

Quest Investments Limited

Annual report 2006

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

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QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

COMPANY PARTICULARS

BOARD OF DIRECTORS

Wee Tiong Chiang, (Chairman) B.Sc (Hons), MBA

Grant Robertson, B.Ec, LLB, CPA

Dr Kim Chan Koh, MBBS (Malaya), MRCP(G),
MRACP, DIH

AUDITOR

Bentleys MRI (In Australia)

114 William Street,

Melbourne, VIC 3000,

Australia

COMPANY SECRETARY

Grant Robertson, B.Ec, LLB, CPA

NK Wong & Co (In Hong Kong)

Room 910,

Tower A, New Mandarin Plaza,

14 Science Museum Road,

Tsim Sha Tsui East, Hong Kong

PRINCIPAL REGISTERED OFFICE

In Australia

Level 2, 11 Queens Road, Melbourne, Victoria 3004,
Australia

Telephone : (03) 9867 7033

Fax : (03) 9867 7088

In Hong Kong

19/F Sunshine Plaza, 353 Lockhart Road, Wanchai,
Hong Kong

Telephone : (852) 2877 6828

Fax : (852) 2139 0066

BANKERS

Commonwealth Bank of Australia

367 Collins Street,

Melbourne, VIC 3000,

Australia

National Australia Bank Limited

271 Collins Street,

Melbourne, VIC 3000,

Australia

SHARE REGISTRY

Computershare Investor Service Limited

Yarra Falls

452 Johnson Street,

Abbotsford,

Victoria 3067, Australia

Telephone : (03) 9415 4000

Fax : (03) 9473 2500

STOCK EXCHANGE LISTING

Quest Investments Limited's shares are listed on the
Australian Stock Exchange.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

CHAIRMAN'S STATEMENT

Dear Shareholders,

The past year marked an important turning point for Quest Investments Limited ("QST"). Our core stockbrokerage business has regained an upward trend in revenue and profit performance and encouraging signs are beginning to be apparent in some of our new businesses we have acquired – notably in the Voice-over-Internet Protocol ("VoIP") telecom system.

The Company reports a significant improvement in its results for the year ended 30 June 2006 compared to the previous year. Turnover improved by 62% to \$4.36 million whilst expenses fell by 49% to \$1.649 million. Profit before minority interest was \$42,584 compared with a loss of \$2.3 million in the last financial year. However, after accounting for minority interest, the net loss attributable to members of the parent entity was \$145,420. Nevertheless, this small loss represented a significant 92% reduction from the previous year's loss of \$1.9 million.

In line with our objective of strengthening our balance sheet, total equity rose by 59.6% to \$4.885 million. A total of 7,194,171 QST2009 options were converted into equity in the 2006 financial year. This represented approximately 33% of the total number of options issued in 2005. We are pleased with this rate of conversion particularly when these options still have about 31 months remaining life-span.

Stockbrokerage Business

Quest Stockbrokers (HK) Limited ("QSB") benefited from a combination of strong stockmarket performances in most Asian-Pacific countries for a great part of the financial year and a significant fall in operating expenses. As mentioned in my last year's statement, the gearing levels were substantially reduced following a large repayment to a major financial institution.

The Hong Kong Stock market registered a strong upturn in the third quarter of 2005 on the back of a continuing robust economy of the People's Republic of China ("PRC") and a major upgrade by international financial institutions on their exposure to the PRC. Investor sentiment was buoyed by a better than expected corporate earnings and a strong rebound in the real estate market. With real estate being the linchpin of the Hong Kong economy, this rebound had assisted a large cross section of Hong Kong residents who had been labouring with negative capital values attaching to their mortgages over the past seven years. Consumer spending rose significantly for greater part of 2005 and 2006. Reflecting the much improved economic situation, the Hong Kong equity market rose by 14.73% for the year under review.

Economic growth in the People's Republic of China ("PRC") continued to be robust. In 2005, the Chinese GDP grew by 9.9% to reach RMB 18.23 trillion. Exports surged by 28.4% to US\$762 billion. As Hong Kong is the pre-eminent 'window' to foreign investment flows into the PRC, the massive capital raisings seen in 2005 and into the first quarter of 2006 helped propel Hong Kong to eighth position in terms of market capitalization amongst members of the World Federation of Exchanges

QSB's commission income registered a near two-fold increase to reach A\$992,768 compared to A\$336,771 in the previous year. In line with our consistent cost control policy, QSB's primary operating expenses also registered substantial declines. A significant fall in our interest expense of 70% reflected the low borrowing levels in spite of a hostile interest rate environment prevailing for the entire financial year under review.

Direct Investment

Our focus on direct investment is the result of a strategic review of our businesses undertaken in the previous year. Our plan is to achieve two basic objectives:

- to gradually reduce our reliance on stockbrokerage income; and
- to seek out investment opportunities in Australia to enhance our on-shore business content.

We have made two investments and exited one in the year under review.

(A) Telecommunications

Our telecommunication business is organized under a new subsidiary, Quest Telecom Limited ("QTL"). QTL is incorporated in Hong Kong and consolidates under the one subsidiary all of QST's telecom businesses going forward. QTL is presently applying to the relevant authorities in Hong Kong for a "Class 2" service provider licence. "Class 2" service providers are those which provide niche services not intended for replacing traditional land lines. The licence fee is HK\$25,000 (approximately A\$4,200).

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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CHAIRMAN'S STATEMENT

In line with our market development programme in VoIP, QST announced in January 2006 that it had acquired a 51% interest in a Hong Kong based technology company which specializes in providing software solutions for the emerging VoIP telecommunication market.

The acquisition of a 51% interest in Link Services Technology Limited ("LST") was satisfied by a cash consideration of HKD500,000 (approximately \$84,000). LST acts as a developer, system integrator and solution provider, primarily focused on the communications industry.

The acquisition of LST has helped to reduce the time scale that would otherwise be required for us to roll out our VoIP products and services particularly in the Next Generation Network ("NGN") market.

To further enhance our technical capability of covering a significant part of the spectrum of the VoIP services and hardware, QST purchased certain technology rights for Australia and New Zealand from an independent VoIP solution provider for a consideration of \$1.5 million. The consideration was satisfied by the issue of 7.5 million QST options with an expiry date of 10 January 2009 - each option entitles the holder to be allotted an ordinary share in QST on payment of A\$0.15. In the event that these options are converted in equity, QST is expected to receive A\$1.125 million.

This acquisition paves the way forward for QTL to implement its roll-out programme for the Australian and New Zealand markets. It is also the intention of the QTL to sub-license this fully-integrated VoIP system to other interested parties in the two said territories. QTL has installed the back-end system of its VoIP telecom platform in its offices in Melbourne as a show case of its technological capabilities to potential sub-licencees and interested clients.

QTL's VoIP telecom system is a fully integrated platform which provides fully converged high voice quality, and yet is simple to install. It offers businesses and subscribers the opportunity to benefit from the advent of inexpensive and affordable telecommunication between offices and clients in different locations worldwide. With the above two acquisitions, QTL has now both the back-end support system as well as the front-end equipment for both fixed and mobile solutions

QTL and its technology partners have successfully installed the back-end systems of its VoIP telecom platform in Vienna, Austria, in Oberhausen in Germany, in Singapore, Hong Kong and in Melbourne. All preliminary testing have confirmed the quality and speed of the voice transmission to be of an exceptional standard. The back-end installation will presage the introduction of our system in those countries and set the stage to cover other European markets.

Negotiations are continuing with a number of parties in Europe, Australia, Malaysia and Indonesia to license our VoIP telecom system for a fixed sum consideration, and a share of the tariffs from the provision of telecom services by these parties.

QTL intends to roll out its fixed sum international calling cards (initially in Hong Kong) and has applied for ETS and IVAN licences from the relevant authorities in Hong Kong. It also intends to sell Hong Kong, South Korea, Japan, and PRC telephone numbers to interested subscribers using our platform.

(B) Marine Resource

QST acquired a 45% stake in a Victorian-based seafood processing business. The company operates a facility in Tasmania to process a variety of seafood species catering for both domestic and export markets.

