

Quest Investments Limited

Annual Report 2019

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COMPANY PARTICULARS

BOARD OF DIRECTORS

Wee Tiong Chiang, (Chairman) B.Sc (Hons), MBA
Grant Anthony Robertson, B.Ec, LLB, CPA
Hung Ngok Wong, MA, FAIA, AHKSI
Melissa Chiang BS MA

COMPANY SECRETARY

Grant Anthony Robertson, B.Ec, LLB, CPA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Principal place of business in Australia
7 Dallas Street, Mount Waverley
VIC 3149

Tel : (613) 9807 5639

Fax : (613)9807 0414

Principal place of business in Hong Kong
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122-124 Connaught Road, Central, H.K.

Tel : (852) 2877 6828

Fax : (852) 2596 0451

SHARE REGISTRY

Boardroom Pty Limited
Level 7, 207 Kent Street,
Sydney, NSW 2000
Australia

Tel : (612) 9290 9600

Fax : (612) 9279 0664

AUDITORS

National Audits Pty Limited
Head office, Level 1/1A Sydenham Road,
Brookvale, NSW 2100, Australia
Tel : (61) 419 616 719 Fax : (612) 9905 3044

Gareth YM Wong
506A, Jubilee Square, Shatin, Hong Kong.
Tel : (852) 2636 5368 Fax : (852) 2636 4788

BANKERS

Commonwealth Bank of Australia
367 Collins Street,
Melbourne, VIC 3000,
Australia

National Australia Bank Limited
International Southern, Level 5
216 Victoria PDE,
East Melbourne, VIC 3002,
Australia

STOCK EXCHANGE LISTING

Quest Investments Limited is listed and its shares are quoted on the Australian Securities Exchange.

CHAIRMAN'S STATEMENT

Dear Shareholders,

1. The past year has seen a continuation of the reorganization plan of our company and moving forward with various initiatives to streamline our business activities. The escalating trade tension between the United States of America ("US") and the Peoples' Republic of China ("PRC") has increased in intensity and the breakdown in trade talks resulted in a full blown trade war between the two countries. To a large extent, this trade war is a clash of two very different economic cultures and a loss of confidence in each other intentions and approaches in the proposed resolution.
2. In line with the marked increase in tariffs imposed by the US Administration, economic and manufacturing activities in the PRC have declined significantly. These adverse conditions have also affected the global economy. It is difficult to foresee how the disruption to the global supply chain due to irrational trade policies adopted by the US can be resolved in the short term.
3. Demand for both soft and precious commodities fell in the face of lower economic activities, which also impacted many commodity exporting countries as the PRC slowed down markedly. Reflecting the poorer conditions, the global redeployment of capital away from emerging markets back to the strong US capital markets continued unabatedly.
4. I am therefore disappointed to inform shareholders that our performance has been affected by our reduced level of activities for the 2018/19 Financial Year ("FY").
5. QST and its controlled entities registered a loss of HK\$2.072 million as compared to a loss of HK\$1.887 million in the pcp. The deterioration in the performance was mainly attributable to a reduction in advisory activities as result of slower corporate investments by corporations in the Asia-Pacific region.

Stockbrokerage Business

6. The Hong Kong stockbroking industry has been affected by the slow down in investments from China-based businesses. Given the lower volume of trades executed on the HKEX, various large foreign brokerages have been instituting retrenchment measures in an effort to reduce overheads and with some exiting various non-performing trading and market-making activities.
7. Reflecting the impact of these adverse changes in business conditions, Quest Stockbrokers (HK) Limited ("QSB") registered a fall of 31% in its commission income to HK\$695,455, resulting in a loss of HK\$3.13 million as compared to HK\$3.15 million in the pcp.

Nominee Services

8. Our decision to withdraw the nominee services provided by Quest Nominees Limited ("QNL") to US-based clients and residents undertaken last year have freed up management time as it is too cumbersome to comply with the changes in compliance regulations by the US authorities. QNL's management has utilized the freer time to refocus on investment strategy for our treasury activities. This resulted in QNL's treasury and trading income registering a markedly improved performance to \$183,212 from a loss of \$18,583 recorded in the pcp.
9. The rental income from leasing out QNL's corporate membership in a leading sports club in Hong Kong continued to provide steady income to the Group. QNL was able to lease out its corporate membership at a higher annual rate than the pcp.
10. Profit for the year of QNL was \$107,409 as compared to a loss of \$82,058 in the pcp.

CHAIRMAN'S STATEMENT (CONT'D)

Corporate Advisory

11. Quest Securities (Australia) Limited ("QSA") is the holder of an Australian Financial Services Licence ("AFSL") issued by the Australian Securities & Investments Commission ("ASIC") in March 2011. The Licence permits the Company to, inter-alia, carry on a financial services business providing financial product advice for securities to wholesale clients.
12. QSA's revenue is derived from introducing investment opportunities to interested parties who are considering establishing or further enhancing business opportunities in the Asia-Pacific region (particularly Australia and the PRC) with a focus on the economic needs and fundamentals of the countries in that region. Amongst other aims, QSA seeks to provide a 'bridge' principally to Chinese investors and Australian opportunities.
13. QSA continued to develop and enhance relationships by introducing parties to opportunities in the agricultural, financial and mining sectors. Because of the nature of the business and the success based payment schemes, revenue is earned on successful completion of a transaction. In recent times, the transfer of funds to Australia from the PRC has become increasingly difficult because of PRC Government regulations with the result that QSA's activities, in the short term, have become increasingly more difficult and onerous.
14. Fees earned by QSA through the provision of corporate advisory services to clients (including related companies) decreased to HK\$3.291 million as compared to HK\$6.228 million in the pc. The profit before tax (after taking into account revenue from related companies) for the financial year under review was HK\$3.088 million compared to HK\$4.102 million in the pc.
15. During the year under review, significant time was devoted to the following transactions:
 - 15.1 Subscription Agreement between QST and Lok Wai Ming for the takeover of Gold Lord Investments Inc; and,
 - 15.2 Binding Term Sheet between QST and Tiger Synergy Berhad.

