



# QUEST INVESTMENTS LIMITED

ABN 59 004 749 044

## ASX Announcement & Media Release

Date : 31st August 2010

### Focusing On Expanding Existing Businesses

#### Full Year To 30 June 2010 Financial Results Highlights

*Financial results for the Full Year ended 30 June 2010, compared to the previous Corresponding period ("pcp")*

---

Quest Investments Limited (ASX : QST) today announced a 67% increase in Net Profit in continuing operations excluding "Excess of investor's share of the net value on acquisition" to \$545,251 for the full-year ended 30 June 2010 as compared to \$326,150 achieved in the pcp. In the pcp, there was an amount attributable to "Excess of investor's share of the net value on acquisition" of \$3.56 million arising from the acquisition of the food processing company in China.

Revenue from Ordinary Activities increased by 33% to \$6.005 million for the year ended 30 June 2010 as compared to the pcp of \$4.503 million.

Our stock brokerage subsidiary company has registered strong growth in both turnover and commission income. The marine resources operations also registered good growth in sales and profits.

Operating cost containment achieved desired target reduction.

Financial position remained healthy with modest financial liabilities.

---

#### **Financial Highlights**

- ❖ Revenue from ordinary activities was \$6.005 million, an increase of 33% as compared to the pcp;
- ❖ Investment portfolio registered satisfactory performance with no 'Marked to Market' provision needed ;
- ❖ Net Profit for continuing operations was \$545,251, a rise of 67% as compared to the pcp;
- ❖ Finance cost remained well contained at \$39,924, a 36% decrease from pcp;
- ❖ Expense base fell by 44%, the result of a strictly enforced discipline on cost containment;



## **Highlights of the operating businesses**

### **Stockbrokerage**

Our stockbrokerage business conducted through Quest Stockbrokers (HK) Limited ("QSB") registered a credible performance in volatile and difficult trading conditions. The quantitative easing measures implemented by various governments had prevented a complete meltdown in the global financial system. These measures also precipitated a mild recovery in the world economy and helped stabilize a jittery global capital markets.

Hong Kong continued to benefit from a strong Chinese economy. QSB's commission income was HK\$6.541 million, an increase of 125% as compared to the pcp.

Total value of transactions executed by QSB was HK\$2.2 billion (A\$321m) as compared to HK\$0.961 billion (A\$140m) in the pcp.

Operating Profit rose 2178% to HK\$1.824 million as compared to HK\$0.08 million achieved in the pcp.

### **Nominees Services**

Quest Nominees Limited ("QNL") achieved a good improvement in both its revenue and profitability. Profit for the year rose 2480% to HK\$75,754 on a revenue of HK\$4.23 million (A\$0.616m). Income from traditional activities of secretarial services and reduction in administrative expenses contributed to the better performance.

### **Telecommunications**

Quest Telecom Limited ("QTL") continued to operate in difficult market conditions in a mature industry. QTL contributed HK\$7.3 million (A\$1.06m) in revenue. A loss of HK\$158,362 (A\$23,082) was recorded for the year.

### **Marine Resource**

We have been advised by Quest Marine Resources Limited ("QMR"), and its wholly-owned subsidiary Dalian Jixiang Foods Limited ("DJFL") that each of them recorded better sales and profits. QMR's contribution to the Group's earnings rose 419% to \$250,408 as compared to the pcp. DJFL's sales rose 25% to Rmb16.75million for the first four months of 2010. After accounting for increased processing activities in its 10,000 metric tonnes plant in Dalian PRC, net operating profit rose 29% to Rmb3.34 million from Rmb2.58 million achieved in the pcp.

Notwithstanding the poorer state of the Spanish economy coupled with the severe contraction in bank borrowings affecting our competitors in Spain, DJFL was able to gain market share in the anchovy export business to various EU countries.

## **Outlook**

A Year ago, the world economy was teetering on the verge of a deep recession. The quantitative easing measures adopted by various governments had stabilised the global financial systems. Recovery in the world economy was evident and the global capital markets rallied on better economic fundamentals this past year.

However, signs are emerging recently that this recovery is stalling. Downturns in leading indicators in the US, Europe and Asia in recent months has led to increasing concern of a possible 'double-dip' recession for the world economy. This unsettling concern came shortly after the disturbing sovereign debt crisis in a number of EU countries in the early part of 2010. Outlook for the US economy was, in the words of Chairman Ben Bernanke of US Federal Reserve Bank, "unusually uncertain".

In the US, private sector deleveraging has begun in tandem with a rise in saving rates. This means that credit is contracting and demand is depressed. With the prevailing high 9.5% unemployment rate not helping the situation, the risk of private demand in US and other advanced economies remaining weak for a considerable period of time is increasingly high. Some economists believe that the US economy may remain anaemic for the next couple of years.



For the PRC, a moderation in the growth rate for the second quarter of this year is also a cause for concern. A rebalancing of its economy from an over-reliance on exports to developed countries to a more focused plan of enhancing domestic consumption and infrastructural investments is presently taking place. The success of this rebalancing of its economy is far from certain. It will depend on the outcome of its policy and various measures undertaken to spur consumption at a time of economic uncertainties precipitated by the fall in export demand for Chinese-made goods. Currently, consumption in China accounts for about 37% of its GDP. This contrasts with consumption accounting for about 70% of GDP in the U.S.