This investment is presently small in scale and much work will need to be done to increase its turnover and take advantage of the opportunities that are available. For the year under review, it has contributed modest revenue and recorded a small loss. However, with the rising income level of consumers in the PRC, we are cautiously confident that this investment will yield satisfactory income to the Quest Group in future years. We are presently reviewing the entire operation with a view to strengthen its management and marketing strategies. We intend to gear up its operations from present level and assist its attempt to directly export to the PRC

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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CHAIRMAN'S STATEMENT

(C) Exited Investment

Following an in-depth review of our investment in Cell Aquaculture Limited ("CAQ") we decided to exit this investment made in 2005. In our evaluation and subsequent discussions with CAQ's management, it was evident that CAQ would like to concentrate its development work in the United States and European markets. The huge consumer markets in Asia Pacific, including the PRC, were not on CAQ's priority list. Given that CAQ is a relatively small company it was not possible for CAQ to devote the necessary effort both in management time and financial resources to support QST in those countries which QST is keen to concentrate.

In view of this perceived lack of resource commitment and vision on the part of CAQ, it was decided that the original plan to market CAQ's technology was difficult to implement. As such, we decided to cash in our investment and the shares were disposed of, culminating in a tidy profit for our investment.

Other Longer term Projects

On 25th June 2006, QST's parent company, Murchison Holdings Limited ("MCH"), signed as part of a consortium of companies a Memorandum of Understanding ("MOU") with the newly-independent country of Montenegro and the Municipality Government of Budva (a major city in Montenegro) for a number of physical and telecommunications infrastructure and tourism related projects in Montenegro. It is anticipated that QTL will be involved in the building of a proposed VoIP and Broadband network in Montenegro should any agreement in the industry eventuate.

A subsequent visit by MCH's Chairman was made in August 2006 to Montenegro to further progress the identified projects under the MOU. We are encouraged by the progress made in the progressing those negotiations. Given the geographical contours and nature of its vast mountainous landscape, a fixed line or cable-centric system would be a prohibitively expensive solution to its telecommunication needs. With good technical expertise in wireless telecom systems, QTL and its technology partners are confident of providing an alternative solution. Further requests were made by the Montenegro Government for assistance in solving its television and other media network needs in the August meeting. QST is confident that it can put together a team to develop the network system required.

Prospects

The implementation of our new strategic initiatives marked the beginning of our focused diversification into new businesses to augment our traditional stockbrokerage activities. Much work needs to be done to ensure that our new businesses realize their potential. We have built a good foundation in terms of the technological content for our telecom business. As we enter the commercialization phase of our development programme, income generation and contribution from this investment should begin. We are cautiously optimistic of QTL's prospect as a contributor to our future profitability.

For our traditional stockbrokerage business, we are witnessing a confluence of mixed signals on the world investment landscape. Hong Kong's currency peg to the US Dollar dictates that its interest rates broadly follow the U.S. rates. Accordingly, the outlook for U.S. interest rates may be the key driver of market sentiment in 2006. Whilst we are gratified that the PRC economy is still robust, the volatile crude oil price and unstable international oil supply have placed a dampener on the growth pace of the PRC economy. The May 2006 shakeout of emerging markets is perhaps an important reminder of the fragile nature of investors' sentiment.

We have achieved our strategic objectives for 2005. Over the longer term, the various initiatives undertaken by our parent company MCH in the PRC and Montenegro will provide cross-selling potential for our technology services and products.

Our effort to stabilize our core business and grow new business is beginning to bear fruit. More needs to be done and we hope to see a positive impact of the initiatives on our financials in the years ahead. We look to 2007 with cautious optimism.

Appreciation

On behalf of the Board of Directors, let me conclude by expressing my sincere appreciation to all our employees, shareholders and clients for their continued support.

Chiang Wee Tiong,
Chairman

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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CORPORATE GOVERNANCE STATEMENT

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2006.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the director's report.

The names of independent directors of the company are:

Mr. Grant Robertson Dr. Kim Chan Koh

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the directors income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

The names of the members of the nomination committee and their attendance at meetings of the committee are detailed in the directors' report.

Trading Policy

The company's policy regarding directors and employees trading in its securities, is set by the management committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Audit Committee

The Board of Quest Investments Limited consists of three directors, one executive director and two non executive directors. Composition of the Board is determined in order to represent a broad spectrum of skill and knowledge which is relevant to the business and the strategic development of the Group. This skill and knowledge should include expertise in the core businesses of the Group, understanding of the regulatory and legal framework within which the Group operates and a perspective of the wider economic issues that may impact the Group.

The membership of the Board is regularly reviewed to ensure that the Board and the individual directors have the necessary expertise to fulfil their duties. Due to the limited number of directors on the board, Quest Investments Limited does not consider it necessary to appoint an audit committee. The functions of an audit committee are discharged by the full Board.

Performance Evaluation

An annual performance evaluation of the board and all board members was conducted by the board for the financial year ended 30 June 2006. The evaluation of each director was presented to the Board. The chairman also speaks to each director individually regarding their role as director. The evaluation results were collated and developed into a series of recommendations to improve performance. This was presented to the board at which time an action plan was developed to implement the recommendations and set the performance criteria and goals for the next year.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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CORPORATE GOVERNANCE STATEMENT

Remuneration Policies

The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, was developed by the management committee and approved by the board. All executives receive a base salary and superannuation. The management committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies.

Executives are also entitled to participate in the employee share and option arrangements.

The amount of remuneration for all directors and the five highest paid executives, including all monetary and non-monetary components, are detailed in the Note 6 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed. Shares given to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value. The policy complies with the four key principles of IFSA Guidance Note 02-16.

Stock options are reviewed by the management committee annually as part of the review of executive remuneration and a recommendation is put to the board for approval. Options must be linked to predetermined performance criteria. The board can exercise its discretion in relation to approving incentives and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2006.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr. Wee Tiong Chiang

Mr. Grant Robertson

Mr. Kim Chan Koh

Mr. Albert T. H. Wee (resigned on August 2005)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr. Grant Robertson holds the office of company secretary position since 1991. Qualification and experience of Mr. Grant Robertson is included under information on directors.

Principal Activities

The principal activities of the economic entity during the financial year were:

- Investments
 - Investments in marketable securities
- Stockbroking
 - Provision of share trading services to clients
- Nominee and settlement services
 - Provision of custodian, nominee and settlement services to clients
- Venture capital investment
 - Mezzanine investments in companies suitable for eventual floatation on recognised stock exchanges.

Quest Investments Limited continues to provide administrative and corporate services to the controlled entities and acts as an investment company.

Operating Results

The consolidated losses of the economic entity after eliminating outside minority interests amounted to \$145,420.

Dividends

The directors do not recommend the declaration of a dividend for the year ended 30 June 2006.

Review of Operations

Quest Investments Limited and its controlled entities continued to earn their income from their activities in the sectors of investment, stockbroking, nominee and settlement services. Our focus has continued to be the markets of South East Asia and Australia. The consolidated losses from ordinary activities after eliminating outside equity interest amount to \$145,420 (2005: \$1,906,332)

Financial Position

The net assets of the economic entity have increased by \$1.8 million from \$3.1 million in 30 June 2005 to \$4.9 million in 30 June 2006. This increase has largely resulted from the following factors:

- improved operating performance of the group; and
- proceeds from share issues raising \$1.662 million.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Significant Changes in State of Affairs

There were no significant changes in state of affairs of the economic entity during the financial year.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to IFRS is included in Note 2 to this report.

After Balance Date Events

Subsequent to the balance sheet date, the company acquired a 51% equity interest in Link Services Technology Limited, a telecommunication solutions provider in Hong Kong.

Future Developments, Prospects and Business Strategies

The future developments of the company will be centred on the implementation of our focused diversification into new businesses to augment our traditional stockbrokerage activities. We have built up the required technological content for our telecom business in preparation for the commercialization phase. We have also completed the installation of our back-end support systems in Melbourne, Vienna, Hong Kong, and Oberhausen in Germany in preparation of our roll out. We intend to roll out our telecom programmes in the new financial year.

Negotiations are on-going with the objective of licensing our VoIP telecom system to a number of interested ISPs and telecom companies operating in Europe and Asia-Pacific countries. If these negotiations are successfully concluded, the company will witness the beginning of a new income stream to augment our traditional brokerage business.