Subscription Agreement with Lok Wai Ming for the Takeover of Gold Lord Investments Inc

16. 16.1 I refer to the Board's Announcement to the market made on 19 September 2019 in which it advised, inter alia, that:
 - 16.1.1 the Board instructed its Australia lawyer to serve on Lok Wai Ming ("Lok") a letter dated 19 September 2019 accepting Lok's repudiation of the Lok Subscription Agreement made on 23 November 2015 and the Merger Implementation Agreement made on 28 August 2017 including the reasons for such action;
 - 16.1.2 the Company would seek advice as to its future course of action against Lok - however, initial advice is that the Company has suffered significant loss for which it has a good cause of action; and,
 - 16.1.3 as a result, the Company will continue with its activities as the parent company of entities carrying on activities in the diversified financial services sector including those activities conducted by QSA QSB.
- 16.2 A brief history of the matter is set out below.
- 16.3 QST issued a Subscription Letter to Lok on 20 November 2015 and on 23 November 2015 Lok issued a Subscription Acceptance Form to QST (together, "the Lok Subscription Agreement") pursuant to which QST conditionally agreed to issue 620,840,000 new ordinary fully paid shares in QST ("Lok Subscription Shares") to Lok ("Lok Subscription") in consideration of Lok transferring eighty per cent (80%) of all the issued shares of Gold Lord Investments Inc ("Gold Lord") (which must be independently valued at not less than \$124,168,000) to QST ("Gold Lord Acquisition"). Gold Lord is a company incorporated in the Republic of Vanuatu.
- 16.4 On 24 November 2015, QST announced the Subscription Agreement to the Australian Securities Exchange ("ASX").

CHAIRMAN'S STATEMENT (CONT'D)

- 16.5 Gold Lord is the ultimate parent company of Jinping County Jinlong Mining Co. Ltd ("Jinping"). Jinping owns the mining rights to the Jinchangxi-Bize gold mine in Guizhou Province, in China ("Bize Project") - a "brownfield" gold mine. The gold mining operations commenced in the mid-1990's as an underground mine and was at all relevant times on care and maintenance.
- 16.6 Jinping holds Exploration Licence T52120081202019207 expires in May 2020 and and Mining Licence C5200002012024120122959 expires in October 2021.
- 16.7 On 28 August 2017, QST, Lok, Gold Lord and QSA (in its own capacity and in its capacity as Trustee of the QST Unit Trust) entered into a Merger Implementation Agreement which set out the terms on which the parties agreed to implement the transactions including a variation of the Subscription Agreement amending the consideration payable to Lok by QST to the issue of 145,032,055 new ordinary fully paid shares in QST to Lok and payment of A\$95,161,589 of Deferred Cash Consideration in lieu of the issue of 620,840,000 new ordinary fully paid shares in QST and increasing the capital raising from A\$4 million to A\$8 million.
- 16.8 QST diligently proceeded with attending to those matters required of it pursuant to the agreements with Lok with the intention of completing the same at the earliest opportunity including procuring:
- 16.8.1 a Competent Person's Report of the Bize Project;
 - 16.8.2 a Specialist Valuation Report of the Bize Project;
 - 16.8.3 a draft Independent Expert's Report;
 - 16.8.4 a draft Notice of Meeting and Explanatory Memorandum to shareholders; and,
 - 16.8.5 a draft Prospectus.
- 16.9 We will keep you informed of the progress of any action that the Company may take against Lok and associated entities.
17. Binding Term Sheet with Tiger Synergy Berhad for the Sale of All the Issued Securities of MQ Holdings Limited (parent company of Quest Stockbrokers (HK) Limited)
- 17.1 I refer to the Board's Announcement to the market made on 23 September 2019 in which it advised, inter alia, that:
- 17.1.1 the Board instructed its Australian lawyer to serve on Tiger Synergy Berhad (TSB) a letter accepting TSB's repudiation of the Binding Term Sheet made between QST and TSB on 11 February 2019 including the reasons for such action;
 - 17.1.2 the Binding Term Sheet made between QST and TSB provided for the sale by QST and the purchase by TSB of all the issued securities of MQ Holdings Limited ("MQ") (a wholly owned subsidiary of QST and a company incorporated in the British Virgin Islands) which in turn holds all the issued securities of QSB at the Net Asset Value of MQ at 31 December 2018 plus HK\$15 million ("Sale Price").
- 17.2 The Company will seek advice as to its future course of action against TSB - however, initial advice is that the Company has suffered significant loss for which it has a good cause of action.
- 17.3 As a result, the Company will continue with its activities as the parent company of entities carrying on activities in the diversified financial services sector including those activities conducted by QSA and QSB.

Prospect

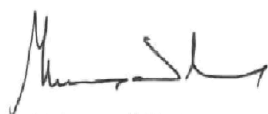
18. QST's management is increasingly concerned by the rapid deteriorating situations in Hong Kong. The outbreak of protests against the ill-conceived "Extradition Bill" presented by the Hong Kong SAR Government, since withdrawn, continued into its 16 weeks. These political unrests, arising from a perceived fear of losing the fundamental freedom under the "One Country Two Systems", has damaged Hong Kong's reputation internationally. It also affected the fundamental economic health of Hong Kong.

CHAIRMAN'S STATEMENT (CONT'D)

19. In-bound tourism from China has fallen by 86% year-on-year, the result of an avoidance by Chinese tourists due to the unrest in Hong Kong. There is presently no visibility how an incompetent Hong Kong Government can finally accede to the massive and societal-wide demand for a fairer system of governance going into 2047 when Hong Kong 50-year grace period ends before its full absorption into China.
20. In the light of an unprecedented crisis in Hong Kong, our management is focusing our effort in areas of our strength in the network we have built over the years. We will focus on developing further our corporate advisory business and the rising attention on various immigration projects from an uneasy Hong Kong's private and corporate sectors as they have to mitigate the uncertain risk as the protests continue.
21. We will also be more pro-active in managing our investment portfolio. The PRC Government has instituted a number of stimulative measures to try to mitigate the fall out from the trade war with the US. These measures are positive for Hong Kong as it is still an important financial window to the world for the PRC.

Appreciation

22. On behalf of the Board of Directors, let me conclude by expressing my sincere appreciation to all our employees for their continued support and confidence.
23. I also wished to thank my fellow board members for their wise counsel and support to the course we have set for QST.
24. Finally, to our valued clients, business associates and shareholders, my heartfelt gratitude for their continued support and confidence.



Wee Tiong Chiang,
Chairman
Dated : 23rd December 2019

OPERATING AND FINANCIAL REVIEW

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Investments
Investments in marketable securities and other securities.
- Stockbroking
Provision of share trading services to clients.
- Venture capital investment
Mezzanine investments in companies suitable for eventual floatation on recognised stock exchanges.
- Telecom
Provision of communication services to clients.
- Corporate Advisory
Provision of corporate advisory services, corporate restructuring and related services to clients.

A large majority of our operations are conducted in Hong Kong and Australia.

Significant changes to activities

There are no changes in the nature of the principal activities occurred during the financial year.

