 fully unfranked ordinary dividend of 2010 AUD\$0.00275 cents per share unfranked at the tax rate of 30% (2010: 30%)

Note 9: Earnings per Share

| | Consolidated Group | |
|---|---------------------------|--------------------------|
| | 2011 HKD\$000 | 2010 HKD\$000 |
| a. Reconciliation of Earnings to Profit and Loss | | |
| Profit | 3,931 | 8,017 |
| Profit attributable to non-controlling equity interest | (1,678) | (731) |
| Earnings used to calculate basic EPS | 2,253 | 7,286 |
| b. Reconciliation of earnings to profit or loss from continuing operations | | |
| Profit from continuing operations | 3,931 | 8,017 |
| Profit attributable to non-controlling equity interest in respect of continuing operations | (1,678) | (731) |
| Earnings used in the calculation of basic and dilutive EPS from continuing operations | 2,253 | 7,286 |
| | 2,253 | 7,286 |
| | No. | No. |
| c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | | |
| Weighted average number of ordinary shares outstanding | 20,149,000 | 20,160,909 |
| Weighted average number of options outstanding | 1,183,058 | 20,190,600 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 21,332,058 | 40,351,509 |
| | 21,332,058 | 40,351,509 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**Note 10: Cash and Cash Equivalents**

| | Note | Consolidated Group | |
|--------------------------|-----------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Cash at bank and in hand | | 6,680 | 5,617 |
| | 28 | <u>6,680</u> | <u>5,617</u> |

The effective interest rate on short-term bank deposits was less than 1% (2010: less than 1%); these deposits have an average maturity of seven to thirty days.

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | | | |
|---------------------------|-----------|--------------|--------------|
| Cash and cash equivalents | | 6,680 | 5,617 |
| Bank overdrafts | 19 | (3,043) | (6,391) |
| | | <u>3,637</u> | <u>(774)</u> |

A floating charge over cash and cash equivalents has been provided to a bank in Hong Kong to secure the financial facilities of the group.

| | Note | Consolidated Group | |
|---|--------------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Note 11: Trade and Other Receivables | | | |
| CURRENT | | | |
| Trade receivables | | 30,250 | 21,606 |
| Provision for impairment | | - | - |
| Other receivables | | 24,400 | 41,420 |
| Total current trade and other receivables | 28 | <u>54,650</u> | <u>63,026</u> |
| NON-CURRENT | | | |
| Term receivables | 11(a) | 53,872 | 54,066 |
| Provision for impairment | | - | - |
| | | <u>53,872</u> | <u>54,066</u> |

a. Amounts receivable from :

| | | | |
|---|-----------|---------------|---------------|
| - Associated companies | | 53,872 | 54,066 |
| Total non-current trade and other receivables | 28 | <u>53,872</u> | <u>54,066</u> |

Current trade and term receivables are non-interest bearing loans and generally on 30-120 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairments is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item. No provision of impairment has been provided in the accounts during the year.

Credit Risk – Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Hong Kong given its substantial operations in this regions. The Group's exposure to credit risk for receivables at the end of the reporting period in this regions is as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 11: Trade and Other Receivables (CONT'D)

| | Consolidated Group | |
|-----------|---------------------------|-----------------|
| | 2011 | 2010 |
| | HKD\$000 | HKD\$000 |
| Hong Kong | 54,650 | 63,026 |
| Australia | 53,872 | 54,066 |
| | 108,522 | 117,092 |

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount | Past due and impaired | Past due but not impaired | | | | Within initial trade terms |
|----------------------------|---------------------|------------------------------|----------------------------------|-----------------|-----------------|-----------------|-----------------------------------|
| | | | (days overdue) | | | | |
| | | | < 30 | 31-60 | 61-90 | > 90 | |
| | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 |
| Consolidated Group | | | | | | | |
| 2011 | | | | | | | |
| Trade and term receivables | 30,250 | - | - | - | - | - | 30,250 |
| Other receivables | 24,400 | - | - | - | - | - | 24,400 |
| Total | 54,650 | - | - | - | - | - | 54,650 |
| 2010 | | | | | | | |
| Trade and term receivables | 21,606 | - | - | - | - | - | 21,606 |
| Other receivables | 41,420 | - | - | - | - | - | 41,420 |
| Total | 63,026 | - | - | - | - | - | 63,026 |

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

a. Collateral held as security

No collateral is held as security.

b. Collateral pledged

No charge over trade receivables has been provided for during the year. Refer to the note 19 for further details.

| Note 12: Investments Accounted for Using the Equity Method | Note | Consolidated Group | |
|---|-------------|---------------------------|-----------------|
| | | 2011 | 2010 |
| | | HKD\$000 | HKD\$000 |
| Associated companies | | 31,411 | 27,221 |
| Share of profits | | 1,739 | 4,190 |
| | 13a | 33,150 | 31,411 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 13: Associated Companies