For our traditional stockbrokerage business, we are witnessing a confluence of mixed signals on the world investment landscape. Hong Kong's currency peg to the US Dollar dictates that its interest rates broadly follow the U.S. rates. Accordingly, the outlook for U.S. interest rates may be the key driver of market sentiment in 2006. Whilst we are gratified that the PRC economy is still robust, the volatile crude oil price and unstable international oil supply have placed a dampener on the growth pace of the PRC economy. The May 2006 shakeout of emerging markets is perhaps an important reminder of the fragile nature of investors' sentiment.

Over the longer term, the various initiatives undertaken by our parent company MCH in the PRC and Montenegro will provide cross-selling potential for our technology services and products.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or Territory.

Information on Directors

Wee Tiong Chiang	—	Chairman (executive)
Qualifications	—	B. Sc (Hons), MBA
Experience	—	Appointed Chairman and Board member since 1991. Mr. Chiang has considerable experience in investment, banking and asset management gained in Singapore and Hong Kong.
Interest in Shares and Options	—	1,365,448 Ordinary Shares in Quest Investments Limited and options to acquire a further 560,000 ordinary shares
Directorships held in other listed entities	—	Current director and chairman of Murchison Holdings Limited since 1991.
Grant Robertson	—	Director (Non-executive)
Qualifications	—	B. Ec, LLB., CPA
Experience	—	Board member since 1991. Mr. Robertson is a solicitor and general counsel of Dibbs Abbott Stillman, and has considerable experience in property development, corporate and taxation matters.
Interest in Shares and Options	—	4,000 Ordinary Shares of Quest Investments Limited and options to acquire a further 604,000 ordinary shares in Quest Investments Limited.
Directorships held in other listed entities	—	Current director of Murchison Holdings Limited since 1991.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Kim Chan Koh	—	Director (Non-executive)
Qualifications	—	MBBS, MRCP, MRACP, DIH
Experience	—	Board member since 2001. Dr. Koh is a retired medical practitioner specialising in aviation medicine.
Interest in Shares and Options	—	5,400 Ordinary Shares of Quest Investments Limited and 155,400 options to acquire a further 155,400 ordinary shares in Quest Investments Limited.
Directorships held in other listed entities	—	Current director of Murchison Holdings Limited since 2001
Albert Wee	---	Director (executive)
Qualifications	—	ACA
Experience	—	Mr. Wee resigned as board member on August 2005

Remuneration Report

This report details the nature and amount of remuneration for each director of Quest Investments Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Quest Investments Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of Quest Investments Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the management committee and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits.
- The management committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. The board may, however, exercise its discretion in relation to approving incentives and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The management committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT**Performance-based remuneration**

Director and executive's remuneration package were not based on their performance.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. The issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy to have been effective in increasing shareholder wealth.

Details of remuneration for year ended 30 June 2006

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary and Fees	Superannuation Contribution	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$
Directors					
Wee Tiong Chiang	182,217	10,518	114,783	38,500	346,018
Grant Robertson	15,000	-	-	23,100	38,100
Kim Chan Koh	15,000	-	-	7,700	22,700
Albert Wee	13,781	675	15,460	-	29,916
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	225,998	11,193	130,243	69,300	436,734
Executives					
Jason Chiu	43,183	2,022	-	-	45,205
Edward Ho	41,024	2,161	-	-	43,185
Sharon Tan	31,319	2,192	-	-	33,511
Wendy Cheung	45,148	3,038	-	-	48,186
Brian Wong	48,000	2,400	-	-	50,400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	208,674	11,813	-	-	220,487

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Options issued as part of remuneration for the year ended 30 June 2006

Options are issued to directors as part of their remuneration. The options are issued to directors of Quest Investments Limited to increase goal congruence between executives, directors and shareholders.

	Granted No.	Options Granted as Part of Remuner- ation	Total Remuner- ation Represented by Options	Options Exercised	Options Lapsed	Total
		\$	%	\$	(\$)	\$
Directors						
Wee Tiong Chiang	500,000	38,500	11	-	-	38,500
Grant Robertson	300,000	23,100	60	-	-	23,100
Kim Chan Koh	100,000	7,700	34	-	-	7,700
	900,000	69,300	16	-	-	69,300
Executives						
Jason Chiu	-	-	-	-	-	-
Edward Ho	-	-	-	-	-	-
Sharon Tan	-	-	-	-	-	-
Wendy Cheung	-	-	-	-	-	-
Brian Wong	-	-	-	-	-	-
	-	-	-	-	-	-

Employment contracts of directors and senior executives

The employment conditions of the chairman, Chiang Wee Tiong, and specified executives are formalised in contracts of employment. All executives are permanent employees of Quest Investments Limited.

The employment contracts stipulate a range of one- to three-month resignation periods. The company may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's monthly salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Meetings of Directors

During the financial year, twenty one meetings of directors were held. Attendances by each director during the year were as follows:

DIRECTORS' MEETINGS		
	Number eligible to attend	Number Attended
Wee Tiong Chiang	21	21
Grant Robertson	21	21
Kim Chan Koh	21	21
Albert Wee	-	-

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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DIRECTORS' REPORT

Options

At the date of this report, the unissued ordinary shares of Quest Investments Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
23 Nov 2004	N/A	\$0.15	400,000
23 Nov 2004	23 Nov 2008	\$0.15	1,129,072
25 Nov 2005	N/A	\$0.50	900,000
			<hr/>
			2,429,072

During the year ended 30 June 2006, no ordinary shares of Quest Investments Limited were issued on the exercise of options granted under the Quest Investments Limited Employee Option Plan.

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Indemnifying Officers or Auditor

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Wee Tiong Chiang

Grant Robertson

Kim Chan Koh

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to any such proceedings during the year.

Non-audit Services

There is no non-audit service provided by the auditors during the financial year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 15 of the directors' report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

Wee Tiong Chiang

Director

Dated this 29 day of September 2006

Melbourne

Bentleys MFI
ABN 62 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.bentleys.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF QUEST INVESTMENTS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys mri

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

Scott Phillips

**SCOTT PHILLIPS
PARTNER**

Dated this 29th day of September 2006



Chartered Accountants

A member of Bentleys MFI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practicing as Bentleys MFI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue	3	4,362	2,694	1,542	149
Other Revenue	3	708	635	124	405
		5,070	3,329	1,666	554
Cost of Sales	4	(3,360)	(2,390)	(1,421)	(145)
Finance costs	4	(181)	(615)	-	-
Employee benefits expense		(624)	(770)	(322)	(158)
Depreciation		(6)	(12)	(1)	(1)
Other operating expenses		(839)	(1,842)	(177)	(186)
Share of net losses of associates		(17)	-	-	-
Profit / (loss) before income tax expenses		43	(2,300)	(255)	64
Income tax expenses	5	-	-	-	-
Profit / (loss) for the year		43	(2,300)	(255)	64
Profit /(loss) attributable to minority equity interest		(188)	394	-	-
Net profit / (loss) attributable to members of the parent entity		(145)	(1,906)	(255)	64
Overall Operations					
Basic losses per share (cents per share)	9	(0.48)	(8.57)	-	-
Diluted losses per share (cents per share)	9	(0.31)	(5.76)	-	-

The accompanying notes form part of these financial statements.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

BALANCE SHEET AS AT 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	2,304	1,493	6	50
Trade and other receivables	11	10,586	9,669	2,144	97
Financial assets	13	636	441	113	7
Other current assets	16	11	33	-	-
TOTAL CURRENT ASSETS		13,537	11,636	2,263	154
NON-CURRENT ASSETS					
Investments accounted for using the equity method	12	433	450	-	-
Financial assets	13	8	8	4,619	4,619
Plant and equipment	15	2	9	-	3
Other non-current assets	16	132	128	-	-
TOTAL NON-CURRENT ASSETS		575	595	4,619	4,622
TOTAL ASSETS		14,112	12,231	6,882	4,776
CURRENT LIABILITIES					
Trade and other payables	17	6,817	7,262	2,186	1,495
Short-term borrowings	18	2,410	1,908	-	-
TOTAL CURRENT LIABILITIES		9,227	9,170	2,186	1,495
TOTAL LIABILITIES		9,227	9,170	2,186	1,495
NET ASSETS		4,885	3,061	4,696	3,281
EQUITY					
Issued capital	19	15,342	13,680	15,342	13,680
Reserves		1,382	1,283	1,291	1,283
Retained earnings / (Accumulated losses)		(14,705)	(14,560)	(11,937)	(11,682)
Parent interest		2,019	403	4,696	3,281
Minority equity interest		2,866	2,658	-	-
TOTAL EQUITY		4,885	3,061	4,696	3,281