Our Business Model and Objectives

Providing satisfactory returns to our shareholders is our primary objective. Our success in delivering this aim is determined by reference to total shareholder return (TSR) over time, and this is compared to the returns delivered by our competitors and the S&P/ASX 200 Index. We strive to continually improve the differential between returns on invested capital over the cost of that capital.

We rely on divisional autonomy at management level for daily operations and short to mid-term strategic decisions within a group-wide governance framework providing accountability mechanisms at divisional level. Divisional boards are responsible for strategic planning, budgeting and performance, risk management, executive remuneration and human resource management.

Operating Results

Review of Operations

Quest Investments Limited's core performance dropped in the financial year ended 30 June 2019. The stockbrokerage business recorded a HK\$302 million (2018: HK\$444million) turnover.

Financial Position

The net assets of the consolidated group have decrease by HK\$2,072,000 from 30 June 2018 to HK\$23,723,000 at 30 June 2019. The decrease is largely due to the following factors:

- Extremely low interest rate and recovering earning of US corporations ensured that funds previously invested in emerging market were flowing back to the US markets. The group is in the emerging market of China and subject to it, as a result reported a loss from operations during the financial year.

Significant Changes in State of Affairs

There was no significant changes in the state of affairs of the parent entity occurred during the financial year.

OPERATING AND FINANCIAL REVIEW (Cont'd)

After Balance Date Events

No event after the balance sheet date has to be disclosed.

CORPORATE GOVERNANCE STATEMENT

Quest Investments Limited's Corporate Governance Arrangements

The objective of the Board of Quest Investments Limited is to create and deliver long-term shareholder value through a range of diversified investment and financing activities. While each area of the company's business activities holds significant value and makes a substantial contribution towards achieving the Board's objective, management of the synergies arising from the interrelations between the various business activities is critical to achieving the objective of creating and delivering long-term shareholder value.

The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between board members, management, employees, and customers.

Quest Investments Limited and its subsidiaries operate as a single economic entity with a unified Board and management. As such, the Board's corporate governance arrangements apply to all entities within the economic group.

Quest Investments Limited is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2014 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2019.

Board Composition

The Board does not have a director that met the criteria to be considered independent. The Board does not decide to appoint any independent director in foreseeable future until the reverse take-over is completed.

An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment. For a director to be considered independent, they must meet all of the following materiality thresholds:

- not hold, either directly or indirectly through a related person or entity, more than 10% of the company's outstanding shares;
- not benefit, either directly or through a related person or entity, from any sales to or purchases from the company or any of its related entities; and
- derive no income, either directly or indirectly through a related person or entity, from a contract with the company or any of its related entities.

A complete listing of the Board's directors for the year ended 30 June 2019, along with their biographical details, is provided in the directors' report.

The Board considers that the current board composition reflects an appropriate balance between executive and non-executive directors that promotes both the generation of shareholder value and effective governance.

The Board also considers that the current board composition reflects an appropriate balance of skills, expertise and experience to achieve its objective of creating and delivering long-term shareholder value. The diverse range of business activities the company is involved in necessitates the Board having a correspondingly diverse range of skills, experience and expertise.

Notwithstanding the fact that the Board considers its current composition to be appropriate, it has in place an active program for assessing whether individual directors and the Board as a whole have the skills and knowledge necessary to discharge their responsibilities in accordance with the Board's governance arrangements. Any deficiencies identified by this program can be addressed in a number of ways, including training and the employment of specialist staff. Details of the skills, expertise and experience of each director are provided in the directors' report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Ethical Standards

The Board is committed to its core governance values of integrity, respect, trust and openness among and between board members, management, employees and customers.

The Code of Conduct applies to all directors and employees of Quest Investments Limited and its Controlled Entities ("QST and its Controlled Entities") and requires all of them to comply with the terms thereof as the same may be varied from time to time by the Board of Directors.

- should act honestly, in good faith and in the best interests of QST and its Controlled Entities as a whole;
- should exercise care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- should use the powers of office for a proper purpose, in the best interests of QST and its Controlled Entities as a whole;
- should recognize that the primary responsibility to QST and its Controlled Entities as a whole but may, where appropriate, have regard to the interest of other stakeholders;
- should not make improper use of information acquired as a director or employee (as the case may be);
- should not take improper advantage of the position of director or employee (as the case may be);
- should properly manage any conflict with the interests of QST and its Controlled Entities;
- should be independent in judgement and action and take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board of directors, the director or the employee (as the case may be);
- should not disclose confidential information received by the director or the employee (as the case may be) in the course of the exercise of his/her duties and ensure that the same remains the property of the company from which it was obtained and not improperly disclose it, or allow it to be disclosed, unless that disclosure has been authorized by that company, or the person from whom the information is provided, or is required by law.
- Should not engage in conduct likely to bring discredit upon QST and its Controlled Entities;
- Should report and assist with the investigation of unlawful and unethical behaviour of a director or employee;
- Comply with the Share Trading Policy of QST; and,
- should, at all times, comply with the spirit, as well as the letter, of the law and with the principles of the Code;

Directors are obliged to be independent in judgment and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

This diversity policy outlines requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Accordingly, the Board has developed the following objectives regarding gender diversity and aims to achieve these objectives over the next 3 years as director and senior executive positions become vacant and appropriately qualified candidates become available:

	2018/2019		2019/2020	
	No.	%	No.	%
Women on the Board	1	25	1	25
Women in senior management roles	4	36	3	33
Women employees in the company	6	54	5	55

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Share Ownership and Share Trading Policy

Details of directors' individual shareholdings in Quest Investments Limited are provided in the remuneration report.

The Board's policy regarding directors and employees trading in Quest Investments Limited shares 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 company's share price. A detailed description of the Board's policy regarding directors and employees trading in Quest Investments Limited shares is available from the Board's Share Trading Policy (www.murchisongroup.com).

Directors and key management personnel (KMP) are prohibited from limiting risk attached to incentives paid in the form of options or rights by use of derivatives or other means. Further information on the Board's policy regarding the use of hedging arrangements by directors over Quest Investments Limited shares is provided in the remuneration report.

Board Committees

To facilitate achieving its objectives, the Board has performed the functions ordinarily carried out by a management committee. The committees have formal terms of reference that outline the committee's roles and responsibilities, and the authorities delegated to it by the Board.

Audit Committee

The executive directors of the board perform the functions ordinarily carried out by an audit committee.

Management Committee

The executive directors of the board perform the functions ordinarily carried out by a management committee.

Performance Evaluation

The Board assesses its performance and the performance of individual directors annually through a combination of internal peer review and externally facilitated evaluation processes. Directors' individual performances are also evaluated each year. The Board also formally reviews its governance arrangements on a similar basis annually.