Interests are held in the following associated companies

| Name | Principal Activities | Country of Incorporation | Shares | Ownership Interest | | Carrying amount of investment | |
|-----------------------------|------------------------|--------------------------|--------|--------------------|-----------|-------------------------------|------------------|
| | | | | 2011 % | 2010 % | 2011 HKD\$000 | 2010 HKD\$000 |
| Unlisted: | | | | | | | |
| MCS Engines Ltd | Manufacturing Products | Hong Kong | Ord | 50% | 50% | 3,401 | 3,401 |
| Quest Marine Resources Ltd | Seafood Product | Australia | Ord | 28% | 28% | 29,749 | 28,010 |
| Quest Securities Limited | Investment | Hong Kong | Ord | 49% | 49% | - | - |
| Meredeen Investment Limited | Investment | Hong Kong | Ord | 39% | 39% | - | - |

(i) The investment in Quest Securities Limited and Meredeen Investments Limited were fully written off in previous financial year.

| a. Movements During the Year in Equity Accounted Investment in Associated Companies | Note | Consolidated Group | |
|--|--------------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Balance at beginning of the financial year | | 31,411 | 3,597 |
| Add New investment during the year | | - | 23,624 |
| Share of associated company's profit after income tax | 13(b) | 1,739 | 4,190 |
| Balance at end of the financial year | | 33,150 | 31,411 |
| b. Equity accounted profits of associates are broken down as follows: | | | |
| Share of associate's profit before income tax expense | | 2,319 | 5,587 |
| Share of associate's income tax expenses | | (580) | (1,397) |
| Share of associate's profit after income tax | | 1,739 | 4,190 |
| c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates | | | |
| Current Assets | | 126,096 | 43,710 |
| Non-current Assets | | 50,220 | 87,675 |
| Total Assets | | 176,316 | 131,385 |
| Current Liabilities | | (50,151) | (25,030) |
| Non Current Liabilities | | (97,343) | (125,451) |
| Total Liabilities | | (147,494) | (150,481) |
| Net Assets / (Liabilities) | | 28,822 | (19,096) |
| Revenues | | 193,915 | 82,616 |
| Profit / (Loss) after income tax of associates | | 4,623 | 13,820 |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

| | Note | Consolidated Group | |
|---|------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Note 14: Financial Assets | | | |
| Current | | | |
| Financial assets at fair value through profit or loss | (a) | 15,139 | 2,465 |
| Non-Current | | | |
| Available-for-sale financial assets | (b) | 51,786 | 50,195 |
| Total Financial Assets | | 66,925 | 52,660 |
| (a) Financial assets at fair value through profit or loss | | | |
| Held-for-trading listed shares | 28 | 15,139 | 2,465 |
| Shares held for trading are traded for the purpose short-term profit taking. Changes in fair value are included in the statement of comprehensive income. | | | |
| (b) Available-for-sale financial assets comprise: | | | |
| Listed investments, at fair value | | | |
| – Shares in listed corporations | | 53 | 53 |
| Unlisted investments, at cost | | | |
| – Shares in unlisted corporations | | 51,733 | 50,142 |
| Total available-for-sale financial assets | 28 | 51,786 | 50,195 |

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**Note 15: Controlled Entities****(a) Controlled Entities Consolidated**

| | Country of Incorporation | Percentage Owned (%)* | |
|--|-----------------------------|-----------------------|-------|
| | | 2011 | 2010 |
| Parent Entity: | | | |
| Murchison Holdings Limited | Australia | - | - |
| Ultimate Parent Entity | | | |
| Jondara Pty Limited | Australia | - | - |
| Subsidiaries of Quest Investments Limited | | | |
| Quest Investments Limited | Australia | 63.85 | 63.33 |
| MQ Services Pty Limited | Australia | 100 | 100 |
| Quest Venture Pty Limited | Australia | 100 | 100 |
| Murchison International Limited | Hong Kong | 100 | 100 |
| Quest Securities (Australia) Limited | Australia | 63.85 | 63.33 |
| Genequest Pty Ltd. | Australia | 63.85 | 63.33 |
| Techgene Pty Ltd. | Australia | 63.85 | 63.33 |
| Tivuna Pty Limited | Australia | 63.85 | 63.33 |
| MQ Holdings Limited | British Virgin Islands | 63.85 | 63.33 |
| Quest Stockbrokers (HK) Limited | Hong Kong | 63.85 | 63.33 |
| Quest Nominees Limited | Hong Kong | 63.85 | 63.33 |
| Quest Investments Limited | Hong Kong | 63.85 | 63.33 |
| Quest Telecom Ltd. | Hong Kong | 63.85 | 63.33 |

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

There were no acquisitions of subsidiaries during the year.