The accompanying notes form part of these financial statements.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Economic Entity

Note	Reserves						
	Ordinary share	Capital Profits	Share Options	Asset Revaluation	Foreign Currency Translation	Minority Equity interests	Retained earnings/ (Accumulated Losses)
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2004	12,327	1,129	26	3,520	-	2,493	(12,654)
Profit attributable to members of parent entity	-	-	-	-	-	-	(2,300)
Profit attributable to minority shareholders	-	-	-	-	-	(394)	394
Share issued	1,353	-	-	-	-	-	-
Net exchange difference on translation of foreign controlled entities	-	-	-	-	-	559	-
Share option issued	-	-	128	-	-	-	-
Revaluation decrement	-	-	-	(3,520)	-	-	-
Balance at 30 June 2005	13,680	1,129	154	-	-	2,658	(14,560)
Shares issued during the year	1,631	-	-	-	-	-	-
Profit attributable to members of parent entity	-	-	-	-	-	-	12
Profit attributable to minority shareholders	-	-	-	-	-	188	(188)
Transfer to and from reserves	-	-	(31)	-	-	-	31
Transfer to and from share capital	31	-	(30)	-	-	-	-
Share option issued	-	-	69	-	-	-	-
Net exchange difference on translation of foreign controlled entities	-	-	-	-	91	20	-
Balance at 30 June 2006	15,342	1,129	162	-	91	2,866	(14,705)

The accompanying notes form part of these financial statements.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2006

Parent Entity

Note	Reserves						Minority Equity interests	Retained earnings/ (Accumulated Losses)
	Ordinary share	Capital Profits	Share Options	Asset Revaluation	Foreign Currency Translation			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Balance at 1 July 2004	12,327	1,129	26	-	-	-	(11,746)	
Profit attributable to members of parent entity	-	-	-	-	-	-	64	
Profit attributable to minority shareholders	-	-	-	-	-	-	-	
Share issued	1,353	-	-	-	-	-	-	
Net exchange difference on translation of foreign controlled entities	-	-	-	-	-	-	-	
Share option issued	-	-	128	-	-	-	-	
Revaluation decrement	-	-	-	-	-	-	-	
Balance at 30 June 2005	13,680	1,129	154	-	-	-	(11,682)	
Shares issued during the year	1,631	-	-	-	-	-	-	
Profit attributable to members of parent entity	-	-	-	-	-	-	(255)	
Profit attributable to minority shareholders	-	-	-	-	-	-	-	
Transfer to and from reserves	-	-	(31)	-	-	-	-	
Transfer to and from share capital	31	-	(30)	-	-	-	-	
Share option issued	-	-	69	-	-	-	-	
Net exchange difference on translation of foreign controlled entities	-	-	-	-	-	-	-	
Balance at 30 June 2006	15,342	1,129	162	-	-	-	(11,937)	

The accompanying notes form part of these financial statements.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		3,030	3,175	(481)	478
Payments to suppliers and employees		(4,869)	(3,087)	(1,222)	(294)
Dividends received		3	2	-	-
Interest received		147	8	-	-
Finance costs		(181)	(615)	-	-
Net cash provided by (used in) operating activities	23	(1,870)	(517)	(1,703)	184
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		(3)	11	(3)	-
Acquisition of an associated company		-	(450)	-	(450)
Net cash provided by (used in) investing activities		(3)	(439)	(3)	(450)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,662	1,353	1,662	1,353
Repayment of related party receivables		536	13,464	-	-
Repayment of borrowings		-	(21,562)	-	(1,042)
Net cash provided by (used in) financing activities		2,198	(6,745)	1,662	311
Net increase / (decrease) in cash held		325	(7,701)	(44)	45
Cash at beginning of financial year		(415)	7,767	50	5
Effect of exchange rates on cash holdings in foreign currencies		(16)	(481)	-	-
Cash at end of financial year	10	(106)	(415)	6	50

The accompanying notes form part of these financial statements.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Quest Investments Limited and controlled entities, and Quest Investments Limited as an individual parent entity. Quest Investments Limited a listed public company, incorporated and domiciled in Australia.

The financial report of Quest Investments Limited and controlled entities, and Quest Investments Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Quest Investments Limited and controlled entities, and Quest Investments Limited as an individual parent entity have prepared financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Quest Investments Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 29 for further details.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Quest Investments Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) **Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(d) **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

(h) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one month have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Equity-settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Revenue

Revenue from proceeds from sale of quoted securities is recognised upon completion of sale contracts.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of services are recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

(q) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of property, plant and equipment for the year ended 30 June 2006

Key judgments — Doubtful debts provision

No impairment has been recognised in respect of receivables from associated companies of \$4,970,502 as the associated companies have received majority shareholders' unconditional undertaking to provide continuing financial support.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity

Reconciliation of Equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 \$000	Adjustment \$000	Australian Equivalents to IFRS at 1 July 2004 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		13,634	-	13,634
Trade and other receivables		19,281	-	19,281
Financial Assets		1,103	-	1,103
Other current assets		59	-	59
TOTAL CURRENT ASSETS		34,077	-	34,077
NON-CURRENT ASSETS				
Investments accounted for using the equity method		-	-	-
Financial assets		3,528	-	3,528
Plant and equipment		33	-	33
Other non-current assets		140	-	140
TOTAL NON-CURRENT ASSETS		3,701	-	3,701
TOTAL ASSETS		37,778	-	37,778
CURRENT LIABILITIES				
Trade and other payables		4,544	-	4,544
Short-term borrowings		26,392	-	26,392
TOTAL CURRENT LIABILITIES		30,936	-	30,936
TOTAL LIABILITIES		30,936	-	30,936
NET ASSETS		6,842	-	6,842
EQUITY				
Issued capital		12,327	-	12,327
Reserves	2(b)	7,366	(2,691)	4,675
Retained earnings / (Accumulated losses)	2(c)	(15,345)	2,691	(12,654)
Parent interest		4,348	-	4,348
Minority equity interest		2,494	-	2,494
TOTAL EQUITY		6,842	-	6,842

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards — cont'd

Economic Entity

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005 \$000	Adjustments on introduction of Australian Equivalents to IFRS \$000	Australian Equivalents to IFRS at 30 June 2005 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,493	-	1,493
Trade and other receivables		9,669	-	9,669
Financial Assets		441	-	441
Other current assets		33	-	33
TOTAL CURRENT ASSETS		11,636	-	11,636
NON-CURRENT ASSETS				
Investments accounted for using the equity method		450	-	450
Financial assets		8	-	8
Plant and equipment		9	-	9
Other non-current assets		128	-	128
TOTAL NON-CURRENT ASSETS		595	-	595
TOTAL ASSETS		12,231	-	12,231
CURRENT LIABILITIES				
Trade and other payables		7,262	-	7,262
Short-term borrowings		1,908	-	1,908
TOTAL CURRENT LIABILITIES		9,170	-	9,170
TOTAL LIABILITIES		9,170	-	9,170
NET ASSETS		3,061	-	3,061
EQUITY				
Issued capital		13,680	-	13,680
Reserves	2(b)	2,806	(1,523)	1,283
Retained earnings / (Accumulated losses)	2(c)	(16,083)	1,523	(14,560)
Parent interest		403	-	403
Minority equity interest		2,658	-	2,658
TOTAL EQUITY		3,061	-	3,061