Performance evaluations for individual directors and the Board were conducted during the reporting period ended 30 June 2019. Further details regarding the Board's remuneration policy for non-executive/independent directors is provided in the remuneration report.

The annual performance evaluation of the Board and board members for the year ended 30 June 2019 was conducted by the Board. The Chairman also spoke to each director individually regarding their role as director. The results from the evaluation were collated and developed into a series of recommendations to improve performance.

The performance of KMP is reviewed on a biannual basis by the Chairman.

The performance of each member of KMP is assessed. Performance indicators for each KMP are set annually in consultation with KMP. Consideration is also given to the contribution each member of KMP makes in assisting the Board. Further details regarding the Board's remuneration policy for KMP is provided in the remuneration report.

Performance evaluations for each member of KMP were conducted during the reporting period ended 30 June 2019 in accordance with the process described above.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Board Roles and Responsibilities

The Board is accountable to the shareholders for creating and delivering shareholder value through governance of the company's business activities. The discharge of these responsibilities is facilitated by the Board delivering to shareholders timely and balanced disclosures about the company's performance.

The Board is first and foremost accountable to provide value to its shareholders through delivery of timely and balanced disclosures.

The Board has delegated to the Chairman, Mr. Wee Tiong Chiang, all authorities appropriate and necessary to achieve the Board's objective to create and deliver long-term shareholder value.

Notwithstanding these delegations of authority by the Board, the Chairman remains accountable to the Board for the authority delegated to him and for the performance of the company's business activities at all times. As noted above, the Board regularly monitors the decisions and actions of the Chairman as well as the performance of the company's business activities.

The Chairman is responsible for ensuring individual directors, the Board as a whole and KMP comply with both the letter and spirit of the Board's governance arrangements. The Chairman discharges his responsibilities in a number of ways, primarily through:

- setting agendas in collaboration with other directors and KMP;
- encouraging critical evaluation and debate among directors;
- Bringing to the attention of all directors all critical matters and that the same are given sufficient attention; and
- communicating with stakeholders as and when required.

Independent directors have the right to seek independent professional advice on any matter connected with the discharge of their responsibilities 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.

Shareholder Rights and Investor Relations

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual financial statements. The Board encourages shareholders to attend and participate in the Annual General Meetings of Quest Investments Limited, to lodge questions to be responded by the Board and/or the Chairman, and are able to appoint proxies.

In any case, the company secretary of the company is to receive and respond to shareholder queries at any time during business hours.

Risk Management

The Board considers identification and management of key risks associated with the business as vital to creating and delivering long-term shareholder value.

The main risks that could negatively impact on the performance of the company's business activities include:

- downward movement in financial sector;
- Strong competition in Hong Kong financial markets; and
- changes in regulatory requirements relating to financial sector.

An assessment of the business's risk profile is undertaken and reviewed by the Board in March to June each year covering all aspects of the business from the operational level through to strategic level risks. The executive chairman has been delegated the task of implementing internal controls to identify and manage risks for which the Board provides oversight. The effectiveness of these controls is monitored and reviewed regularly. The uncertain economic environment has emphasized the importance of managing and reassessing its key business risks.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Remuneration Policy

In addition to their regular reporting on business risks, risk management and internal control systems, the Executive Chairman and Chief Financial Officer also provide the Board with written assurance that the directors' declaration provided with the annual report is founded on a sound system of risk management and internal control, and that this system is operating effectively in all material respects in relation to the financial reporting risks. This assurance is provided prior to the meeting at which the directors are due to authorise and sign the company's financial statements.

The remuneration policy, which sets the terms and conditions for executive and non-executive directors, and KMP, was developed by the executive directors of the Board. All executives receive a base salary and superannuation. The executive directors of the Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is measured against criteria agreed half-yearly which are based on the forecast growth of the company's profits and shareholders' value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

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

The amount of remuneration for all KMP for the company, including all monetary and non-monetary components, is detailed in the remuneration report under the heading "Table of Benefits and Payments". All remuneration paid to executives is valued at the cost to the company and expensed. 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 high-calibre executives to manage the company and its business activities. It will also provide executives with the necessary incentives to work to achieve long-term shareholder value.

The payment of options is reviewed by the executive directors of the Board annually as part of the review of executive remuneration. Options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving options. Any changes must be justified by reference to measurable performance criteria.

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's website at <www.murchisongroup.com>.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Quest Investments Limited and its controlled entities for the financial year ended 30 June 2019. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2019 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of Quest Investments Limited during or since the end of the financial year up to the date of this report:

Mr. Wee Tiong Chiang – Executive Chairman
Mr. Grant Anthony Robertson – Executive Director
Mr. Hung Ngok Wong – Executive Director
Ms. Melissa Chiang – Non-executive Director

Particulars of each director's experience and qualification are set out later in this report.

Dividends Paid or Recommended

No dividends were paid or declared during the year.

Indemnifying Officers or Auditor

During or since the end of the financial year the company has agreed to pay insurance premiums as follows:

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. The amount of the premium was HK\$41,927

Wee Tiong Chiang
Grant Anthony Robertson
Hung Ngok Wong
Melissa Chiang

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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Non-audit Services

The auditors of the Group and its controlled entities did not provide non-audit services during the year. This is not incompatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 26 of the Annual Report.

DIRECTORS' REPORT (CONT'D)

Options

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

<u>Grant Date</u>	<u>Date of Expiry</u>	<u>Exercise Price</u>	<u>Number under option</u>
21 July 2014	21 July 2019	AUD 0.09	1,118,402
9 December 2014	9 December 2019	AUD 0.0675	2,210,000
25 April 2015	25 April 2020	AUD 0.0675	2,234,057
10 December 2015	10 December 2020	AUD 0.078	2,130,000
4 April 2016	4 April 2021	AUD0.078	1,571,771
30 November 2016	30 November 2021	AUD0.14	2,300,000
16 November 2017	16 November 2022	AUD0.14	2,224,155
30 November 2017	30 November 2022	AUD0.30	2,060,000
30 November 2017	30 November 2022	AUD0.30	152,350
30 November 2018	30 November 2023	AUD0.30	2,500,000

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

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

DIRECTORS' REPORT (CONT'D)

