



MURCHISON HOLDINGS LIMITED

ABN 52 004 707 260

ASX Announcement & Media Release

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Laying Stronger Foundation for Future Sustainable Growth

Full Year 2007 Financial Results Highlights

Financial results for the full-year ended 30 June 2007, compared to the previous Corresponding period ("pcp")

Murchison Holdings Limited (ASX : MCH) today announced an increase of 48% in Revenues from ordinary activities to \$8.577 million for the year ended 30 June 2007 as compared to pcp.

Net Profit fell 70% to \$ 345,729 for the year ended 30 June 2007 as compared to pcp mainly due to the effect of one time AIFIRS adjustment to the pcp's profit computation. The large rise in the Australian Dollar in 2007FY also impacted negatively our operating results on currency translation consideration. Our income are predominantly in Hong Kong and US dollar. The Australian Dollar had appreciated by a massive 18% against these two currencies during the relevant period

Ordinary operations were generating more cash with net increase in cash held at year end rising to \$604,000 as compared to a decrease in net cash of \$65,000 in the pcp.

Financial Highlights

- ❖ Revenue from ordinary activities was \$8.577 million , an increase of 48% as compared to the pcp;
- ❖ Net profit was down 70% to \$345,729, as compared to a profit of \$1.147 million in the pcp;
- ❖ Gearing continued a downward trend with short term borrowings falling by 60% to \$ 1.154 million and Current liabilities by 32% to \$5.44 million in 2007 FY;
- ❖ Finance cost was a modest \$128,932, an improvement of 29% over the pcp;

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- ❖ Net increase in cash held at year end was \$604,000, a nine-fold increase from pcp;
- ❖ A total of 240,716 options were converted in 2007 FY, bringing a total number of 1,113,803 options converted to ordinary shares to date, or 9.1% of the MCH2009 options outstanding.

Highlights of the operating businesses

Quest Investments Limited

Our 55.55% subsidiary reported strong profit growth on the back of a 49% increase in revenue. Net profit rose to \$262,112, a gain of 280% over the pcp. QST's gearing position continued to trend downwards, with short term borrowings falling by 93% to \$0.15 million as compared to \$2.41 million in the pcp. Interest expense was a modest \$128,931 whilst net increase in cash was \$1.399 million from operating activities. To date, over 33.57% of the QST2009 options had been converted into ordinary shares.

Stockbrokerage

Total revenue increased 66.97% to HK\$14.25 million from HK\$8.52 million in the pcp. All segments of the firm's operations registered credible performance.

QSB's commission income was HK\$5.512 million and significant profits of HK\$7.244 million were recorded for its investment portfolio.

Telecommunications

Quest Telecom Limited contributed HK\$6.15 million (A\$0.95 million) in revenue and a gross profit of HK\$245,542 (A\$39,310) after carrier-partners' costs. After accounting for administration and other incidental costs, a small profit of HK\$2,161 (A\$350) was recorded for its maiden year.

Marine Resource

Oceanic Seafood Processing Pty Limited, a 45% associate company of QST, had a disappointing year. Strong Australian Dollar and unusually bad weather contributed to the poor performance. On equity accounting basis, our share of the loss amounted to \$74,399.

Murchison International Limited

Our sourcing company continued to invest in expanding its market coverage. Resources were devoted to establishing commercial relationships with companies in Central and Eastern European countries. The costs associated with this expansion of coverage had been expensed off in the 2007FY. Revenue contribution from this subsidiary was HK\$3.453 million and a gross operating profit of HK\$294,313 for the 2007FY.

In addition to the DiTV multi-media products, the company is also marketing jointly with Quest Telecom Limited a new range of mobile phone sets and IPBXs to each other's customers as part of an effort to implement the cross-selling strategy defined in our strategic plan. Initial results from these activities have been encouraging.

Outlook

We have achieved various operating and strategic targets in the 2007 FY. We continued to invest both management time and financial resources in transforming our Group from a traditional investment holding company, owning a major investment in the listed Quest Investments Limited, to a more diversified and balanced investment holding company for the future.

Most of the new businesses are organically grown, and they need time to grow and mature before any meaningful earning streams perpetuate. We have also in 2006 FY set an objective of strengthening our balance sheet in order to support our defined strategic plan. The 2007 FY results should therefore be seen in the context of laying stronger foundation for a future sustainable growth.

The Asia-Pacific economies, particularly that of the PRC's, continue to remain healthy and vibrant. This should continue to support a growth trend from which our Group's businesses can benefit.

The recently announced relaxation of foreign exchange control for PRC's residents to directly invest through an appointed financial institution in Tianjin City and the further relaxation of limitations placed on Qualified Institutional Investor ("QDII") scheme are positive initiatives which augur well for our stockbrokerage businesses in the years ahead. With a domestic savings estimated to be over 23 trillion Rmb in the PRC and an estimated 300 million investment account holders, we remain optimistic that the size of investable funds which the Hong Kong equity market can tap will only grow significantly.

Despite these positive developments, there is a need to recognize that short-term negative factors such as the unfolding sub-prime mortgage loan crisis in the US and Europe, the spill-over effects this has over the general credit markets, the unwinding of the "carry-trade" in the foreign exchange markets, and the shrinkage of 'easy' credits available to finance most hedge funds and private equity funds in their acquisition activities can combine to undermine further the already fragile market sentiment. We see greater volatility ahead in the world's capital market.

Our recently announced participation in an up-market luxurious residential property development in Zhongshan City in China represents our continuing effort to diversify our income base and lay stronger foundation for a sustainable growth for future years. With prevailing market price of similar range of properties already reaching Rmb 7500 per sq m (against our budgeted Rmb 7000 per sq m), we are cautiously optimistic that this investment should generate good returns to our Group in the next 18 months.

The same applies to our acquisition of Motorway Tyres Pty Limited. Although our due diligence has not yet been completed, both Environinvest Ltd (the Vendor) and ourselves have been acting as though our agreement has been completely consummated. Remoulded tyre production has increased, warehouse/offices have been established in Melbourne, Sydney and soon in Brisbane and via an agency agreement in New Zealand and there has been a material increase in our distribution network and customer base.

In addition, it is anticipated 4 retail outlets will be purchased in the immediate future. Further, our negotiations with various PRC tyre manufacturers for Motorway to be appointed marketing and distribution agent for their tyres are proceeding favourably.

We have identified automobile industry as one in which we would like to participate in. We have also reached preliminary agreement with a German automotive engineering specialist company and a Chinese motorcycle manufacturer to form a joint-venture company based in the PRC to design and manufacture motorcycle engines of larger capacities and thereafter, automobile engines for the PRC and global markets. We are satisfied that both projects are complementary in nature and should yield good earnings to our Group in the future.

Notwithstanding the recent turbulence in the financial markets, initial results of the first two months of the new 2008FY indicate that levels of activity are ahead of pcp. Although it is too early to indicate a confirmed trend, we are nonetheless cautiously optimistic of our operating performance for the months ahead.

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