



MURCHISON HOLDINGS LIMITED

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27th February 2007

Interim Results to 31st December 2006 Highlights:

Net profits fell by 44% to A\$ 247,587

Gearing continued downward trend

Net Assets grew by 14% to A\$13.47 million

Increased earnings contribution from Brokerage business

Rise of Australian Dollar restrained performance

Allocation of resources to broaden future earning base continuing

Interim Results Review

Murchison Holdings Limited ("MCH") recorded a decline of 30% in Profits before Minority interests to A\$ 293,052 for the six months to 31st December 2006 as compared to A\$ 419,249 in the previous corresponding period. After accounting for minority interests' share in our brokerage subsidiary's improved profits performance, Net profits attributable to members fell 44% to A\$247,587.

An analysis of the composition of this decline in performance showed that the results were distorted by the inclusion of a transfer from Exchange Reserves of A\$289,000 to the profit and Loss account in the previous corresponding period ended 31st December 2005. This adjustment was carried out solely in compliance to the first adoption of Australian equivalent to International Financial Reporting Standards ("IFRS"). If we adjust for this one-time non-recurrent transfer, MCH's Net profits would have shown an increase of 130% rather than the decline of 30% from the previous corresponding period. Hence, on an actual comparative basis, MCH had performed much better on its operations in this period under review..

The rise in the Australian Dollar against other currencies in the period under review also restrained MCH's performance.

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Revenues from ordinary activities fell 23% to A\$2.76 million. This fall was mainly due to foreign currency translation caused by the strong rise of the Australian Dollar against U.S. and Hong Kong Dollar in the period under review. Most of our revenues were earned in Hong Kong Dollar, which is pegged to the U.S. Dollar. The more than 12% rise in the Australian Dollar in the first half of 2006/7 financial year therefore accentuated the revenue decline given that MCH had to translate its revenues and earnings into Australian Dollar term.

The other minor contributing factor was the decision by our Brokerage subsidiary to realign their emphasis in weeding out lower-margin commission business generated by certain segment of its clientele in favour of better commission paying customers using its services other than for pure execution basis. This realignment of emphasis on quality of revenue generated has re-affirmed Quest Stockbrokers (HK) Limited ("QSB") 's reputation in the investment community in the region for quality of its investment recommendations and service levels to clients.

Our objective of strengthening the Company's balance sheet continued. A reduction of 42% in overall gearing was achieved. Short-term borrowing stood at less than 10% of the total equity. Net Assets rose by 14% to A\$13.47 million compared to the previous corresponding period of A\$11.766 million. Current ratio stood at an healthy 2.73 whilst loan to capital fell to 12%.

MCH's sourcing subsidiary continued to expand its presence in China as it strived to build up a broader sourcing base in addition to its present base in Hong Kong and Shenzhen. It has just completed the setting up of an office in Chongqing to spearhead its expansion into the south-western region of the PRC.

MCH has been informed by our subsidiary, **Quest Investments Limited** ("QST"), that it had performed credibly in the six months to December 31, 2006. Net Profits before Minority Interest rose by 140% to A\$134,385. After accounting for minority interests, the Net profits was A\$91,419, an increase of 133% over the previous corresponding period of A\$39,279.

All of QST's subsidiaries recorded much-improved performance. In particular, QST's brokerage subsidiary, QSB, recorded the largest increase in profits to A\$107,584, a rise of

156% over the previous period. Had it not been for the strong rise in the Australian Dollar, QST's performance would have been even better than that achieved. QST's subsidiaries' operating currency was mainly the Hong Kong Dollar and currency translation therefore restrained their reported performance in Australian Dollar terms.

The combination of a more focused treasury management and a buoyant stock market performance assisted QST to generate more cash from its ordinary operations. Net increase in cash held rose to A\$ 571,000, an increase of 205% over the previous corresponding period. The consolidated cash flow statement for the period under review showed that cash held at 31 December 2006 rose by 383% to A\$ 285,000 from A\$ 59,000 in the previous corresponding period.