Information on Directors

Wee Tiong Chiang	– Executive Chairman (Executive)
Qualifications	– B. Sc (Hons), MBA
Experience	– Appointed Chairman and Board member since 1991. Mr. Chiang has considerable experience in stock broking, investment, banking and asset management gained in Singapore, Hong Kong and PRC.
Interest in Shares and Options	– 8,720,943 Ordinary Shares and 6,842,480 options in Quest Investments Limited.
Special Responsibilities	– Mr Chiang is also the Senior Economic advisor to The People's Government of Nan'an District, Chongqing City, PRC.
Directorships held in other listed entities during the these years prior to the current year	– Current director and chairman of Murchison Holdings Limited since 1991.
Grant Anthony Robertson	– Director (Executive)
Qualifications	– B. Ec, LLB., CPA
Interest in Shares and Options	– 219,075 Ordinary Shares and 5,600,000 options of Quest Investments Limited.
Experience	– Board member since 1991. Mr. Robertson is a lawyer and an accountant. He was former partner of Abbott Stillman & Wilson barrister and solicitors and barrister and general counsel of its successor firm Dibbs Abbott Stillman. He has considerable experience in property development, corporate advisory and corporate and taxation matters.
Directorships held in other listed entities during the these years prior to the current year	– Current director of Murchison Holdings Limited since 1991.
Hung Ngok Wong	– Director (Executive)
Qualifications	– MA, FAIA, AHKSI
Interest in Shares and Options	– Nil Ordinary shares and 1,020,313 options of Quest Investments Limited.
Experience	– Appointed on 26 Oct 2010, Mr Wong has over 20 years working experience in banking, accounting and auditing.
Directorships held in other listed entities during the these years prior to the current year	– Current director of Murchison Holdings Limited since 2010.

DIRECTORS' REPORT (CONT'D)

Melissa Lin Sha Chiang

Director (Non-Executive)

Qualifications

Master of Clinical Chiropractic and Bachelor of Applied Science

Interest in Shares and Options

Nil Ordinary shares and 270,000 options of Quest Investments Limited.

Experience

Melissa was appointed to Board on 31 August 2016 and has been a chiropractor since 2009. Melissa practices at 2 clinics in metropolitan Melbourne.

Directorships held in other listed entities during the these years prior to the current year

Current director of Murchison Holdings Limited since 2016.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Grant Anthony Robertson - B. Ec, LLB., CPA, the director and company secretary of the Group. Details information for Mr Robertson can be referred to the information on the directors.

Meetings of Directors

During the financial year, 12 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	12	12
Grant Anthony Robertson	12	12
Hung Ngok Wong	12	12
Melissa Chiang	12	12

REMUNERATION REPORT

Remuneration Policy

The remuneration policy of Quest Investments Limited has been designed to align key management personnel 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 consolidated group'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 Consolidated Group is as follows:

- The remuneration policy is to be developed by the executive directors of the board and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, MPF, fringe benefits and options.
- No performance incentives were paid during the year.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The Executive Chairman reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed bi-annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. Incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and options, and can recommend changes to the Executive Chairman recommendation. 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 results leading to long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution and Mandatory Provident Funds (MPF) which is currently 9.5% and 5% respectively and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation and MPF.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Executive Chairman of the Board 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.

Key management personnel are also entitled and encouraged to participate in the employee option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, ie put options, on unvested shares and options which form part of their remuneration package.

REMUNERATION REPORT (CONT'D)

Performance-based Remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually. Following the assessment, the KPIs are reviewed by the Executive Chairman in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Quest Investments Limited bases the assessment on audited figures; however, where the KPI involves comparison of the Group, or a division within the Group, to the market, independent reports will be obtained from organisations.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The Company has issued options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	2015	2016	2017	2018	2019
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Revenue	24,208	1,439	1,313	7,233	4,200
Net (loss)	(681)	(6,067)	(17,637)	(1,887)	(2,072)
Dividend	-	-	-	-	-
Share price at 30 Jun	AUD 0.055	AUD 0.014	AUD 0.2	AUD 0.2	AUD 0.2

During the year ending 30 June 2019, the share was suspended from trading on the Australian Stock Exchange.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of share option schemes. Incentive payments provide management with a performance target which focuses upon organic sales growth utilising existing group resources.

The performance – related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long term goals of the group and provide a common interest between management and shareholder.

The satisfaction of the performance conditions are based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

REMUNERATION REPORT (CONT'D)

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the consolidated group, and to the extent different, among the key Group executives or company executives receiving the highest remuneration. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position held as at 30 June 2019 and any change during the year	Contract details (duration & termination)	Proportions of elements of remuneration related to performance			Proportions of elements of remuneration not related to performance	
			Non-salary cash-based incentives	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
			%	%	%	%	%
Group Key Management Personnel							
Wee Tiong Chiang	Director	No-fixed term	-	-	-	100	100
Grant Anthony Robertson	Director	No-fixed term	-	-	-	100	100
Melissa Chiang	Director	No-fixed term	-	-	-	100	100
Hung Ngok Wong	Director	3 months notice period	-	-	-	100	100
Other Executives							
Gek Huang Tan	Senior Manager	3 month notice period and no fixed term	-	-	-	100	100
Pui Wah Cheung	Administration manager	3 month notice period and not fixed term	-	-	-	100	100
Rudico Ayrin M.	General Manager	3 months notice period and no fixed term	-	-	-	100	100
Duyi Meng	Manager	3 month notice period and not fixed term	-	-	-	100	100

The employment terms and conditions of key management personnel and Group executives are formalised in contracts of employment.

Terms of employment require that the relevant Group entity provide an executive contracted person with a minimum of 1-3 months notice prior to termination of contract. Termination payments equal to the required notice of termination are generally payable. A contracted person who is deemed employed on a permanent basis may terminate their employment by providing at least one month notice. No termination payments is payable on resignation.

Non-executive directors do not have a definite employment term. No termination payments will be paid upon termination.

REMUNERATION REPORT (CONT'D)

Remuneration Details for the Year Ended 30 June 2019

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the consolidated group and, to the extent different, the key Group executives receiving the highest remuneration:

Table of Benefits and Payments for the Year Ended 30 June 2019

Group Key Management Personnel		Short-term benefits			Long-term benefits		Total
		Short term benefits (1)	Post employment benefit	Other post employment benefit	Non-Cash Benefit (1)	Equity settled share based payment	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Directors							
Wee Tiong Chiang	2019	1,141,000	-	65,520	-	-	1,206,520
	2018	1,141,000	-	65,520	660,000	-	1,866,520
Grant Anthony Robertson	2019	822,750	61,813	-	-	-	884,563
	2018	870,000	61,813	-	-	-	931,813
Hung Ngok Wong	2019	240,000	-	12,000	-	-	252,000
	2018	240,000	-	12,000	-	-	252,000
Melissa Chiang	2019	137,125	-	-	-	-	137,125
	2018	145,000	-	-	-	-	145,000
Total	2019	2,340,875	61,813	77,520	-	-	2,480,208
	2018	2,396,000	61,813	77,520	660,000	-	3,195,333
Executives							
Gek Huang Tan	2019	312,000	-	21,840	-	-	333,840
	2018	324,294	-	21,439	-	-	345,733
Pui Wah Cheung	2019	-	-	-	-	-	-
	2018	82,500	-	5,789	-	-	88,289
Rudico Ayrin M.	2019	480,000	-	33,600	-	-	513,600
	2018	473,425	-	33,290	-	-	506,715
Duyi Meng	2019	240,000	-	12,000	-	-	252,000
	2018	-	-	-	-	-	-
Total	2019	1,032,000	-	67,440	-	-	1,099,440
	2018	880,219	-	60,518	-	-	940,737

(1) should be classified as short term benefits

REMUNERATION REPORT (CONT'D)

Securities Received that are not Performance Related

No members of the key management personnel are entitled to receive securities which are not performance based as part of their remuneration package.

