



QUEST INVESTMENTS LIMITED

ACN 004 749 044

27th February 2007

Interim Results to 31st December 2006 Highlights :

Net profits rose 133% to A\$ 91,000

Short term debt fell by 85.9% to A\$ 339,000

Finance cost fell by 48.3% to A\$ 45,000

Reductions in operating costs continued

Ordinary operations generating more cash with better performance

Strength of Australian Dollar restrained results improvement

Interim Results Review

Quest Investments Limited ("QST") recorded an increase in Net profits before Minority Interest of A\$134,000, an increase of 140% over the previous corresponding period. After accounting for minority interests, Net profits attributable to members rose by 133% to A\$ 91,000 for the six months to 31st December 2006.

An analysis of the composition of this profit performance showed that the results were distorted by the inclusion of a transfer from Exchange Reserves of A\$125,000 to the profit and Loss account in the previous corresponding period ended 31st December 2005. This adjustment was carried out solely in compliance to the first adoption of Australian equivalent to International Financial Reporting Standards ("IFRS"). If we adjust for this one-time non-recurrent transfer, QST's Net profits attributable to members would have risen by 168% over the previous corresponding period.

Revenues from ordinary activities fell by 31% to A\$ 1.8 million due mainly to currency translation caused by the strong rise of the Australian Dollar against the U.S. and Hong Kong Dollar in the period under review, and also due to the result

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of a programme undertaken to reduce exposure to those lower –margin commission generated from certain segment of its stockbroking clientele who mainly used the services provided purely for trade execution purpose.

The realignment of emphasis for better-margin commission generating business has reaffirmed its brokerage subsidiary's reputation of providing high quality investment recommendations and good quality settlement services to its clients in the Asia-Pacific region.

In line with the previously set objective of reducing our gearing position in the light of a more challenging interest rate environment, and to reduce the negative impact arising from the interest differential between our cash deposits held at financial institutions and the interest charged for our stock brokerage business clearing lines extended by our clearing banks, a decision was taken to set off part of the cash deposits with the outstanding short term working capital loans. This resulted in a vast improvement in the reduction of QST's short-term debt by over 85% to a modest A\$339,000. The benefit of this decision is evident in the savings in interest expense incurred in the period under review.

The combination of a more focused treasury management and a buoyant stock market performance assisted QST to generate more cash from its ordinary operations. Net increase in cash held rose to A\$ 571,000, an increase of 205% over the previous corresponding period. The consolidated cash flow statement for the period under review showed that cash held at 31 December 2006 rose by 383% to A\$ 285,000 from A\$ 59,000 in the previous corresponding period. Had it not been for the strength of the Australian Dollar negatively impacting our cash holdings in foreign currencies (our operating currency is mainly the Hong Kong Dollar), more cash would have been generated in this period as compared to the previous corresponding period.

Reflecting a much improved financials, current ratio stood at a healthy 1.5 whilst gearing ratio fell to 2% from 15% previously.

Stockbrokerage Business

Quest Stockbrokerage (HK) Limited ("QSB") benefited from the continued buoyant stockmarket performance in most of the Asian-Pacific region. The robust Chinese economy, a more stable interest rate environment, better than expected corporate

earnings, massive capital raisings by Chinese enterprises (through the Hong Kong Stock Exchange in particular) were major contributing factors fuelling the upsurge in both volume and turnover of shares traded in most regional exchanges.

Turnover from our brokerage business reached HK\$ 534 million, a rise of 44.3% from last corresponding period. Reflecting a strong rise in the equity markets in which QSB operates, commission income rose by 61% to HK\$2.62 million from HK\$1.62 million in 2005 interim. Our cost containment initiatives continued to assist in the reduction in overall expense. Total expenses for the period under review fell by 22% despite a substantially higher increase in the overall levels of activity. Profits for the six months to 31 Decemeber 2006 increased to HK\$658,966, a rise of 175% over the previous corresponding period.

Updates on Projects Undertaken

Marine Resource

The marine resource division contributed a modest profit of A\$ 17,639 for the interim period under review. Continuing evaluation and discussions with the management of the company on the right strategy and timing for entry into the more regulated market in the PRC are still in progress. We remain optimistic and committed to the future growth of this division.