Much is also dependent on its present effort in reining in an overheated domestic housing market through tightening credit availability. A hard landing of the property market will have massive negative implications for its domestic banking system. This follows from a massive 30% expansion in credit and loan facilities to domestic companies and local government-owned entities in the past year. In a sense, this massive credit expansion was the inevitable outcome of the Government's effort to restore growth and expand domestic demand to counter the negative impact of synchronous recessions in the OECD countries. A large portion of this massive credit expansion has found its ways into the property and stock markets, resulting in a massive rally in all sorts of risky assets – equities, oil, commodity and food prices that led to the fear of “bubbles” being formed.

The rebalancing acts of US, Europe and China suggest that the economic performance of the world's major economies is set to disappoint in the medium term. It also suggests that the much-touted need for an early exit from quantitative easing measures is unlikely to take place in the short term for most developed western economies. On the contrary, we believe that further stimulus measures are likely to be introduced to forestall a “double-dip” recession from taking place. This will be positive for the capital markets for the rest of the year.

With more than US\$2.1 trillion in foreign reserve, a modest government debt of about 23% of GDP and a strong fiscal position, the PRC Government has the financial means to withstand any sharp slowdown in economic growth. This is crucial for the rest of Asia since it has been the driver of growth in the region. We expect China's growth rate is likely to be in the high single-digit range for 2010 and 2011.

For Australia, the anticipated slowdown in the major economies is likely to translate into softer demand for its mineral exports. The unwinding of the carry trades in the currency market will accelerate the currency decline, particularly in the light uncertainties in the political arena following an inconclusive general election recently. There is also further concern on the need to exit the stimulus programme and restoring fiscal discipline. We therefore do not expect a buoyant stock market for the rest of the year.

## ***The Way Forward***

Our continued focus on operational and financial disciplines in times of greater uncertainties and volatility has served the Group well in the 2009/10 FY. The “unusually uncertain” economic environment is expected to continue. Concerns are increasingly being felt across Asian exporting countries following recent confirmed signs of a general slowdown in the US economy.

Shareholders will undoubtedly recall that QSB is now a wholly-owned subsidiary of the Group following the re-purchase of the 40% equity interest from our then US partner. QSB has not been making any capital investments in the past several years due primarily to the legal uncertainties affecting its previous US partner. Now that this issue has been resolved, and as part of our revitalization plan to ensure sustainability of our long-term revenue and income streams, QSB has applied to the Hong Kong Stock Exchange to set up an internet-based brokerage and trading system to augment its traditional telephone-based service presently offered to its clients.

Installation of the communication lines and trading platform is slated to begin in end-September 2010. Further testing on the software and hardware integration will take about 3 months. QSB has targeted the full introduction of internet-based brokerage services to its international and domestic clients to commence in the latter half of December 2010.

We have been informed by QSB that it is confident in tapping into the rich vein of internet users in the PRC. Given the over 600 million internet users and the estimated 330 million investor accounts in the PRC, and the various offices that the parent company has in China providing logistical support, QSB has set a target of recouping its latest investments within an 18-month period.



QMR's lack of success in raising capital from the Australian capital market to further expand its businesses is indeed disappointing. We have been informed by the management that it will seek loan financing locally in the PRC. As a significant shareholder of QMR, QST intends to assist in seeking funding from its existing network of relations to support QMR and its operating entities in the PRC as they strive to meet its expanding order book.

We remain of the view that the acquisition of DJFL by QMR is the right way forward for us in the longer term to tap into the large and emerging consumer food markets in Hong Kong and in the PRC. Given the recently announced policy emphasis of the central government on expanding the disposable income of the rural population in the agricultural sector, and the need to exploit PRC's hitherto untapped and vast marine resources, we are confident that the prospects of the food industry in the PRC are very promising indeed.

We have set a course to build stronger earnings base for the Quest Group. Our traditional financial services business will continue to be primary earning driver as it expands its business coverage. We will continue to seek ways to help fund the business expansion in QMR's marine resources activities in order to deliver on the prevailing strong order book.

Initial results of the first two months of 2009/10 FY are encouraging. QSB's turnover and revenue for the first two months of the new financial year are about 15% ahead of the pcp. Although it is still preliminary to extrapolate on these results, it appears that our various operating units are trading well despite the presence of enhanced uncertainties and greater volatility in the financial markets. Nonetheless, it is difficult to predict how the Group will perform for the rest of the year given the myriad of unforeseen variables that could derail the fragile economic recovery globally. We are cautiously optimistic for the medium term.

---

For further details please contact:

**Chiang Wee Tiong**

Chairman

(852) 2877 6828

Email: [cwt@murchisongroup.com](mailto:cwt@murchisongroup.com)

**Grant Robertson**

Director and Company Secretary

(03) 9867 7033

Email: [garobertson@murchisongroup.com](mailto:garobertson@murchisongroup.com)