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

No options were issued by Quest Investments Limited during the year.

Options and Rights Granted

No option has been granted as remuneration during the year.

REMUNERATION REPORT (CONT'D)

Description of Options/Rights Issued as Remuneration

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

Grant Date	Issuer	Entitlement on Exercise	Dates Exercisable	Exercise Price	Value per Option at Grant Date	Amount Paid/ Payable by Recipient
				AUD	AUD	AUD
-	-	-	-	-	-	-
Option and right						
Directors	Balance at 1 July 2018	Granted as remuneration	Lapsed no.	Other changes no	Balance at 30 June 2019	Balance vested at 30 Jun 2019 exercisable no
Wee Tiong Chiang	7,485,119	-	(642,639)	-	6,842,480	6,842,480
Grant Anthony Robertson	6,262,639	-	(662,639)	-	5,600,000	5,600,000
Hung Ngok Wong	1,400,313	-	(380,000)	-	1,020,313	1,020,313
Melissa Chiang	180,000	-	-	90,000	270,000	270,000
Executives						
Gek Huang Tan	1,770,214	-	(368,592)	-	1,401,622	1,401,622
Pui Wah Cheung	1,574,291	-	(334,320)	-	1,239,971	1,239,971
Rudico Ayrin M.	1,321,893	-	(268,765)	-	1,053,128	1,053,128
Duyi Meng	225,627	-	-	-	225,627	225,627
	20,220,096	-	(2,656,955)	90,000	17,653,141	17,653,141

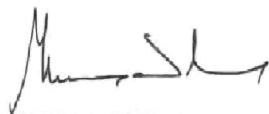
REMUNERATION REPORT (CONT'D)

Changes in Equity held by KMP

Directors	Balance at the beginning of the year	Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at the end of the year
Wee Tiong Chiang	8,720,943	-	-	-	8,720,943
Grant Anthony Robertson	219,075	-	-	-	219,075
Kim Chan Koh	-	-	-	-	-
Hung Ngok Wong	-	-	-	-	-
Melissa Chiang	-	-	-	-	-
Executives					
Gek Huang Tan	-	-	-	-	-
Pui Wah Cheung	-	-	-	-	-
Rudico Ayrin M.	-	-	-	-	-
	8,940,018	-	-	-	8,940,018

Details relating to service and performance criteria required for vesting have been provided in the previous table.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Wee Tiong Chiang, Director

Dated: 23rd December 2019

QUEST INVESTMENTS LIMITED AND ITS CONTROLLED ENTITIES
A.B.N. 59 004 749 044

TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

To: The Board of Directors
Quest Investments Limited
C/- 7 Dallas Street
Mount Waverley Vic. 3149

Dear Board members,

Re :QUEST INVESTMENTS LIMITED

In accordance with Section 307C of the *Corporations Act 2001*, we are pleased to provide the following declaration of independence to the directors of Quest Investments Limited A.B.N. 59 004 749 044.

As lead Auditors for the audit of the consolidated financial statements of Quest Investments Limited for the financial year ended 30 June 2019, we declare to the best of our knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

This declaration is made in respect of Quest Investments Limited and the entities it controlled during the year ended 30 June 2019.

National Audits Pty Ltd

National Audits Pty Ltd
Chartered Accountants



Mr Jeffrey D Cannings, FCA, CTA
Registered Company Auditor

Also, Director of National Audits Pty Ltd,
An Authorised Audit Company by ASIC

Dated this 23 Day of December 2019

Chartered Accountants, Auditors & Business Advisors
National Audits Pty Ltd T/A Super Audits Central ABN: 23 161 483 094
Liability limited by a scheme approved under the Professional Standards Legislation.
Director: Jeffrey D Cannings, MBA, Dip Tech (Comm), Dip Ed, FCA, CTA, Registered Company Auditor, SMSF Auditor & Tax Agent
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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2019**

Continuing operations	Note	Consolidated group	
		2019 HK\$000	2018 HK\$000
Revenue	3a	4,200	7,233
Other income	3b	129	5,929
Administrative expense		(6,869)	(15,209)
Finance costs		(43)	(27)
Loss before income tax	4	(2,583)	(2,074)
Income tax benefit	5	511	187
Net loss from continuing operations		(2,072)	(1,887)
Total comprehensive loss for the year		(2,072)	(1,887)
Net loss attributable to:			
Members of the parent entity		(2,072)	(1,887)
		(2,072)	(1,887)
Loss per share			
From continuing and discontinued operations:			
Basic losses per share (cents)	8	(4.18)	(3.84)
Diluted losses per share (cents)	8	(4.18)	(3.84)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Consolidated Group			
	Note	2019 HK\$000	2018 HK\$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	4,037	5,875
Trade and other receivables	10	32,736	28,110
Other financial assets	12	12	31
Other current assets	15	17	20
TOTAL CURRENT ASSETS		36,802	34,036
NON-CURRENT ASSETS			
Trade and other receivables	10	12,802	14,237
Other financial assets	12	53	53
Deferred tax assets	5b	22,089	21,578
Plant and equipment	14	15	29
Other non-current assets	15	760	760
TOTAL NON-CURRENT ASSETS		35,719	36,657
TOTAL ASSETS		72,521	70,693
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	48,798	44,898
TOTAL CURRENT LIABILITIES		48,798	44,898
TOTAL LIABILITIES		48,798	44,898
NET ASSETS		23,723	25,795
EQUITY			
Issued capital	17	98,738	98,738
Reserves	26	23,784	23,784
Accumulated losses		(98,799)	(96,727)
TOTAL EQUITY		23,723	25,795