QST's marine resource division also reported a 45% increase in income contribution to A\$17,639 at the interim stage. Better weather and demand/supply dynamics contributed to the overall improvements.

Reflecting a much improved financials, QST's current ratio stood at a healthy 1.5 whilst gearing ratio fell to 2% from 15% previously.

For the period under review, MCH continued to pursue and implement its strategic plan of transforming itself into a more diversified and balanced investment holding company for the future. Additional resources were allocated and used in the pursuit of building up a broader earnings base for future years.

Updates on Projects Undertaken

1. Murchison Holdings Limited ("MCH") has announced a number of diversification opportunities entered into for the six months to 31st December 2006. These include:
 - 1.1 Consortium Agreement to establish "Deutsche Industrial Town" Chongqing with the People's Government of Nan'an District of Chongqing Municipality, PRC;
 - 1.2 Agreement on the setting up of a Joint-Venture Company with Beijing Capital

Group Electronic Technology Co. Ltd, PRC for Water Resource Business;

- 1.3 Co-operation Agreement between Murchison International Limited, Chongqing TopTrend Domo Limited, and Shenzhen Leaguer Digital TV Company Limited for Digital Terrestrial Television Systems;
- 1.4 Launch of telecommunications business in Hong Kong under Quest Telecom Limited;
- 1.5 Co-operative Agreement with Chinese Parties for 3G Chips by Quest Investments Limited.

2. We take this opportunity of updating our shareholders in relation to each of the above:

2.1 Deutsche Industrial Town

- 2.1.1 On 8th August 2006, MCH announced that it had, as part of a 3 member consortium of investors, entered into an agreement with the People's Government of Nan'an District, Chongqing Municipality to jointly set up an industrial park, to be known as "Deutsche Industrial Town" ("DIT") and to be located in Changjiang Industrial Park, Nan'an District, Chongqing, in the PRC.
- 2.1.2 The consortium of investors signing jointly with MCH are Ecosoil Holdings Limited of Germany and TopTrend Group of the PRC.
- 2.1.3 The First Phase planned land area of DIT is 1,500 mu (approximately 1 square kilometre). Subsequent phases will involve land area of upto a maximum of 3 square kilometre (4,500 mu).
- 2.1.4 In addition to the planned area of upto 3 square kilometre, the Nan'an District Government also agreed to provide an additional 200 mu (about 133,400 sq m) for the construction of supporting amenities for the residents of DIT.
- 2.1.5 Further allocation of land along the Kuxi River, which is in close proximity of DIT, for commercial facilities to be constructed had also been agreed. The location and price thereof shall be agreed to with the Nan'an District

Government in a separate agreement.

- 2.1.6 MCH's consortium is entitled to a commission based on the difference between the achieved sale price for the land and a substantially lower entry price (from the indicative market price). The indicative market price for similar land parcel is estimated to be in the range of Rmb 150,000 per mu to Rmb 500,000 per mu.
- 2.1.7 MCH's internal sensitivity analysis on the surplus value that potentially could be accrued to MCH assuming complete sale of the land for development suggests a range of between A\$1.04 to A\$11.75 per share (before conversion of 2009 MCH options) over and above its historical Net Asset Value.
- 2.1.8 MCH and its partners have begun the implementation of the DIT project. It would start the project by constructing standard flatted factories complexes for sale and /or lease to small and medium size enterprises both domestic and foreign-incorporated. A site area of 100 mu (about 66,700 sq m) has been allocated as the First Phase for the complexes. Construction of this Phase is scheduled for Second Half of 2007 pending handover of land designated by the relevant authorities and upon the receipt of planning and design approvals.
- 2.1.9 MCH and its partners intends to commence sale and leasing activities upon receipt of planning approval rather than upon completion of construction.
- 2.1.10 MCH is appointed under the Agreement to be the management company for DIT.