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards — cont'd

Parent Entity

Reconciliation of Equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 \$000	Adjustment \$000	Australian Equivalents to IFRS at 1 July 2004 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		5	-	5
Trade and other receivables		22	-	22
Financial assets		2	-	2
Other current assets		-	-	-
TOTAL CURRENT ASSETS		29	-	29
NON-CURRENT ASSETS				
Investments accounted for using the equity method		-	-	-
Financial assets		4,169	-	4,169
Plant and equipment		3	-	3
Other non-current assets		-	-	-
TOTAL NON-CURRENT ASSETS		4,172	-	4,172
TOTAL ASSETS		4,201	-	4,201
CURRENT LIABILITIES				
Trade and other payables		89	-	89
Short-term borrowings		2,376	-	2,376
TOTAL CURRENT LIABILITIES		2,465	-	2,465
TOTAL LIABILITIES		2,465	-	2,465
NET ASSETS		1,736	-	1,736
EQUITY				
Issued capital		12,327	-	12,327
Reserves		1,155	-	1,155
Retained earnings / (Accumulated losses)		(11,746)	-	(11,746)
Parent interest		1,736	-	1,736
Minority equity interest		-	-	-
TOTAL EQUITY		1,736	-	1,736

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards — cont'd

Parent Entity

Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005 \$000	Adjustments on introduction of Australian Equivalents to IFRS \$000	Australian Equivalents to IFRS at 30 June 2005 \$000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		50	-	50
Trade and other receivables		97	-	97
Financial assets		7	-	7
Other current assets		-	-	-
TOTAL CURRENT ASSETS		154	-	154
NON-CURRENT ASSETS				
Investments accounted for using the equity method		-	-	-
Financial assets		4,619	-	4,619
Plant and equipment		3	-	3
Other non-current assets		-	-	-
TOTAL NON-CURRENT ASSETS		4,622	-	4,622
TOTAL ASSETS		4,776	-	4,776
CURRENT LIABILITIES				
Trade and other payables		1,495	-	1,495
Short-term borrowings		-	-	-
TOTAL CURRENT LIABILITIES		1,495	-	1,495
TOTAL LIABILITIES		1,495	-	1,495
NET ASSETS		3,281	-	3,281
EQUITY				
Issued capital		13,680	-	13,680
Reserves	2(b)	1,155	128	1,283
Retained earnings / (Accumulated losses)	2(c)	(11,554)	(128)	(11,682)
Parent interest		3,281	-	3,281
Minority equity interest		-	-	-
TOTAL EQUITY		3,281	-	3,281

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards — cont'd

Economic Entity

Reconciliation of Profit or Loss for 2005

	Note	Previous GAAP	Effect of transition to Australian Equivalents to IFRS	Australian Equivalents to IFRS
Revenues		2,694	-	2,694
Other revenue		635	-	635
		3,329	-	3,329
Cost of Sales		(2,390)	-	(2,390)
Finance costs		(615)	-	(615)
Employee benefits expense	2(a)	(642)	(128)	(770)
Exchange gain / (loss)	2(b)	-	(1,040)	(1,040)
Depreciation		(12)	-	(12)
Other operating expenses		(802)	-	(802)
Profit / (loss) for the year		(1,132)	(1,168)	(2,300)
Loss attributable to minority equity interests		394	-	394
Loss attributable to members of the parent		(738)	(1,168)	(1,906)

Parent Entity

Reconciliation of Profit or Loss for 2005

	Note	Previous GAAP	Effect of transition to Australian Equivalents to IFRS	Australian Equivalents to IFRS
Revenues		149	-	149
Other Revenue		405	-	405
		554	-	554
Cost of Sales		(145)	-	(145)
Employee benefits expense	2(a)	(30)	(128)	(158)
Depreciation		(1)	-	(1)
Other operating expenses		(186)	-	(186)
Profit attributable to members of the parent		192	(128)	64

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards — cont'd

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(a)	The adjustment to employee benefits expense is made up as follows:	30 June 2005	
		\$000	
	Economic Entity		
	Option expense	(i)	<u>128</u>
	Parent Entity		
	Option expense	(i)	<u>128</u>
	(i)	An expense was recognised under Australian equivalents to IFRS relating to the bonus element of options issued to directors and employees of the economic entity amounting to \$127,966 for the year ended 30 June 2005.	

(b)	Adjustment to reserves comprise:	30 June 2005	1 July 2004
		\$000	\$000
	Economic Entity		
	Foreign currency exchange	(i)	(2,691)
	Option reserve of valuation of employee share options		-
	Total	<u>(1,523)</u>	<u>(2,691)</u>
	Parent Entity		
	Option reserve of valuation of employee share options		-
	Total	<u>128</u>	<u>-</u>

i) On initial adoption of IFRS, the consolidated entity elects to reset the foreign currency translation reserve to zero. The balances of foreign currency translation reserves will be reclassified to accumulated losses. These translation differences will be excluded from the calculation of any gain or loss on a subsequent disposal of a foreign operation.

(c)	Adjustments to retained earnings comprise:	30 June 2005	1 July 2004
		\$000	\$000
	Economic Entity		
	Foreign currency exchange	1,651	2,691
	Option reserve of valuation of employee share options	(128)	-
	Total	<u>1,523</u>	<u>2,691</u>
	Parent Entity		
	Option reserve of valuation of employee share options	(128)	-
	Total	<u>(128)</u>	<u>-</u>

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 3: Revenue					
Operating activities					
— Proceeds from sales of quoted securities		3,369	2,694	1,542	149
— dividends received	3(a)	3	2	-	-
— interest received	3(b)	288	8	91	-
— Commission & brokerage		993	337	-	-
— other revenue		417	288	33	405
Total Revenue		5,070	3,329	1,666	554
(a) Dividend revenue from:					
— other corporations		3	2	-	-
Total dividend revenue		3	2	-	-
(b) Interest revenue from:					
— associated companies		141	-	-	-
— other persons		147	8	91	-
Total interest revenue		288	8	91	-

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 4: Profit from Ordinary Activities					
(a) Expenses					
Cost of sales		3,360	2,390	1,421	145
Finance costs:					
— external		181	615	-	-
Rental expense on operating leases					
— minimum lease payments		62	123	-	4

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 5: Income Tax Expense					
(a) The prima facie tax (credit) on profit (loss) from ordinary activities before income tax is reconciled to the income tax (credit) as follows:					
Prima facie tax payable (credit provided) on profit (loss) from ordinary activities before income tax at 30% (2005: 30%)					
- Consolidated entity		13	(690)		
- Parent entity				(77)	19
		13	(690)	(77)	19
Add :					
Tax effect of :					
— non- deductible income and expenses		16	(52)	-	(45)
— other non-allowable items		-	3	-	-
Adjustment for foreign tax rate		55	-	-	-
		84	(739)	(77)	(26)
Deferred income tax assets not brought to account Taxation loss not recognised		(84)	739	77	26
		-	-	-	-

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 6: Key Management Personnel Compensation

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Directors

Wee Tiong Chiang	Chairman (Executive)
Grant Robertson	Director (non-executive)
Kim Chan Koh	Director (non-executive)
Albert Wee	Director (Executive) resigned on 15 August 2005

Executives

Jason Chiu	Dealing Director
Edward Ho	Dealing Director
Sharon Tan	Senior Manager
Wendy Cheung	Administration Manager
Brian Wong	Group Finance Manager

- (b) **Directors' Compensation**

	Primary				Total
	Salary & Fees	Superannuation Contribution	Non-Cash Benefits	Equity Options	
	\$000	\$000	\$000	\$000	
2006					
Wee Tiong Chiang	182	11	115	39	347
Grant Robertson	15	-	-	23	38
Kim Chan Koh	15	-	-	8	23
Albert Wee	14	-	15	-	29
	<u>226</u>	<u>11</u>	<u>130</u>	<u>70</u>	<u>437</u>
2005					
Wee Tiong Chiang	146	10	-	34	190
Grant Robertson	15	-	-	17	32
Kim Chan Koh	15	-	-	8	23
Albert Wee	126	6	41	25	198
	<u>302</u>	<u>16</u>	<u>41</u>	<u>84</u>	<u>443</u>

The service and performance criteria set to determine remuneration are included per Note 6(h).