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2019

Consolidated Group

	Reserves				Accumulated Losses	Total
	Ordinary shares	Capital Profits	Share Options	Foreign Currency Translation		
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Balance at 1 July 2018	98,738	7,100	2,098	14,586	(96,727)	25,795
Comprehensive income						
Loss for the year	-	-	-	-	(2,072)	(2,072)
Other Comprehensive income for the year						
Total comprehensive loss for the year	-	-	-	-	(2,072)	(2,072)
Balance at 30 June 2019	98,738	7,100	2,098	14,586	(98,799)	23,723

Consolidated Group

	Reserves				Accumulated Losses	Total
	Ordinary shares	Capital Profits	Share Options	Foreign Currency Translation		
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Balance at 1 July 2017	97,743	7,100	1,912	14,586	(94,840)	26,501
Comprehensive income						
Loss for the year	-	-	-	-	(1,887)	(1,887)
Other Comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(1,887)	(1,887)
Transactions with owners, in their capacity as owners, & other transfers						
Share issued during the year	995	-	-	-	-	995
Share options granted	-	-	186	-	-	186
Balance at 30 June 2018	98,738	7,100	2,098	14,586	(96,727)	25,795

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2019

		Consolidated group	
	Note	2019 HK\$000	2018 HK\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		13,541	4,249
Payments to suppliers and employees		(16,775)	(17,598)
Interest received		3	2
Finance costs		(43)	(27)
Net cash used in operating activities	21	<u>(3,274)</u>	<u>(13,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		-	3
Proceeds received from disposal of plant and equipment		-	(19)
Payment to related companies		1,436	12,458
Net cash provided by investing activities		<u>1,436</u>	<u>12,442</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	995
Net cash provided by financing activities		<u>-</u>	<u>995</u>
Net increase / (decrease) in cash held		(1,838)	63
Cash and cash equivalents at beginning of financial year		5,875	5,812
Cash and cash equivalent at end of financial year	9	<u>4,037</u>	<u>5,875</u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

These consolidated financial statements and notes represent those of Quest Investments Limited and controlled entities ('Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Quest Investments Limited have not been presented within this financial reports as permitted by the *Corporation Act 2001*.

Note 1: Summary of significant accounting policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Quest Investments Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 13. All subsidiaries have a reporting date of 30 Jun.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealized gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognizes non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of the investment is recognised in profit or loss and in the period in which the investment is acquired.

Profit or loss resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are provided in Note 11.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognizing any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the Statement of profit or loss and other comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) **Income Tax**

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss.

Except for business combinations, no deferred income tax is recognized from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

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 asset's 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 consolidated group 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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group 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 the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(e) 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 is transferred to entities in the consolidated group, 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.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(e) Financial Instruments

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised 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 lease term.

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'at fair value through profit or loss', in which case transaction costs are expensed to statement of comprehensive income immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(e) Financial Instruments (cont'd)

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in statement of comprehensive income.

ii. *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 subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets). Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets. Gains or losses are recognized in profit or loss through the amortisation process and when the financial asset is derecognised.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, where they are expected to be sold or mature 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(e) Financial Instruments (cont'd)

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(f) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(g) 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 Hong Kong dollars which is the parent entity's functional and presentation currency.

Transactions 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 statement of comprehensive income, 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 other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit and loss.

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 the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Hong Kong dollars are recognized in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit and loss in the period in which the operation is disposed.

(h) Employee Benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(i) Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(l) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognized when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the state of completion of the transaction at the end of the reporting period where outcome of the contract can be estimate reliably. Stage of completion is determined with reference to the service performed to date as a percentage of total anticipated services to be performed where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

(m) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(n) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(o) 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 statement of profit or loss and other comprehensive income in the period in which they are incurred.

(p) 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 Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Comparative Figures

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

(r) Rounding of Amounts

The parent entity has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest HKD1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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.

Key Estimates

Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of plant and equipment and trade and others receivable for the year ended 30 June 2019 (30 June 2018: Nil).

Key Judgments

Recoverability of receivables from related parties

Included in non-current term receivables at the end of the reporting period are amounts owing to the Group from the related companies of HK\$12.8 million (2018:14.2 million). The balance has been transferred from former associated companies to amount owing to the Group from related companies because the ownership were transferred to Wee Tiong Chiang, the chairman of the Group as disclosed in Note 10 in the notes to the financial statements. A director of these companies has pledged to provide continued financial support to enable them to meet their debts as and when they fall due. As such the directors believe the full amount of the receivables are recoverable and therefore no provision for impairment has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(t) New Accounting Standards for Application in Future Periods(Cont'd)

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018). The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective. Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: Revenue from Contracts with Customers and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018 as further amended by AASB 2015-8). When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process: identify the contract(s) with a customer; identify the performance obligations in the contract(s); determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the performance obligation is satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117 and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new standard include:

Recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);

Depreciation of right-to-use assets in-line with AASB 116 Property, plant and equipment in profit or loss and unwinding of the liability in principal and interest components;

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(t) New Accounting Standards for Application in Future Periods (Cont'd)

By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account all components as a lease; and

Additional disclosure requirements.

The transitional provisions of this standard allows a lessee to either retrospectively apply the standard to comparatives

in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Error; or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2014-10 : *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10 : *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10 : *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3 : *Business Combinations* to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2018. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 1: Summary of significant accounting policies (Cont'd)

Basis of Preparation

(u) Going Concern Basis of Preparation

The directors have prepared the financial statements on a going concern basis. The Group has a current asset deficiency of HK\$11,996,000 (2018: HK\$10,862,000). The Group and the Company reported an after tax loss of HK\$2,072,000 (2018: HK\$1,887,000) and HK\$216,000 (2018: HK\$537,000), respectively, for the year.

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. The Directors note the following with regards to the ability of the Group to continue as a going concern:

1. the Group's ultimate holding company and its major shareholder, Mr Wee Tiong Chiang, have pledged to provide continuing financial support to the Group for a period of not less than twelve months from the date of the directors' declaration;
2. the Group is taking action to recover long outstanding debtors;
3. the Group and its parent company propose to conduct a capital raising.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to be able to pay its debts as and when they fall due, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**Note 2: Parent Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

STATEMENT OF FINANCIAL POSITION**ASSETS**

	2019 HK\$000	2018 HK\$000
Current assets	12,299	11,589
Non-current assets	63,178	60,734
TOTAL ASSETS	75,477	72,323

LIABILITIES

Current liabilities	25,401	22,031
TOTAL LIABILITIES	25,401	22,031

NET ASSETS

50,076	50,292
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EQUITY

Issued capital	98,738	98,738
Accumulated losses	(99,053)	(98,837)
Reserve	50,391	50,391
TOTAL EQUITY	50,076	50,292

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSSES

Total losses	(216)	(537)
Total comprehensive losses	(216)	(537)

Guarantees

Quest Investments Limited has entered into a cross guarantees agreement in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent Liabilities

At 30 June 2019 Quest Investments Limited has a contingent liabilities under the cross guarantee agreement for HKD40 million (30 June 2018 : HKD40 million).