Telecommunications

Quest Telecom Limited ("QTL") is incorporated in Hong Kong and consolidates all of QST's telecom business going forward. In October 2006, the Office of the Telecommunications Authority ("OFTA") in Hong Kong approved QTL's application for a Public Non-exclusive Telecommunications Service ("PNET") Licence to provide external telecommunications services in Hong Kong.

The granting of this Licence by OFTA in Hong Kong has enabled QTL to initially focus on providing international phone cards, IDD roaming service, and the sale of telephone numbers with prefix "15", "16", or "30 (5-9)" which have been allocated by OFTA for PNETS for ETS/IDD type of services.

TD-SCDMA standard developed for the impending roll-out of 3G telecom services by the PRC.

Under the Agreement, CYIT undertakes to provide QST and Domo with TD_SCDMA chips and their related protocols and subsequent improvements thereof to software and hardware including the complete TD_SCDMA ("TSM") mobile phone. CYIT further undertakes to train DOMO's and QST's staff in relation to the TD_SCDMA technology and systems. Following research, development, and commercialisation of the TD-SCDMA chip and the TSM mobile phones, CYIT undertakes to supply DOMO and QST with chips for sale in the PRC and the global markets.

DOMO is responsible under the Agreement for the development mechanism, identification of TSM mobile phones, engineering and production of TSM mobile phones, and their eventual marketing in the PRC market. DOMO is also responsible for the achieving acceptance of TD-SCDMA technology in the PRC's 3G network, with full technical support to be provided by CYIT.

QST is responsible under the Agreement to market TSM mobile phones internationally. QST will also utilize its international network to procure funding for the project. QST is also expected to assist in expanding the range of TSM mobile phones which will be manufactured in DOMO's manufacturing facility in Chongqing

CYIT is a well-established technology company owned by the Chongqing Municipality Government and the Chongqing University of Posts and Telecommunications. CYIT has since 1998 embarked on research and development of the TD-SCDMA third generation mobile telecom terminal. CYIT was instrumental in ensuring international acceptance of TD-SCDMA as one of the major mainstream standards for 3G telecommunications. In 2005, it successfully developed and produced the world's first 0.13 micron TD-SCDMA mobile handset chip.

DOMO is one of the leading technology companies in the PRC, and a member of the TopTrend Group. TopTrend Group is a leader in the design and manufacturing of intelligent consumer electronics products for home and business.

It is a pioneer in IPTV and interactive media and has led the Asian market in interactive IP Set Top Boxes. The Group has long-established relationships with

leading technology companies such as Intel and Microsoft, acting as their ODM manufacturer in the PRC and their embedded solution partners respectively. DOMO operates a large modern production facility in the high-tech industrial park in Chongqing for high definition televisions, mobile handsets, and other digital electronic products.

The significance of this Co-operative Agreement with CYIT and DOMO lies in the opportunity extended to QST and MCH for an important entry point into the PRC telecommunication market. Whilst the strategic alliance with the PRC's two leading technology companies adds credibility to MCH and QST, it also opens up for MCH to benefit from the vast market arising from the anticipated change over of traditional mobile handsets to the new 3G mobile handset. It has been estimated that there are over 600 million mobile phone handsets in the PRC market. The TD-SCDMA chips to be marketed by MCH and its subsidiaries will benefit from the "first mover" advantage due to the exclusiveness of the Chip's technology.

OUTLOOK

QST is looking forward to continue its strong recovery and performance into the second half of this financial year. Under the present structure, much of the immediate and major contributor to performance will still remain dependent on its stockbrokerage and investment banking activities. Initial results of the two months into the second half indicate that levels of activity are ahead of the prior period. However, it is important to recognize that such performance is substantially dependent upon prevailing equity market conditions and investors' sentiment.

Although the launching of QST's telecom business this year has created a new revenue generating stream to augment those of QST's traditional business, it is also important to note that QTL will need a period of time for its new business to take roots and flourish. Much work will need to be done to increase its presence and turnover in a dynamic and ever challenging market, before any substantial and meaningful contributions could be achieved.

The same is true also for our investment in building up our exposure to the promising PRC telecommunications market, after securing an important entry point in the 3G chip co-operative agreement signed recently.

Nevertheless, QST has begun the process of renewal and is shifting gear as it



implements the diversification programme of achieving a broader income generating base for future years.

By order of the Board

A handwritten signature in black ink, appearing to read 'Chiang Wee Tiong', with a long horizontal stroke extending to the right.

Chiang Wee Tiong
Chairman