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 6: Key Management Personnel Compensation (Cont'd)

(c) Executives' Compensation

2006	Salary & Fees	Superannuation	Equity	Total
		Contribution	Options	
	\$'000	\$'000	\$'000	
Jason Chiu	43	2	-	45
Edward Ho	41	2	-	43
Sharon Tan	31	2	-	33
Wendy Cheung	45	3	-	48
Brian Wong	48	2	-	50
	208	11	-	219

2005	Salary & Fees	Superannuation	Equity	Total
		Contribution	Options	
	\$'000	\$'000	\$'000	
Jason Chiu	45	2	8	55
Sharon Tan	34	2	13	49
Wendy Cheung	44	3	14	61
Anna Tsui	33	2	9	44
	156	9	44	209

The service and performance criteria set to determine remuneration are included per Note 6(h).

(d) Compensation Options

Options Granted As Compensation

	Vested No.	Granted No.	Grant Date	Terms & Conditions for Each Grant			Value per Option at Grant Date
				Exercise Price \$	First Exercise Date	Last Exercise Date	
Parent Entity Directors							
Wee Tiong Chiang	500,000	500,000	25/11/05	0.5	25/11/05	N/A	38,500
Grant Robertson	300,000	300,000	25/11/05	0.5	25/11/05	N/A	23,100
Kim Chan Koh	100,000	100,000	25/11/05	0.5	25/11/05	N/A	7,700
	900,000	900,000					69,300

All options granted are expired upon the resignation of the directors

Exercise price is above the market price at date of the grant.

(e) Shares Issued on Exercise of Executive Options

No shares were issued during the year for executive options

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 6: Key Management Compensation (cont'd)

(f) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.05	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.06	Total Vested 30.6.06	Total Exercisable 30.6.06	Total Unexercisable 30.6.06
Directors								
Wee Tiong Chiang	-	500,000	-	-	-	500,000	500,000	-
Grant Robertson	300,000	300,000	-	-	-	600,000	600,000	-
Kim Chan Koh	100,000	100,000	-	-	-	200,000	200,000	-
Albert Wee	-	-	-	-	-	-	-	-
Executives								
Jason Chiu	100,590	-	-	-	-	100,590	100,590	-
Edward Ho	-	-	-	-	-	-	-	-
Sharon Tan	150,958	-	-	-	-	150,958	150,958	-
Wendy Cheung	161,409	-	-	-	-	161,409	161,409	-
Brian Wong	-	-	-	-	-	-	-	-
Total	812,957	900,000	-	-	-	1,712,957	1,712,957	-

(g) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1.7.05	Received as Compensation	Options Exercised	Balance 30.6.06
Directors				
Wee Tiong Chiang	-	500,000	-	500,000
Grant Robertson	300,000	300,000	-	600,000
Kim Chan Koh	100,000	100,000	-	200,000
Executives				
Jason Chiu	100,590	-	-	100,590
Edward Ho	-	-	-	-
Sharon Tan	12,000	-	-	12,000
Wendy Cheung	161,409	-	-	161,409
Brian Wong	-	-	-	-
Total	673,999	900,000	-	1,573,999

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

(h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. The company may terminate the respective contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's monthly salary. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
Note 7: Auditors' Remuneration	\$000	\$000	\$000	\$000
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	39	63	39	63
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	24	37	--	--

Note 8: Dividends

No dividend was proposed and paid during the year.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 9: Earnings per Share	Economic Entity	
	2006	2005
Basic loss per share (cents per share)	(0.48)	(8.57)
Diluted loss per share (cents per share)	(0.31)	(5.76)
(a) Reconciliation of Earnings to Profit or Loss		
Profit / (loss) for the year	43	(2,300)
Profit / (loss) attributable to minority equity interest	(188)	394
Earnings used to calculate basic EPS and dilutive EPS	<u>(145)</u>	<u>(1,906)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	No.	No.
Weighted average number of ordinary shares	30,285,401	22,235,574
Effects of options	<u>15,766,605</u>	<u>10,866,706</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>46,052,006</u>	<u>33,102,280</u>

Note	Economic Entity		Parent Entity	
	2006	2005	2006	2005
Note 10: Cash and Cash Equivalents	\$000	\$000	\$000	\$000
Cash at bank and in hand	2,304	1,493	6	50
	<u>2,304</u>	<u>1,493</u>	<u>6</u>	<u>50</u>

(a) Cash at bank includes \$1,951,318 (2005 : \$845,395) pledged as security for overdraft facilities.

(b) The effective interest rate on short-term bank deposits was 3% (2005: 3%); these deposits have an average maturity of **one** day.

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		2,304	1,493	6	50
Bank overdrafts	18	<u>(2,410)</u>	<u>(1,908)</u>	-	-
		<u>(106)</u>	<u>(415)</u>	<u>6</u>	<u>50</u>

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 11: Trade and Other Receivables					
CURRENT					
Trade receivables		5,302	3,607	152	22
Related entities		5,284	6,062	1,992	75
		10,586	9,669	2,144	97
Other receivables					
Amounts receivable from related entities					
— Parent entity		259	-	-	-
— wholly-owned subsidiaries	11(a)	-	-	1,938	-
— Associated companies	11(b)	4,971	5,987	-	-
— Director related entities	11(a)	54	75	54	75
		5,284	6,062	1,992	75

(a) The loans to wholly-owned and director related entities are interest free and repayable on demand

(b) The loans to associated companies are interest bearing at a rate of 10% per annum.

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 12: Investments Accounted for Using the Equity Method					
Associated companies	12(a)	433	450	-	-
		433	450	-	-

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry amount of investment	
				2006 %	2005 %	2006 \$000	2005 \$000
Unlisted:							
Oceanic Processors Pty Ltd	Seafoods Product	Australia	Ord	45%	45%	450	450

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 12: Investments Accounted for Using the Equity Method (Cont'd)

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		\$000	\$000	\$000	\$000
(a) Movements During the Year in Equity Accounted Investment in Associated Companies					
Balance at beginning of the financial year		450	450	450	450
Add:					
Share of associated company's losses from ordinary activities	12(b)	(17)	-	-	-
Balance at end of the financial year		<u>433</u>	<u>450</u>	<u>450</u>	<u>450</u>
(b) Equity accounted associate profits / (losses) are as follows:					
Share of associate's loss from ordinary activities before income tax expense		(17)	-	-	-
Share of associate's income tax expenses		-	-	-	-
Share of associate's loss after income tax expenses		<u>(17)</u>	<u>-</u>	<u>-</u>	<u>-</u>
(c) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates					
Current Assets		690	-	-	-
Non-current Assets		33	-	-	-
Total Assets		<u>723</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current Liabilities		(1,022)	-	-	-
Total Liabilities		<u>(1,022)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Liabilities		<u>(299)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues		<u>7,056</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit / (Loss) after income tax of associates		<u>(38)</u>	<u>-</u>	<u>-</u>	<u>-</u>

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 13: Financial Assets					
Available for sale financial assets	13(a)	644	449	4,732	4,626
Less : Non-current portion		(8)	(8)	(4,619)	(4,619)
Current portion		636	441	113	7
(a) Available-for-sale Financial Assets Comprise:					
Listed investments, at fair value					
— shares in listed corporations		636	441	113	7
Listed investments, at recoverable amount					
— shares in listed corporations, at cost		476	476	476	476
Less : Impairment provision		(468)	(468)	(468)	(468)
		8	8	8	8
Unlisted investments, at cost					
— shares in controlled entities		-	-	4,161	4,161
— shares in associates		-	-	2,085	2,085
Less: Impairment Provision		-	-	(1,635)	(1,635)
		-	-	4,611	4,611
		8	8	4,619	4,619

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 14: Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2006	2005
Parent Entity:			
Quest Investments Limited	Australia	-	-
Ultimate Parent Entity			
Murchison Holdings Limited	Australia	-	-
Subsidiaries of Quest Investments Limited			
Quest Securities (Australia) Limited	Australia	100	100
Genequest Pty Ltd	Australia	100	100
Techgene Pty Ltd	Australia	100	100
Tivuna Pty Limited	Australia	100	100
MQ Holdings Limited	British Virgin Islands	60	60
Quest Stockbrokers (HK) Limited	Hong Kong	60	60
Quest Nominees Limited	Hong Kong	100	100
Quest Investments Limited	Hong Kong	100	100

