



QUEST INVESTMENTS LIMITED

ABN 59 004 749 044

ASX Announcement & Media Release

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Global uncertainties impact performance

Half-Year To 31 December 2011 Financial Results Highlights

Financial results for the half-year ended 31 December 2011, compared to the previous Corresponding period ("pcp")

Quest Investments Limited (ASX : QST) today announced a Net Loss of HK\$ 2.755 million for the half-year ended 31 December 2011 as compared to a Net profit of HK\$3.124 million achieved in the pcp.

Revenue declined for most operating businesses.

Expenses were reduced as a result of concerted efforts of management.

Satisfactory financial position in a slowing economic cycle

Financial Highlights

- ❖ Revenue from ordinary activities was HK\$46.43 million , a 68% decrease as compared to the pcp;
- ❖ Net Loss after minority interests was HK\$2.755 million as compared to HK\$3.124 million Profit in the pcp;
- ❖ Finance cost rose to HK\$426,000 primarily due to the Company's continuing support of the marine resource business, the income from which was HK\$777,875 an increase of about 42% compared to the pcp of HK\$548,584.
- ❖ Remuneration expense fell by 39% due to streamlining of personnel.



Highlights of the operating businesses

Stockbrokerage

Our stockbrokerage business conducted through Quest Stockbrokers (HK) Limited (“QSB”) faced difficult operating conditions in the period under review. In line with most financial services companies globally and in Hong Kong facing uncertainties over the EU debt crisis and the drastic decline in market turnover, QSB’s turnover and commission fell. Total value of transactions executed by QSB declined 45.6% to HK\$1.004 billion as compared to the pcp. Commission income earned was HK\$2.380 million, a fall of about 45% as compared to the pcp of HK\$4.362 million.

Reflecting the negative market sentiment globally, QSB registered a loss of HK\$1.17 million as compared to HK\$2.953 million profit in the pcp.

Telecommunications

Quest Telecom Limited (“QTL”) registered a significant increase in profit for the interim period. Despite a highly competitive telecom service provider market in Hong Kong and with wide swings in the financial markets globally, QTL managed to record a profit before tax of HK\$121,721 as compared to HK\$1,525 for the pcp. This represents a 7,882% increase over the pcp. The emphasis QTL placed on managing its cost base through more stringent evaluation of its suppliers’ and professional service providers’ fee charges resulted in a significant reduction in its operating expenses. QTL’s balance sheet continued to be strong with modest liabilities.

Marine Resources

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 increase in sales and profits. QMR’s contribution to the Group’s earnings was HK\$0.778 million as compared to HK\$0.549 million in the pcp. DJFL’s sales was also higher due to seasonal factors and better domestic demand in the PRC. We have also been advised by QMR that it managed to raise loan financing to support its budgeted expansion programme and interest expense rose as a result of the loan financing secured.

Outlook

The outlook for the global economy in 2012 remains gloomy and there is a high probability of it slipping into recession. Both Europe and Japan are mired in deep economic problems. Emerging economies are showing increasing signs of stalling. Problems associated with the debt crisis in Europe and the unsustainable social overheads in most developed economies are structural in nature and they are expected to remain unresolved in the short term.

For the emerging economies in the East, the need to rebalance their economies through building up robust domestic consumer demand to wean off the over-dependence on established manufacturing prowess has proven to be a struggle. This effort is not helped by the large rises in price of oil, metal and soft commodities.

Thus far, we have witnessed various central banks injecting enormous liquidities into the banking system in Europe and in the US. By adopting a cheap money policy and holding down bond yields through asset purchases, these developments made other speculative assets more attractive. The risk-on trades seen in this liquidity driven market are forming a potential mini-bubble. Inflationary pressure has increased significantly and is expected to be a problem globally over the next 12 months.



Therefore, we are expecting a difficult 2012 with many of the existing problems remaining unresolved. We foresee more turbulence ahead as countries such as Portugal and Spain go to the market to refinance their huge debts that are maturing in the near term.

The Way Forward

Our performance for the interim period under review had been negatively impacted by the significant reduction in economic activities and negative investment sentiment that plagued the global financial markets. We remain convinced that the prospect of a significant turn around in operating conditions is unlikely for 2012, notwithstanding the encouraging rally seen since the beginning of the year.

We intend therefore to continue placing emphasis in reducing our operating expenditure. We have taken steps to reduce significantly our recurring overheads such as rental for office premises as well as fees paid to professional service providers. The benefits of these measures will be felt over the next two years. We have also reviewed our various investments, with an aim to avoid cash burn for any new projects that may need time to be cash-flow positive. Barring unforeseen Black Swan events developing in 2012, we are cautiously optimistic in achieving better performance for the next six months.

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