2.2 Water Resource Business

- 2.2.1 On 25th July 2006, MCH announced that it had signed an agreement with Beijing Capital Group Electronic Technology Co. Ltd ("BCGET") to set up a joint-venture company in the PRC for the purpose of developing, producing, marketing, and distributing our eco-friendly water purification and disinfection systems and products to be marketed under our trademark "ECOWATER".
- 2.2.2 MCH has been advised by BCGET that it has established an extensive distribution network both in Beijing and nationwide for a number of

telecommunication and electronic products. It intends to utilise its existing distribution channel for ECOWATER.

2.2.3 BCGET is a subsidiary of a large State-owned conglomerate headquartered in Beijing known as Beijing Capital Group. The Group is known to be the market leader in PRC's water service industry. Currently, it serves about 12 million customers.

2.2.4 MCH intends to locate the production plant of the Joint-Venture company in DIT, Chongqing.

2.3 Digital Terrestrial TV System

2.3.1 On 30th November 2006, the Company announced that its subsidiary MCHI had entered into a Co-operative agreement with Chongqing Toptrend Domo Limited ("Domo") and Shenzhen Leaguer Digital TV Co. Ltd ("Shenzhen Leaguer") for the production, marketing and promotion of the usage of Digital Mobile TV systems and equipments developed by Shenzhen Leaguer to overseas markets in the capacity as OEM as well as a Preferred Distributor in the setting up of national digital terrestrial television systems in overseas countries.

2.3.2 MCHI has been informed by Shenzhen Leaguer that it is a hi-tech branch corporation of the Research Institute of Tsinghua University. Tsinghua University is one of PRC's most prestigious and leading universities. Shenzhen Leaguer owns the intellectual property rights to the transmission mode invented by Tsinghua University. The DMB-T transmission mode is the **ONLY** recognised national standard for digital terrestrial TV system in the PRC.

2.3.3 MCHI intends to market the digital terrestrial TV systems and products utilising the brand names of "DICE" and "DITV".

2.3.4 MCHI has put forward a proposal to the Government of Montenegro for the setting up of a digital terrestrial TV network and system for the country. Preliminary understanding has been reached in a meeting in December 2006 in Montenegro that MCHI and its partners would be invited to submit a detailed proposal for the implementation and construction of the said TV network. It is envisaged that a separate company incorporated in

Montenegro would be set up with local shareholders to jointly manage and own the new network of digital television stations arising out of the project.

2.3.5 MCHI is expected to submit the proposal by the end of March 2007.

2.4 Quest Telecom Limited

2.4.1 QST announced last year the setting up of Quest Telecom Limited to consolidate its telecom businesses going forward. Following the granting of the PNET Licence by the Office of the Telecommunications Authority ("OFTA") in Hong Kong, QTL launched its international calling cards and IDD services in Hong Kong. Thus far, It has circulated two international calling cards, one for the general market, and the other an "AFRICA " card, catering mainly for the growing niche market of travelling African businessmen and tourists visiting Hong Kong and the PRC.

2.4.2 Preliminary results for the past 10 weeks since the "soft" launch indicated that QTL's service quality and technology platform are generally well-received by the customers who purchased its calling cards. The phone card services are now cash-flow positive on variable cost basis and is contributing modestly towards the overall overall fixed costs.

2.4.3 QTL has also launched the sale of its VoIP telephone handsets , bundling these with the sale of Hong Kong, Macau, and PRC telephone numbers through the distribution network of agents and resellers it has appointed in each of these cities and countries. Customers purchasing QTL's VoIP telephone sets, USB VoIP phones, and Mobile VoIP Dect Phones are encouraged to register for a free subscription to the IDD services under the prefix "1642" assigned to QTL by OFTA.

2.4.4 Similar appointments of resellers and distributors are in progress in Australia, New Zealand, Malaysia, Singapore, Thailand, Indonesia, United Kingdom, Serbia, Montenegro, Austria, and other European countries.

2.5 3G Chips and Handsets

2.5.1 In February 2007, as part of its corporate plan to participate in the huge PRC telecommunication market, and in particular, the imminent

roll-out of 3G telecom services by the PRC, QST signed a Co-operative agreement with two of PRC's leading technology companies, Chongqing Chongyu Information Technology Co. Ltd ("CYIT") and Chongqing TopTrend Domo Limited ("DOMO") to commercialise, market, and promote the use of 3G chips as part of the TD-SCDMA standard developed for the impending roll-out of 3G telecom services by the PRC.