(c) Disposal of Controlled Entities

There were no disposals of subsidiaries during the year.

(d) Controlled Entities with Ownership interest of 50% or Less

The group does not control any entity through an ownership interest of 50% or less.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 16: Plant and Equipment

| | Note | Consolidated Group | |
|--------------------------|------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| At cost | | 933 | 858 |
| Accumulated depreciation | | (677) | (529) |
| | | <u>256</u> | <u>329</u> |

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year

| | Plant and Equipment HKD\$000 | Total HKD\$000 |
|---------------------------|------------------------------------|-------------------|
| Consolidated Group | | |
| Balance at 1 July 2009 | 333 | 333 |
| Additions | 121 | 121 |
| Depreciation Expenses | (125) | (125) |
| Balance at 30 June 2010 | <u>329</u> | <u>329</u> |
| Additions | 69 | 69 |
| Depreciation Expenses | (142) | (142) |
| Balance at 30 June 2011 | <u>256</u> | <u>256</u> |

Note 17: Other Current Assets

| | | Consolidated Group | |
|--------------------|-------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| CURRENT | | | |
| Prepayments | | <u>30</u> | <u>87</u> |
| NON-CURRENT | | | |
| Funds reserves | 17(a) | 400 | 400 |
| HKCC Membership | | <u>360</u> | <u>360</u> |
| | | <u>760</u> | <u>760</u> |

(a) Funds reserves represents deposits with and refundable admission fee paid to Hong Kong Securities Clearing Company Limited and deposits with the Stock Exchange of Hong Kong Limited.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 18: Trade and other payables

| | Note | Consolidated Group | |
|--------------------------------------|------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| CURRENT | | | |
| Trade payables | | 18,531 | 10,654 |
| Sundry payables and accrued expenses | | 5,204 | 8,699 |
| | 28 | <u>23,735</u> | <u>19,353</u> |

**Financial liabilities at amortised cost
classified as trade and other payables**

| | | | |
|--------------------------|--|---------------|---------------|
| Trade and other payables | | | |
| – Total Current | | <u>23,735</u> | <u>19,353</u> |
| | | <u>23,735</u> | <u>19,353</u> |

Note 19: Borrowings

CURRENT

Secured liabilities

| | | | |
|--------------------------|-----|--------------|--------------|
| Bank overdrafts | a,b | 3,043 | 6,391 |
| Total current borrowings | 28 | <u>3,043</u> | <u>6,391</u> |

a. Total current secured liabilities :

| | | | |
|-----------------|--|--------------|--------------|
| Bank overdrafts | | 3,043 | 6,391 |
| | | <u>3,043</u> | <u>6,391</u> |

b. **Collateral Provided**

The bank overdraft is secured by fixed deposit, and available for sale securities pledged with the bank and a personal guarantee from a director.

The carrying amount of assets pledged as security are :

| | | | |
|--------------------|--|--------------|--------------|
| Available for sale | | 1,930 | 1,485 |
| Fixed deposit | | 6,559 | 5,589 |
| Total | | <u>8,489</u> | <u>7,074</u> |

Cash at bank includes HKD\$6,559,283 (2010: HKD\$5,589,226) pledged as security for overdraft facilities. The effective interest rate on short-term bank deposits was less than 1% (2010: less than 1%); these deposits have an average maturity of seven to thirty days.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

| Note 20: Issued Capital | Note | Consolidated Group | |
|---|-------------|---------------------------|--------------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| 20,132,313 (2010 20,139,514) fully paid ordinary shares | | 138,486 | 138,501 |
| <hr/> | | | |
| a. Ordinary Shares | | No. | No. |
| At the beginning of reporting period | | 20,139,514 | 20,190,604 |
| Shares issued during the year | | - | 18,523 |
| 24 December 2010 | | 80,631 | - |
| Shares bought back during the year | | - | (69,613) |
| 5 August 2010 | | (6,178) | - |
| 6 August 2010 | | (112) | - |
| 3 December 2010 | | (5,000) | - |
| 9 December 2010 | | (12,300) | - |
| 10 January 2011 | | (3,000) | - |
| 12 January 2011 | | (140) | - |
| 11 February 2011 | | (5,000) | - |
| 16 February 2011 | | (28,660) | - |
| 12 May 2011 | | (10,000) | - |
| 13 May 2011 | | (10,800) | - |
| 9 June 2011 | | (212) | - |
| 30 June 2011 | | (6,430) | - |
| At the end of the reporting period | | <u>20,132,313</u> | <u>20,139,514</u> |

On 24 December 2010 the company issued 80,631 ordinary shares at AUD\$0.33 each to shareholders.