* Percentage of voting power is in proportion to ownership

Note 15: Plant and Equipment	Economic Entity		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Plant and equipment				
At cost	9	92	3	18
Accumulated depreciation	(7)	(83)	(3)	(15)
	<u>2</u>	<u>9</u>	<u>-</u>	<u>3</u>

(a) **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and Equip- ment \$000	Total \$000
Economic Entity:		
Balance at the beginning of year	9	9
Depreciation expense	(7)	(7)
Carrying amount at the end of year	<u>2</u>	<u>2</u>

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 15: Plant and Equipment (Cont'd)

Parent Entity:	Plant and Equip- ment \$000	Total \$000
Balance at the beginning of year	3	3
Additions	-	-
Disposals	(3)	(3)
Carrying amount at the end of year	<u>-</u>	<u>-</u>

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 16: Other Assets					
CURRENT					
Prepayments		11	33	-	-
NON-CURRENT					
Funds reserves		70	68	-	-
HKCC membership		62	60	-	-
		<u>132</u>	<u>128</u>	<u>-</u>	<u>-</u>

Funds reserves represents

- (i) deposits with and refundable admission fee paid to Hong Kong Securities Clearing Company Limited, and
- (ii) deposits with the Stock Exchange of Hong Kong Limited

	Note	Economic Entity		Parent Entity	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 17: Payables					
CURRENT					
Trade payables		2,860	885	203	-
Sundry payables and accrued expenses		-	95	-	154
Amounts payable to:					
— wholly- owned subsidiaries		-	-	57	58
— partly- owned subsidiaries		-	-	-	234
— Subsidiaries of ultimate parent		1,053	-	1,053	-
— ultimate parent entity	17(a)	761	1,049	761	1,049
— associated companies		2,143	3,303	94	-
— Director & Director related entities		-	1,930	18	-
		<u>6,817</u>	<u>7,262</u>	<u>2,186</u>	<u>1,495</u>

(a) Payables to parent entity is secured by a fixed and floating charges against the company's assets

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note	Economic Entity		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 18: Borrowings				
CURRENT				
Bank overdrafts	2,410	1,908	--	--
(a) The bank overdrafts of the parent entity and subsidiaries are secured by a fixed deposit of a subsidiary				

Note	Economic Entity		Parent Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Note 19: Issued Capital				
34,061,320 (2005: 24,978,849) fully paid ordinary shares	13,680	12,327	13,680	12,327
Share issued	1,662	1,353	1,662	1,353
	15,342	13,680	15,342	13,680

The company has issued capital amounting to 9,082,471 ordinary share of no par value

(a) Ordinary Shares	No.	No.	No.	No.
At the beginning of reporting period	24,978,849	24,978,849	24,978,849	24,978,849
Shares issued during the year				
- 26 July 2005	1,434,814	-	1,434,814	-
- 5 August 2005	776,269	-	776,269	-
- 6 September 2005	222,100	-	222,100	-
- 12 September 2005	230,000	-	230,000	-
- 21 September 2005	84,000	-	84,000	-
- 28 September 2005	1,620,000	-	1,620,000	-
- 7 October 2005	11,000	-	11,000	-
- 14 October 2005	360,000	-	360,000	-
- 27 October 2005	615,724	-	615,724	-
- 16 November 2005	750,000	-	750,000	-
- 23 December 2005	120,000	-	120,000	-
- 31 March 2006	1,554,564	-	1,554,564	-
- 21 June 2006	1,304,000	-	1,304,000	-
At reporting date	34,061,320	24,978,849	34,061,320	24,978,849

(b) On 26 July 2005 the company issued 769,106 ordinary shares at \$0.50 each to a Institutional investor. During the year 8,313,365 option holders exercised their option at a price of \$0.15 to one ordinary shares.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 19: Issued Capital (cont'd)

(c) Options

- (i) For information relating to the employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note .
- (ii) For information relating to share options issued to executive directors during the financial year, refer to Note 24.
- (iii) On 15 June 2006, 7,500,000 options at exercise price of \$0.15 per share expiring on 10.1.2009 were issued to contractual partner for the acquisition of a VOIP right.
- (iv) The total issued options on hands at the date of this report are 20,795,872

Note 20: Reserves

(a) Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments

(b) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary

(d) Share Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options

	Note	Economic Entity		Parent Entity	
Note 21: Capital and Leasing Commitments	2006	2005	2006	2005	2005
	\$000	\$000	\$000	\$000	\$000
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		28,174	36,231	-	-
— between 12 months and 5 years		-	-	-	-
— greater than 5 years					
		28,174	36,231	-	-

The property lease is a non-cancellable lease with a two-year term and will be expired on April 2007, with rent payable monthly in advance.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 22: Segment Reporting

Primary Reporting — Business Segments

	Investment		Stockbroking		Eliminations		Economic Entity	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
REVENUE								
External Sale	3,369	2,126	993	568	-	-	4,362	2,694
Other revenue	203	582	505	53	-	-	708	635
Total revenue from ordinary activities	3,572	2,708	1,498	621	-	-	5,070	3,329
RESULT								
Segment result	(426)	(1,311)	486	(989)	-	-	60	(2,300)
Share of net losses of equity accounted associates and joint venture entities	(17)	-	-	-	-	-	(17)	-
Profit (loss) for the year	(443)	(1,311)	486	(989)	-	-	43	(2,300)
ASSETS								
Segment assets	2,996	3,006	10,435	9,225	-	-	13,431	12,231
LIABILITIES								
Segment liabilities	(4,412)	(6,593)	(4,134)	(2,577)	-	-	(8,546)	(9,170)
Investment accounted for using equity method	450	-	-	-	-	-	450	-
Acquisitions of non-current segment assets	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	7	12	-	-	7	12
Other non-cash segment expenses	-	-	-	-	-	-	-	-

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Secondary Reporting — Geographical Segments

	Segment Revenues for		Carrying Amount of		Acquisitions of Non-	
	External Customers		Segment Assets		current Segment	
	2006	2005	2006	2005	2006	2005
	\$000	\$000	\$000	\$000	\$000	\$000
Geographical location:						
Australia	-	411	2,502	2,478	-	-
Hong Kong	5,070	2,918	11,610	9,753	-	-
	<u>5,070</u>	<u>3,329</u>	<u>14,112</u>	<u>12,231</u>	<u>-</u>	<u>-</u>

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

Business segments

- Investments are invested in marketable securities.
- Stockbroking is provision of share trading services to clients.

Geographical segments

The economic entity's business segments are located in Australia with the Investments & Stockbroking division also having operations in the **Australia** and **Hong Kong**.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Economic Entity		Parent Entity	
2006	2005	2006	2005
\$000	\$000	\$000	\$000

Note 23: Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with (Loss) /Profit from Ordinary Activities after Income Tax

(Loss) /Profit from ordinary activities after income tax	43	(2,300)	(255)	64
Depreciation of plant and equipment	6	12	6	1
Employee share option	-	128	-	128
Exchange gain	-	1,042	-	-
Changes in operating assets and liabilities:				
Increase in trade and others receivables	(1,868)	(145)	(2,144)	(76)
Increase /(Decrease) in trade and others payables	(51)	85	690	72
Decrease (increase) in other assets	-	-	-	-
Decrease in marketable securities	-	661	-	(5)
Net cash (outflows) from operating activities	(1,870)	(517)	(1,703)	184

Note 24 Share Based Payment

On 25.11.2005, 900,000 share options were granted to directors. The options have the right to take up ordinary shares at an exercise price of \$0.50 each. The options are expiry upon resignation of the directors. The options hold no voting or dividend rights and is not transferable. At reporting date, no options have lapsed.