- 2.5.2 Under the Agreement, CYIT undertakes to provide QST and Domo with TD-SCDMA chips and their related protocols and subsequent improvements thereof to software and hardware including the complete TD-SCDMA ("TSM") mobile phone. CYIT further undertakes to train DOMO's and QST's staff in relation to the TD-SCDMA technology and systems. Following research, development, and commercialisation of the TD-SCDMA chip and the TSM mobile phones, CYIT undertakes to supply DOMO and QST with chips for sale in the PRC and the global markets.
- 2.5.3 DOMO is responsible under the Agreement for the development mechanism, identification of TSM mobile phones, engineering and production of TSM mobile phones, and their eventual marketing in the PRC market. DOMO is also responsible for the achieving acceptance of TD-SCDMA technology into the PRC's 3G network, with full technical support to be provided by CYIT.
- 2.5.4 QST is responsible under the Agreement to market TSM mobile phones internationally. QST will also utilize its international network to procure funding for the project. QST is also expected to assist in expanding the range of TSM mobile phones which will be manufactured in DOMO's manufacturing facility in Chongqing
- 2.5.5 CYIT is a well-established technology company owned by the Chongqing Municipality Government and the Chongqing University of Posts and Telecommunications. CYIT has since 1998 embarked on research and development of the TD-SCDMA third generation mobile telecom terminal. CYIT was instrumental in ensuring international acceptance of TD-SCDMA as one of the major mainstream standards for 3G telecommunications. In 2005, it successfully developed and produced the world's first 0.13 micron TD-SCDMA mobile handset chip.

2.5.6 DOMO is one of the leading technology companies in the PRC, and a member of the TopTrend Group. TopTrend Group is a leader in the design and manufacturing of intelligent consumer electronics products for home and businesses. It is a pioneer in IPTV and interactive media and has led the Asian market in interactive IP Set Top Boxes. The Group has long-established relationships with leading technology companies such as Intel and Microsoft, acting as their ODM manufacturer in the PRC and their embedded solution partners respectively. DOMO operates a large modern production facility in the high-tech industrial park in Chongqing for high definition televisions, mobile handsets, and other digital electronic products.

2.5.7 The significance of this Co-operative Agreement with CYIT and DOMO lies in the opportunity extended to QST and MCH for an important entry point into the PRC telecommunication market. Whilst the strategic alliance with the PRC's two leading technology companies adds credibility to MCH and QST, it also opens up for MCH to benefit from the vast market arising from the anticipated change over of traditional mobile handsets to the new 3G mobile handset. It has been estimated that there are over 600 million mobile phone handsets in the PRC market. The TD-SCDMA chips to be marketed by MCH and its subsidiaries will benefit from the "first mover" advantage

3. We take this opportunity to advise that based on our detailed onsite due-diligence and discussions, MCH decided not to proceed with the proposed transaction with Ecosoil Holdings Limited of Germany. The primary concern was the exceedingly complex taxation laws and regulations which an investment in a German corporation would have to comply with.

OUTLOOK

For the second half of 2006/7 financial year, MCH is looking forward to continue its transformation programme. The potential cross-selling and application of our products and services between different segments of our assembled businesses are becoming more

apparent.

Its subsidiary, QST is looking forward to a strong recovery and performance into the second half of this financial year. Under the present QST's structure, much of the immediate and major contributor to performance will still remain dependent on its stockbrokerage and investment banking activities. Initial results of the two months into the second half indicate that levels of activity are ahead of the prior period. However, it is important to recognize that such performance is substantially dependent upon prevailing equity market conditions and investors' sentiment.

We remain cautiously optimistic of our operating performance in the months ahead.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Chiang Wee Tiong', written over a horizontal line.

Chiang Wee Tiong

Chairman