On 5 August 2010 to 30 June 2011 the company bought back 87,832 ordinary shares on issue from the market for the price not exceeding AUD \$0.46 per share. The total purchase consideration of the buy-back was AUD \$28,375 (HKD \$222,377). The nature and terms of the buy-back were:

- the buy-back will not exceeding 10% of total issued share from the market.
- the accepting shareholders would be paid and have their shares cancelled within 1 week from the date of buy-back
- the full amount of the buy-back would be debited to issued capital.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options

- i. For information relating to the Murchison Holdings Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 25: Share-based Payments.
- ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 25: Share-based Payments.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 20: Issued Capital (CONT'D)

c. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group's gearing ratio below 20%. The gearing ratio's for the year ended 30 June 2011 and 30 June 2010 are as follows:

| | Note | Consolidated Group | |
|--------------------------------|------|--------------------|------------------|
| | | 2011 HKD\$000 | 2010 HKD\$000 |
| Total borrowings | | 3,043 | 6,391 |
| Trade and other payable | | 23,735 | 19,353 |
| Less cash and cash equivalents | | (6,680) | (5,617) |
| Net equity | | 20,098 | 20,127 |
| Total equity | | 189,545 | 182,212 |
| Total capital | | 209,643 | 202,339 |
| Gearing ratio | | 10% | 10% |

Note 21: Capital and Leasing Commitments

a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable — minimum lease payments

| | | |
|---------------------------------|-------|-------|
| – not later than 12 months | 1,658 | 2,160 |
| – between 12 months and 5 years | 660 | 2,318 |
| – greater than 5 years | - | - |
| | 2,318 | 4,478 |

Operating lease payment represent rental payable by the company for its office premises. The leases are negotiated for a term of twelve to twenty months with fixed monthly rentals.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 22: Contingent Liabilities and Contingent Assets

There were no contingent liabilities and contingent assets at 30 June 2011 and subsequent to the financial year end.

Note 23: Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

Types of products and services by segment

(i) Business segments

- Investments are invested in marketable securities.
- Stockbroking is provision of share trading services to clients.
- Provision of telecom services to clients.

(ii) Geographical segments

The economic entity's business segments are located in Australia with the Investments & Stockbroking division also having operations in the Australia and Hong Kong.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

d. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Current tax liabilities
- Other financial liabilities

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 23: Operating Segments (Cont)

| | Consolidated Group | | | | |
|--|---------------------------|---------------------|-----------------|-----------------|-----------------|
| | Investment | Stockbroking | Telecom | Sourcing | Total |
| | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 |
| 30 June 2011 | | | | | |
| Segment Assets | 171,606 | 26,162 | 17,595 | 960 | 216,323 |
| Segment assets increases for the year | 121 | - | - | - | 121 |
| | 121 | - | - | - | 121 |
| Included in segment assets are: | | | | | |
| - Equity accounted associates | 33,150 | - | - | - | 33,150 |
| Reconciliation of segment assets to group assets | | | | | - |
| Inter-segment eliminations | | | | | - |
| Total group assets | | | | | <u>216,323</u> |
| | | | | | |
| | Consolidated Group | | | | |
| | Investment | Stockbroking | Telecom | Sourcing | Total |
| | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 |
| 30 June 2010 | | | | | |
| Segment Assets | 167,451 | 24,093 | 222 | 16,190 | 207,956 |
| Segment assets increases for the year | 69 | - | - | - | 69 |
| | 69 | | | | 69 |
| Included in segment assets are: | | | | | |
| - Equity accounted associates | 31,411 | - | - | - | 31,411 |
| Reconciliation of segment assets to group assets | | | | | - |
| Inter-segment eliminations | | | | | - |
| Total group assets | | | | | <u>207,956</u> |
| | | | | | |
| 30 June 2011 | | | | | |
| Segment liabilities | | | | | |
| Reconciliation of segment liabilities to group liabilities | 13,594 | 9,833 | 139 | 3,212 | 26,778 |
| Total group liabilities | | | | | <u>26,778</u> |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**Note 23: Operating Segments (Cont)****30 June 2010****Segment liabilities**Reconciliation of segment liabilities
to group liabilities

| | | | | | |
|-------------------------|-------|--------|-----|-------|---------------|
| | 9,830 | 10,753 | 299 | 4,862 | 25,744 |
| Total group liabilities | | | | | <u>25,744</u> |

Revenue by Geographical region**Segment Revenues for External
Customers**

| | 2011 | 2010 |
|----------------------|-----------------|-----------------|
| | HKD\$000 | HKD\$000 |
| Australia | 96,509 | 24,466 |
| Hong Kong | 431,163 | 50,297 |
| Total revenue | <u>527,672</u> | <u>74,763</u> |

Assets by Geographical region

| | 2011 | 2010 |
|---------------------|-----------------|-----------------|
| | HKD\$000 | HKD\$000 |
| Australia | 162,246 | 159,411 |
| Hong Kong | 54,077 | 48,545 |
| Total Assets | <u>216,323</u> | <u>207,956</u> |