	Economic Entity				Parent Entity			
	2006		2005		2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		\$		\$		\$		\$
Outstanding at the beginning of the year	1,649,073	0.50	-	-	1,649,073	0.50	-	-
Granted	900,000	0.27	2,129,073	0.15	900,000	0.27	2,129,073	0.15
Forfeited	(100,000)	0.27	-	-	(100,000)	0.27	-	-
Exercised	(20,000)	0.27	(480,000)	0.15	(20,000)	0.27	(480,000)	0.15
Expired	-	-	-	-	-	-	-	-
Outstanding at year-end	2,429,073	0.27	1,649,073	0.15	2,429,073	0.27	1,649,073	0.15
Exercisable at year-end	2,429,073	0.27	1,649,073	0.15	2,429,073	0.27	1,649,073	0.15

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 25: Events After the Balance Sheet Date

Subsequent to the balance sheet date, the company acquired 51% equity interest in Link Services Technology Limited, a telecommunication solutions provider in Hong Kong.

Note 26: Contingent Liabilities and Contingent Assets

There were no significant contingent liabilities and contingent assets at the year ended and subsequent to the financial year end.

Note 27: Related Party Transactions

Economic Entity		Parent Entity	
2006	2005	2006	2005
\$000	\$000	\$000	\$000

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

Transactions with related parties:

(b) Associated Companies

Management fee and interest were charged by and to Meredeen Investments Limited.

- Management fee charged by Meredeen Investments Limited
- Interest charged to Meredeen Investments Limited and Quest Securities Limited
- Management fee charged to Meredeen Investments Limited and Quest Securities Limited

(200)	-	-	-
141	-	-	-
63	-	-	-

(c) Other Related Parties

Interest was charged to Toptrend Group Limited and Toptrend Interactive Limited, Mr. WT Chiang, a director of Murchison Holdings Limited, has an interest in the companies

91	-	-	-
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Note 28: Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and loans to and from subsidiaries.

The group did not have any non-derivative financial instruments is to raise finance for group operations.

(i) Treasury Risk Management

The management committee consisting of senior executives of the group meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 28: Financial Instruments (cont'd)

Interest rate risk

Interest rate risk is managed with floating rate debt. At 30 June 2006, all of group debt is floating. The group does not subject to interest rate risk as interest rate for group's main operating areas is relatively stable.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The sale and purchase activities are mainly arranged in US\$ to avoid the group's exposure to unnecessary foreign currency risk.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Price risk

The group did not subject to any commodity price risk.

(b) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing						Total			
					Within year		1 to 5 Years		Over 5 years		Non-interest bearing			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial Assets:														
Cash	3	3	2,304	1,493	-	-	-	-	-	-	-	-	2,304	1,493
Receivables	10	10	4,971	5,987	-	-	-	-	-	-	5,615	3,682	10,586	9,669
Total Financial Assets			7,275	7,480	-	-	-	-	-	-	5,615	3,682	12,890	11,162
Financial Liabilities:														
Bank loans and overdrafts	11	13	2,410	1,908	-	-	-	-	-	-	-	-	2,410	1,908
Trade and other payables	8	8	6,817	7,262	-	-	-	-	-	-	-	-	6,817	7,262
Total Financial Liabilities			9,227	9,170	-	-	-	-	-	-	-	-	9,227	9,170

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 28: Financial Instruments (cont'd)

(c) **Net Fair Values**

The net fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and other liabilities approximate their carrying value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2006		2005	
	Carrying Amount \$000	Net Fair Value \$000	Carrying Amount \$000	Net Fair Value \$000
Financial assets				
Available for sale financial assets at fair value	644	644	449	449
Loans and receivables	10,586	10,586	9,669	9,669
	<u>11,230</u>	<u>11,230</u>	<u>10,118</u>	<u>10,118</u>
Financial liabilities				
Short term borrowing	2,410	2,410	1,908	1,908
Other loans and other payable	6,817	6,817	7,262	7,262
	<u>9,227</u>	<u>9,227</u>	<u>9,170</u>	<u>9,170</u>

Fair values are materially in line with carrying values. A discount rate of 8% (2005: 8%) has been applied to all non-current borrowings to determine fair value.

Note 29: Change in Accounting Policy

(a) The group has adopted the following accounting standards for application on or after 30 June 2006:

- AASB 132: Financial Instruments: Disclosure and Presentation; and
- AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has not resulted in material differences in the recognition and measurement of the group's financial instruments. The group has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transitional provisions of this standard. As such, previous Australian accounting standards have been applied to comparative information. A summary of the main adjustments that would have resulted if AASB 139 was applied retrospectively are included below.

Available-for-sale financial assets

Under AASB 139, available-for-sale financial assets are revalued to fair value at reporting date. All adjustments resulting from changes in fair value are taken directly to equity.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Note 30: Company Details

The registered office of the company is:

Quest Investments Limited

Level 2, 11 Queen Street, Melbourne, VIC3004, Australia

The principal places of business are:

Quest Investments Limited

1901, 19/F Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong

Quest Stockbrokers (HK) Ltd

1902, 19/F, Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on page 16 to page 53, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
Wee Tiong Chiang

Dated this 29 day of September 2006

Bentleys MFI
ABN 62 667 316 249
Audit & Assurance Services Division

Level 7, 114 William Street
Melbourne Vic 3000

GPO Box 2266
Melbourne Vic 3001

T +61 3 9274 0600
F +61 3 9274 0736

audit@melb.bentleys.com.au
www.bentleys.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF QUEST INVESTMENTS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Quest Investments Limited (the company) and Quest Investments Limited (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.



Chartered Accountants

A member of Bentleys MFI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MFI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF QUEST INVESTMENTS LIMITED (Continued)**

Audit Approach (Continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Quest Investments Limited is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- b. other mandatory professional reporting requirements.

Bentleys mri

Scott Phillips

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**

**SCOTT PHILLIPS
PARTNER**

Dated in Melbourne on this 29th day of September 2006



Chartered Accountants

A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practicing as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES

ABN 59 004 749 044

STOCK EXCHANGE REQUIREMENTS

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows:

A. Shareholder information

The shareholder information set out below was applicable as at 31 August 2006.

(a) Distribution of equity securities

Analysis of numbers of shareholders by size of holding

Substantial Shareholders	Number	Percentage
Murchison Holdings Limited	14,029,922	41.18
Quest Stockbrokers (HK) Limited	7,899,718	23.19
ANZ Nominees Limited	6,874,535	20.18
Cheng Tuan Donald Teo	1,000,000	2.94
	<hr/>	
	29,804,175	87.49

			No. of shareholders
Distribution	1 -	1000	886
	1,001 -	5,000	149
	5,001 -	10,000	42
	10,001 -	100,000	32
	100,001 -	and over	13
Total			<hr/>
			1,122
(b) Holding less than a marketable parcel			<hr/>
			1,250
(c) The percentage of the total holding of the twenty largest holders over total issued share capital			<hr/>
			96.19

(d) The voting rights by or on behalf of members at a company meeting shall on a show of hands be one vote and upon a poll the exercise of one vote of each ordinary share held

QUEST INVESTMENTS LIMITED AND CONTROLLED ENTITIES**ABN 59 004 749 044****STOCK EXCHANGE REQUIREMENTS****B. 20 Largest Shareholders**

The names of the twenty largest holders of ordinary shares are listed below:

	Ordinary shares fully paid	% of issued shares *
Murchison Holdings Limited	14,029,922	41.18
Quest Stockbrokers (HK) Ltd	7,899,718	23.19
ANZ Nominees Ltd	6,874,535	20.18
Cheng Tuan Donald Teo	1,000,000	2.94
Cheow Moi Chua	500,000	1.47
MQ Services Pty Ltd	455,696	1.34
Wee Tiong Chiang	400,000	1.17
Bronte Industries Pty Ltd	320,000	0.94
Paulon Assets Ltd	260,300	0.76
National Nominees Ltd	200,000	0.59
Rev David John Griffiths	200,000	0.59
Meuter Andre Rossberastr	100,000	0.29
DMG & Partner Securities Pte Ltd	91,000	0.27
Naomichi Shima	60,300	0.18
Boom Securities (HK) Ltd	60,000	0.18
Anikau Pty Ltd	50,100	0.15
Chow Lou Low	49,750	0.15
Manahan Nominees Pty Ltd	49,624	0.15
Serenar Nominees Pty Ltd	37,000	0.11
David Gordn O'Reilly	35,000	0.10
	<hr/>	
	32,672,945	95.93

* Expressed as a percentage of 34,061,320 total issued ordinary shares fully paid