



QUEST INVESTMENTS LIMITED

ACN 004 749 044

The Manager
Company Announcement Office
Australian Securities Exchange

20 June 2012

ADVANCED STAGE OF NEGOTIATIONS TO ENTER INTO A SERIES OF MEMORANDA OF UNDERSTANDING WITH HUAWEI MARINE NETWORKS CO., LTD TO CONSIDER AND, IF THOUGHT FIT, ESTABLISH ONE OR MORE INTEGRATED SUBMARINE FIBRE OPTIC CABLE SYSTEMS IN THE ASIA-PACIFIC REGION

1. Quest Investments Limited (“QST”) is pleased to announce that its wholly-owned Hong Kong subsidiary Quest Telecom Ltd (“QTL”) has been approached by Huawei Marine Networks Co., Ltd (“HMN”) and is at an advanced stage of negotiating a series of Memoranda of Understanding (“MOUs”) with HMN pursuant to which QTL proposes to carry out “due diligence” to determine whether QTL should instruct HMN to design, install and commission one or more integrated submarine fibre optic cable systems between certain major cities in the Asia-Pacific region proposed by HMN (each system called a “project”).
2. The proposed integrated submarine fibre optic cable systems comprise a cable incorporating an optic fibre cable laid on the sea bed between land-based stations to carry telecommunication signals across stretches of ocean.

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3. It is envisaged that the MOUs between QTL and HMN will provide, inter alia, as follows:
 - 3.1 QTL will consider establishing each project and for this purpose will carry out appropriate “due diligence” in relation to the same;
 - 3.2 HMN will assist QTL to carry out each “due diligence”;
 - 3.3 QTL will carry out each “due diligence” during the “Exclusivity Period” defined in each MOU for the purposes of considering, and, if thought fit, engaging HMN to design, construct, install, supply, deliver, manufacture and commission one or more projects;
 - 3.4 HMN believes that subject to the feasibility that QTL proposes to prepare for each project assumes current market conditions prevailing at the time of execution of all relevant contracts between, inter alia, QTL and HMN; QTL and users of each project; that the internal rate of return for each project will exceed twenty per cent (20%);
 - 3.5 Subject to QTL notifying HMN during the Exclusivity Period that QTL wishes to proceed with one or more projects, then the parties will use their best endeavours to finalise and enter into definitive and binding agreements within the Exclusivity Period in relation to each project on such terms and conditions to the satisfaction of QTL and HMN;
 - 3.6 HMN and QTL will negotiate in good faith with a view to entering into a series of agreements to establish each project pursuant to which QTL will engage the services of HMN to design, construct, install, supply, deliver, manufacture and commission on behalf of QTL the Project;
 - 3.7 HMN will acknowledge and agree that any decision by QTL to proceed with a project will be subject to, inter alia,:
 - 3.7.1 QTL being satisfied at its absolute discretion with the due diligence that it proposes to conduct on each project;
 - 3.7.2 QTL raising sufficient funds (whether equity or otherwise) to fund a chosen project;
 - 3.7.3 QTL being listed and its shares quoted (whether directly or indirectly) on a recognised stock exchange; and,



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- 3.7.4 HMN introducing potential financiers to assist in the provision of finance to QTL for the project;
- 3.8 For the avoidance of doubt, QTL and HMN shall have no obligation (express or implied) to proceed with any project under any MOU and then only if QTL elects to proceed and all definitive and binding agreements have been duly entered into by the relevant parties on such terms and conditions to the satisfaction of QTL and HMN;
- 3.9 HMN agrees with QTL that HMN will not during the period up to the earlier of:
- 3.9.1 the date of signing of definitive and binding agreements;
- 3.9.2 within an agreed period of time from the execution of each MOU;
- 3.9.3 the date that QTL notifies HMN that QTL has formed the view that it does not wish to proceed and/or is unable to proceed with a project; or
- 3.9.4 such later date as the parties hereto may otherwise agree;
- (“Exclusivity Period”) or otherwise through its agents, affiliates or associates,;-
- 3.9.5 directly or indirectly negotiate or enter into any discussions or sign, with any party, any memorandum of understanding, letter of intent, agreement or understanding or arrangements (whether legally binding or not) or continue or permit to continue any such negotiations or arrangements; or
- 3.9.6 accept, solicit, entertain or consider any offer or offers, in relation to each project or otherwise deal with any direct or indirect interest in each project.
4. QTL’s vision is to facilitate growth in the telecommunications sector particularly in underserved markets. QTL believes that it will benefit from the increasing demand for data transmission in the Asia-Pacific region particularly through the expansion in the use of broadband, the internet and smart phones and the age and growing obsolescence of existing submarine cables. QST is cautiously optimistic that the prospects of these projects are very promising.



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5. QTL understands that when budgets allow, ISPs and other large bandwidth users prefer to spread their capacity purchases across multiple networks on physically separate paths. This method for improving their own network resiliency fails, however, when supplier choice is limited. QTL understands that the construction of new cables would be a welcome addition to the market.
6. QTL further understands that reducing the latency of long-haul transmission has become a key concern for content providers, financial institutions, and online video providers. In the case of financial institutions, reducing the delay by as little as a few milliseconds can impact the profitability of high-frequency trading (HFT) operations. Financial institutions are willing to pay a premium price to ensure they have the lowest latency connection possible.
7. It is anticipated that each MOU will contain a provision to the effect that HMN believes that subject to the feasibility that QTL proposes to prepare for each project assumes current market conditions prevailing at the time of execution of all relevant contracts between, inter alia, QTL and HMN; QTL and users of each project; that the internal rate of return for each project will exceed twenty per cent (20%). It is reasonable to assume that such a result should create a long term sustainable income stream for QST.
8. Shareholders and prospective investors are advised that although the negotiations with HMN are at an advanced stage, they may or may not result in the signing of a MOU, the “due diligence” may or may not result in a decision by QTL to proceed with a project, and, definitive and binding agreement may or may not be executed. We shall advise shareholders of the outcome so soon as any contractual agreements come into effect. In the meantime, shareholders and prospective investors are advised to exercise caution in trading the company’s shares.



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9. About QST

QST is an Australian company with stockbroking, investment banking, telecommunication and seafood investments in the Asia-Pacific region. QST is a member of the Murchison Holdings Limited Group (ASX Code: MCH). QST's stockbroking subsidiary owns two trading rights on the Hong Kong Stock Exchange ("HKEx") and has been a member of the HKEx since 1992. QST has a licence from Office of the Telecommunications Authority of Hong Kong to provide external telecom services in Hong Kong SAR. QST has also investments in the marine resource sector in the People's Republic of China as part of its "white protein" growth programme.

10. About HMN

We have been advised by HMN as follows:

10.1 HMN is a joint venture established by Huawei Technologies Co., Ltd. ("Huawei") and Global Marine Systems Limited ("Global Marine"). HMN combines state-of-the-art technologies in telecommunications and nearly 100 years experience in marine operations. HMN provides highly reliable, cost-effective solutions and end-to-end services including project management, installation, and technical support for submarine cable system operators.

10.2 HMN is headquartered in Tianjin, having its research and development institutes and manufacturing bases in Beijing and Shenzhen in China as well as the United Kingdom.

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By order of the Board of Directors

**Chiang Wee Tiong
Chairman**