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Note 24: Cash Flow Information

| | Consolidated Group | |
|--|---------------------------|-----------------|
| | 2011 | 2010 |
| | HKD\$000 | HKD\$000 |
| a. Reconciliation of Cash Flow from Operations with Profit after Income Tax | | |
| Profit after income tax | 3,931 | 8,017 |
| Non-cash flows in profit | | |
| Depreciation | 142 | 125 |
| Share option write back | - | (1,371) |
| Changes in assets and liabilities | | |
| (Increase) / decrease in trade and others receivables | 8,627 | (441) |
| Increase / (decrease) in trade payables and accruals | 4,382 | (1,972) |
| (Increase) / decrease in marketable securities | (12,587) | 203 |
| Cash inflows/(outflows) from operating activities | 4,497 | 4,561 |

(b) Acquisition of Entities

During the financial year ended 30 June 2011, the Group did not acquire any equity interest of a company

(c) Non-cash financing and investing activities

During the financial year, no option was exercised.

(d) Credit Standby Arrangements with Banks

| | 2011 | 2010 |
|-----------------|-----------------|-----------------|
| | HKD\$000 | HKD\$000 |
| Credit facility | 35,000 | 35,000 |
| Amount utilised | (3,043) | (6,391) |
| | 31,957 | 28,609 |

The bank overdraft is secured by fixed deposit, and available for sale securities pledged with the bank and a personal guarantee from a director.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 25: Share Based Payments

- i. 1,999,149 share options were granted to employees with more than one year of full-time service under the Murchison Holdings Limited employee option plan to take up ordinary shares at an exercise price of AUD \$0.42 each. The options are exercisable on or before 26 November 2015. The options hold no voting or dividend rights and are not transferable.
- ii. Options granted to key management personnel are as follows:

| Grant Date | Directors | Number |
|------------------|-------------------------|---------|
| 26 November 2010 | WeeTiong Chiang | 560,000 |
| 26 November 2010 | Grant Anthony Robertson | 396,000 |
| 26 November 2010 | Kim Chan Koh | 50,000 |
| 26 November 2010 | Hung Ngok Wong | 135,147 |
| | Executives | |
| 26 November 2010 | Jason Chiu | 113,674 |
| 26 November 2010 | Sharon Tan | 151,565 |
| 26 November 2010 | Wendy Cheung | 140,264 |
| 26 November 2010 | Anna Tsui | 108,023 |
| 26 November 2010 | Carol Rudico | 89,188 |

Further details of these options are provided in the directors' report. The options hold no voting or dividend rights. The options lapse when a director ceases their employment with the Group. During the financial year, 1,743,861 options were vested with key management personnel.

- iii. The company established the Employee Share Option Scheme on 26 November 2010 as a long-term incentive scheme to recognize talent and motivate executives to strive for group performance. All employees are entitled to participate in the scheme upon completion of one year employment with the consolidated group. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including growth in shareholder return, return on equity, cash earnings and group EPS growth.

Options are forfeited 2 days after the holder ceases to be employed by the Group, unless the Board determines otherwise (this is usually only in the case of retirement, redundancy, death or disablement).

- iv. During the year 1,999,149 share options were granted to employee as remuneration.

A summary of the movements of all company options issued is as follows:-

| | Number | Weighted average exercise price |
|---|-------------|---------------------------------|
| Options outstanding as at 1 July 2009 | | |
| Granted | 1,580,724 | 1.00 |
| Forfeited | (1,580,724) | 1.00 |
| Exercised | - | - |
| Expired | - | - |
| Options outstanding as at 30 June 2010 | - | - |
| Granted | 1,999,149 | 0.42 |
| Forfeited | - | - |
| Exercised | - | - |
| Expired | - | - |
| Options outstanding as at 30 June 2011 | 1,999,149 | 0.42 |
| Options exercisable as at 30 June 2011: | - | - |
| Options exercisable as at 30 June 2010: | - | - |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The weighted average remaining contractual life of options outstanding at year-end was 4.33 year. The exercise price of outstanding shares at the end of the reporting period was AUD \$0.42.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was AUD \$0.42 (2010: AUD \$1.00). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

| | |
|--------------------------------------|------------|
| Weighted average exercise price: | AUD \$0.42 |
| Weighted average life of the option: | 5 years |
| Expected share price volatility: | 10% |
| Risk-free interest rate: | 4.74% |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

- ii. During the year, no shares were granted to key management personnel as share-based payments.

Note 26: Events subsequent to date of statement of financial position

Subsequent to the statement of financial position date, no event has to be disclosed.

Note 27: Related Party Transactions

| | Consolidated Group | |
|--|--------------------|------------------|
| | 2011 HKD\$000 | 2010 HKD\$000 |
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. | | |
| Transactions with related parties: | | |
| Associated Companies | | |
| Commission income charged by Quest Stockbroker to Meredeen Investments Limited | 133 | 32 |
| Commission income charged by Quest Stockbroker to Quest Securities Limited | 156 | 59 |
| | <hr/> 289 | <hr/> 91 |
| Term receivables from : | | |
| Quest Securities Limited | 44,550 | 44,744 |
| Meredeen Investments Limited | 9,322 | 9,322 |
| | <hr/> 53,872 | <hr/> 54,066 |
| Account payable to : | | |
| A director : Chiang Wee Tiong | 2,034 | 2,569 |

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 27: Related Party Transactions (Cont'd)

Other Transactions

On 28 June 2011, the consolidated group entered into an agreement with Chiang Wee Tiong, a director of the consolidated group. Under this agreement, the consolidated group has the option to sell its equity interest in MCS Engines Limited to Chiang Wee Tiong, an associated entity, for its carrying value of HKD3,400,535. This agreement expires on 31 December 2012.

Note 28: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

| | Note | Consolidated Group | |
|--|------|--------------------|----------------|
| | | 2011 \$000 | 2010 \$000 |
| Financial Assets | | | |
| Cash and cash equivalents | 10 | 6,680 | 5,617 |
| Financial assets at fair value through profit and loss | 14 | 15,139 | 2,465 |
| Trade and other receivables | 11 | 108,522 | 117,092 |
| Available-for-sale financial assets | | | |
| — Equity investments | 14 | 51,786 | 50,195 |
| Total Financial Assets | | 182,127 | 175,369 |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 18 | 23,735 | 19,353 |
| — Borrowings | 19 | 3,043 | 6,391 |
| Total Financial Liabilities | | 26,778 | 25,744 |

Financial Risk Management Policies

The Management Committee (MC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The MC has, undertake such responsibilities. The MC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk.

The MC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk, commodity and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the MC has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 11.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 11.

Credit risk related to balances with banks and other financial institutions is managed by the MC in accordance with approved Board policy.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The Group's policy is to ensure the borrowings should mature in any 12 month period.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable immediately subject to further mutually negotiation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

| Consolidated Group | Within 1 Year | | 1 to 5 Years | | Over 5 Years | | Total | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2011 HKD\$000 | 2010 HKD\$000 | 2011 HKD\$000 | 2010 HKD\$000 | 2011 HKD\$000 | 2010 HKD\$000 | 2011 HKD\$000 | 2010 HKD\$000 |
| Borrowings | 3,043 | 6,391 | - | - | - | - | 3,043 | 6,391 |
| Trade and other payables (excluding estimated annual leave) | 23,735 | 19,353 | - | - | - | - | 23,735 | 19,353 |
| Total contractual outflows | 26,778 | 25,744 | - | - | - | - | 26,778 | 25,744 |
| less bank overdrafts | (3,043) | (6,391) | - | - | - | - | (3,043) | (6,391) |
| Total expected outflows | 23,735 | 19,353 | - | - | - | - | 23,735 | 19,353 |
| Financial assets — cash flows realisable | | | | | | | | |
| Cash and cash equivalents | 6,680 | 5,617 | - | - | - | - | 6,680 | 5,617 |
| Trade and other receivables | 54,650 | 63,026 | 53,872 | 54,066 | - | - | 108,522 | 117,092 |
| Held-for-trading investments | 15,139 | 2,465 | - | - | - | - | 15,139 | 2,465 |
| Available for sale financial assets | - | - | - | - | 51,786 | 50,195 | 51,786 | 50,195 |
| Other assets | 30 | 87 | - | - | - | - | 30 | 87 |
| Total anticipated inflows | 76,499 | 71,195 | 53,872 | 54,066 | 51,786 | 50,195 | 182,157 | 175,459 |
| Net (outflow)/inflow on financial instruments | 52,764 | 51,842 | 53,872 | 54,066 | 51,786 | 50,195 | 158,422 | 156,106 |

Financial Assets Pledged as Collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is not exposed to earnings volatility on floating rate instruments.

Interest Rate Swaps

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

At balance date, there is no outstanding interest rate swap contract.

Interest rate swap transactions are entered into by the Group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The consolidated group does not use swap contracts to maintain a designated proportion of fixed to floating debt.

ii. *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the HKD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the Australian Dollar and Hong Kong Dollar may impact on the Group's financial results unless those exposures are appropriately hedged. At present, the group maintains 50% of its cash reserve in AUD deposit to minimise its foreign exchange rate exposure.

Forward Exchange Contracts

The Group has open forward exchange contracts at balance date relating to highly probable forecast transactions and recognised financial assets and financial liabilities.

iii. *Price risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is not exposed to commodity price risk.

The Group is exposed to securities price risk on investments held for trading or for medium to longer terms. Such risk is managed through diversification of investments across industries and geographical locations.

The Group's investments are held in the following sectors at the end of the reporting period:

| | Consolidated Group | |
|---------------------|--------------------|-------|
| | 2011 | 2010 |
| | % | % |
| Banking and finance | 40 | 40 |
| Property | 20 | 20 |
| Resources | 20 | 20 |
| Utilities | 20 | 20 |
| | <hr/> | <hr/> |
| | 100 | 100 |

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

| | Consolidated Group | |
|--------------------------------|--------------------|-----------------|
| | Profits | Equity |
| Year ended 30 June 2011 | | |
| +/-2% in interest rates | 174/(93) | 174/(93) |
| +/-5% in \$A/HKD | 11,343/(7,611) | 11,347/(7,611) |
| +/-10% in listed investments | 44,928/(45,072) | 44,928/(45,072) |
| Year ended 30 June 2010 | | |
| +/-2% in interest rates | 60/(165) | 60/(165) |
| +/-5% in \$A/HKD | 9,544/(8,368) | 9,544/(8,368) |
| +/-10% in listed investments | 7,351/(6,049) | 7,351/(6,049) |

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

| Consolidated Group | Footnote | 2011 | | 2010 | |
|--|----------|--------------------|----------------|--------------------|----------------|
| | | Net Carrying Value | Net Fair Value | Net Carrying Value | Net Fair Value |
| | | HKD\$000 | HKD\$000 | HKD\$000 | HKD\$000 |
| Financial assets | | | | | |
| Cash and cash equivalents | (i) | 6,680 | 6,680 | 5,617 | 5,617 |
| Trade and other receivables | (i) | 54,650 | 54,650 | 63,026 | 63,026 |
| Loans and advances — related parties | (ii) | 53,872 | 53,872 | 54,066 | 54,066 |
| <i>Financial assets at fair value through profit or loss</i> | | | | | |
| Investments — held-for-trading | (iii) | 15,139 | 15,139 | 2,465 | 2,465 |
| <i>Available-for-sale financial assets:</i> | | | | | |
| — at fair value | | | | | |
| — listed investments | (iii) | 53 | 53 | 53 | 53 |
| — unlisted investments | (iii) | 51,733 | 51,733 | 50,142 | 50,142 |
| Total financial assets | | 182,127 | 182,127 | 175,369 | 175,369 |
| Financial liabilities | | | | | |
| Trade and other payables | (i) | 23,735 | 23,735 | 19,353 | 19,353 |
| Borrowings | (i) | 3,043 | 3,043 | 6,391 | 6,391 |
| Total financial liabilities | | 26,778 | 26,778 | 25,744 | 25,744 |

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables and borrowings are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.
- (ii) Term receivables generally reprice to a market interest rate every six months, and fair value therefore approximates carrying value.
- (iii) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at the end of the reporting period used. In determining the fair values of the unlisted available-for-sale financial assets, the directors have used inputs that are observable either directly (as prices) or indirectly (derived from prices).

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 28: Financial Risk Management (CONT'D)

Consolidated

| 2011 | Level 1 HKD\$000 | Level 2 HKD\$000 | Level 3 HKD\$000 | Total HKD\$000 |
|---|---------------------|---------------------|---------------------|-------------------|
| Financial assets: | | | | |
| <i>Financial assets at fair value through profit or loss:</i> | | | | |
| — investments — held-for-trading | 15,139 | - | - | 15,139 |
| <i>Available-for-sale financial assets:</i> | | | | |
| — listed investments | 53 | - | - | 53 |
| — unlisted investments | - | - | 51,733 | 51,733 |
| | 15,192 | - | 51,733 | 66,925 |
| 2010 | | | | |
| Financial assets: | | | | |
| <i>Financial assets at fair value through profit or loss:</i> | | | | |
| — investments — held-for-trading | 2,465 | - | - | 2,465 |
| <i>Available-for-sale financial assets:</i> | | | | |
| — listed investments | 53 | - | - | 53 |
| — unlisted investments | - | - | 50,142 | 50,142 |
| | 2,518 | - | 50,142 | 52,660 |

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

All financial assets are stated at fair value except for the unlisted investments which is values at the cost of acquisition due to the lack of information available to reliably calculate fair value.

The directors have determined that the fair value of the unlisted investments carried at cost cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. Consequently the investments has been recognized at cost and their fair values have also been stated at cost in the table above.

Note 29: Reserves

- a. *Capital Profits Reserve*
The capital profits reserve records non-taxable profits on sale of investments.
- b. *Foreign Currency Translation Reserve*
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.
- c. *General Reserve*
The general reserve records funds set aside for future expansion of the consolidated group.
- d. *Option Reserve*
The option reserve records items recognised as expenses on valuation of employee share options.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 30: COMPANY DETAILS

The registered office of the company is:

Murchison Holdings Limited

Level 2, 11 Queens Road, Melbourne, VIC 3004, Australia

The principal places of business are:

Quest Investments Limited

Room 201, 2nd Floor, Chinaweal Centre, 414-424 Jaffe Road, Wanchai, Hong Kong

Quest Stockbrokers (HK) Ltd

Room 203, 2nd Floor, Chinaweal Centre, 414-424 Jaffe Road, Wanchai, Hong Kong

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

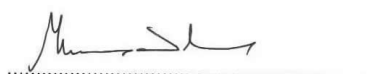
ABN 52 004 707 260

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 72, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Wee Tiong Chiang

Dated this: 04th October, 2011



Bentleys Melbourne

Partnership

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MURCHISON HOLDINGS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Murchison Holdings Limited and its controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards, Auditor's Responsibility*.

Auditor's Responsibility

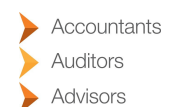
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MURCHISON HOLDINGS LIMITED (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Murchison Holdings Limited on 4 October 2011, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Murchison Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Murchison Holdings Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**BENTLEYS MELBOURNE PARTNERSHIP
CHARTERED ACCOUNTANTS**



**GORDON ROBERTSON
PARTNER**

Dated in Melbourne on this 4th day of October 2011

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

| a. Distribution of Shareholders | Number | |
|--|-----------------|-------|
| | Ordinary | |
| Category (size of holding) | | |
| 1 – 1,000 | | 1,661 |
| 1,001 – 5,000 | | 87 |
| 5,001 – 10,000 | | 26 |
| 10,001 – 100,000 | | 57 |
| 100,001 – and over | | 22 |
| | | <hr/> |
| | | 1,853 |

b. The number of shareholdings held in less than marketable parcels is 1,688.

c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2011 are:

| Shareholder | Number | |
|--|-----------------|-------------------|
| | Ordinary | Percentage |
| Jondara Pty Limited | 7,256,656 | 36.03% |
| Quest Stockbrokers (HK) Ltd <Client A/C> | 3,038,805 | 15.09% |
| Bob Lian | 3,000,000 | 14.90% |

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

MURCHISON HOLDINGS LIMITED AND CONTROLLED ENTITIES

ABN 52 004 707 260

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders — Ordinary Shares

| | Ordinary shares fully paid | % of issued shares * |
|---|----------------------------|----------------------|
| JONDARA PTY LTD | 7,256,656 | 36.03% |
| QUEST STOCKBROKERS (HK)LIMITED <CLIENT A/C> | 3,038,805 | 15.09% |
| MR BOB LIAN | 3,000,000 | 14.90% |
| LAVISTON PTY LTD | 893,500 | 4.44% |
| MARTIN PLACE SECURITIES NOMINEES PTY LTD <QUESTSTOCKBROKERSCLIENT A/C> | 600,455 | 2.98% |
| NATIONAL NOMINEES LIMITED | 439,672 | 2.18% |
| WELLBUILD INTERNATIONAL LIMITED | 349,129 | 1.73% |
| OPTEX EXCHANGE PTY LIMITED <DAVID SUTTON SUPER FUND A/C> | 338,863 | 1.68% |
| STAR BLOOM INVESTMENT LIMITED | 250,000 | 1.24% |
| GEK HUANG TAN | 203,510 | 1.01% |
| FOOK CHOON LEE | 180,000 | 0.89% |
| KARELA GISELLE PTY LTD | 156,000 | 0.77% |
| MS JEMIMA SIM & MR GINO ABATE <SIM SUPERANNUATION FUND A/C> | 155,346 | 0.77% |
| DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT> | 145,000 | 0.72% |
| PAULON ASSETS LIMITED | 142,054 | 0.71% |
| MR RICHARD GEORGE HOLMES | 115,000 | 0.57% |
| JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C> | 115,000 | 0.57% |
| WIGHTHOLME NOMINEES PTY LTD <P F BURKE GROUP SUPER/F A/C> | 101,000 | 0.50% |
| PENNFIELD PTY LTD <ANSALDI SUPER FUND A/C> | 100,000 | 0.50% |
| CHEE KUM LAI | 90,000 | 0.45% |
| | <hr/> 17,669,990 | <hr/> 87.73% |

-
2. The name of the company secretary is Grant Anthony Robertson
3. The address of the principal registered office in Australia is Level 2, 11 Queens Road, Melbourne, Victoria 3004, Australia.
Telephone (03) 9867 7033
4. Registers of securities are held at the following addresses
BoardRoom Pty Limited - Level 7, 207 Kent Street, Sydney, NSW 2000, Australia
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.
6. **Unquoted Securities**
There are 1,999,149 options are on issue to directors and employees under the Murchison Holdings Limited employee option plan.