Contractual Commitments

At 30 June 2019 Quest Investments Limited has not entered into any contractual commitments (30 June 2018 : Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 3: Revenue and Other Income

		Consolidated Group	
		2019	2018
		HK\$000	HK\$000
a. Revenue from continuing operations			
Sales revenue:			
– Commission		905	1,005
– Corporate Advisory		3,295	6,228
		<hr/> 4,200	<hr/> 7,233
b. Other Income / (loss):			
– Trading (loss)		(230)	(949)
– Dividend received:			
- other persons		3	3
– Exchange gain		139	192
– Other revenue		217	6,683
		<hr/> 129	<hr/> 5,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 4: Loss for the year

	Consolidated Group	
	2019	2018
	HK\$000	HK\$000
Loss before income tax from continuing operations includes the following specific expenses		
Expenses		
Interest expense on financial liabilities not at fair value through profit or loss		
– other persons	43	241
Rental expense on operating leases		
– rental expenses	506	907
Depreciation and amortisation	13	71
Employee benefit expenses		
– Defined contribution superannuation expenses	194	186

Note 5: Income Tax Benefit

	Consolidated Group	
	2019	2018
	HK\$000	HK\$000
a. The components of tax expenses comprises		
Deferred taxation credit	511	187
	<u>511</u>	<u>187</u>
b. The total charges for the year can be reconciled to the profit per the consolidated income statement as follows:		
Loss for the year before income tax	(2,072)	(1,887)
Income tax on profit / (loss) before tax at 30% (2018: 30%)		
– consolidated group	(622)	(566)
Add : effect of tax :		
– tax rate differences in other taxation jurisdiction	811	736
Effect of tax losses not recognized	(189)	(170)
Income tax credit attributable to entity	<u>-</u>	<u>-</u>
Deferred income tax assets relating to temporary differences and unused tax losses brought forward		
Deferred tax assets brought forward in the accounts	21,578	21,391
Current year deferred tax assets	511	187
Balances carried forward to next year	<u>22,089</u>	<u>21,578</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 6: Key Management Personnel (KMP) Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2019.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2019 HK\$000	2018 HK\$000
Short-term employee benefits	3,373	3,936
Other post-employment benefits	145	138
Superannuation contribution	62	62
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	3,580	4,136

Short-term employee benefits

These amounts include fees and benefits paid to the director and non-executive directors as well as all salary, paid leave benefits and fringe benefits awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date. Further information in relation to KMP remuneration can be found in the directors' report.

Note 7: Auditors' Remuneration

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
Remuneration of the auditor of the parent entity for:		
– auditing or reviewing the financial statements	196	232
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries	153	110
	349	342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
Note 8: Earnings per Share

		Consolidated Group	
		2019	2018
		HK\$000	HK\$000
a.	Reconciliation of Earnings to Loss		
	Loss for the year	(2,072)	(1,887)
	Losses used to calculate basic EPS	(2,072)	(1,887)
b.	Reconciliation of earnings to loss from continuing operations		
	Loss from continuing operations	(2,072)	(1,887)
	Losses used in the calculation of basic and diluted EPS from continuing operations	(2,072)	(1,887)
		No.	No.
c.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	Weighted average number of ordinary shares outstanding	49,539,148	49,176,094
	Weighted average number of options outstanding (i)	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	49,539,148	49,176,094

(i) As the Group was loss making no options have been included in the calculation of diluted EPS as the options are considered to be anti-dilutive.

Note 9: Cash and Cash Equivalents	Note	Consolidated Group	
		2019	2018
		HK\$000	HK\$000
Cash at bank and in hand		4,037	5,875
	17, 25	4,037	5,875

No cash has been (2018: Nil) pledged as security for overdraft facilities. The effective interest rate on short-term bank deposits was less than 1% (2018: less than 1%); these deposits have an average maturity of seven to thirty days.

Reconciliation of cash

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

Cash and cash equivalents	4,037	5,875
	4,037	5,875

A floating charge over cash and cash equivalents has been provided to Wing Hang Bank in Hong Kong to secure the finance facilities of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 10: Trade and Other Receivables

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
CURRENT		
Trade receivables (i)	1,491	704
Provision for impairment	-	-
Loan receivables (ii)	9,000	10,345
Service fee receivable from ultimate parent entity	9,252	5,961
Other receivables	12,993	11,100
Total current trade and other receivables	<u>32,736</u>	<u>28,110</u>
NON-CURRENT		
Term receivables	12,802	14,237
Provision for impairment	-	-
Total non-current trade other receivables	<u>12,802</u>	<u>14,237</u>
 Total trade and other receivables are due from:		
- Ultimate parent entity	9,252	20,198
- Related companies	12,802	19,259
- Director	-	-
- Others	23,484	2,890
Total current and non-current trade and other receivables	<u>45,538</u>	<u>42,347</u>

(i) Current trade receivables are non-interest bearing and generally on 30-120 day terms.

(ii) Loan receivables are non-interest bearing. Wee Tiong Chiang has undertaken to secure the full recoverability of these accounts.

Impairment of trade and other receivables

Trade receivables and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade receivables, term receivables or loan receivables is impaired. These amounts have been included in the other expenses item. No provision of impairment has been provided in the accounts during the year. (2018: No provision of impairment)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 10: Trade and Other Receivables (Cont'd)

Credit Risk – Trade and Other Receivables

Out of the HK\$45.538 million (2018: HK\$42.234 million) total trade and other receivables, HK\$1.491 million (2018: HK\$0.704 million) is not guaranteed by Wee Tiong Chaing. These unguaranteed balances have no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Hong Kong given its substantial operations in this region. The Group's exposure to credit risk for receivables at the end of the reporting period in this region is as follows:

	Note	Consolidated Group	
		2019	2018
		HK\$000	HK\$000
Hong Kong		36,115	36,215
Australia		9,423	6,132
	25	45,538	42,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 10: Trade and Other Receivables (Cont'd)

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount HK\$000	Past due and impaired HK\$000	Past due but not impaired (days overdue)				Within initial trade terms HK\$000
			< 30	31-60	61-90	> 90	
			HK\$000	HK\$000	HK\$000	HK\$000	
Consolidated Group							
2019							
Trade and term receivables	1,491	-	-	-	-	-	1,491
Other receivables	12,993	-	-	-	-	-	12,993
Total	14,484	-	-	-	-	-	14,484
2018							
Trade and term receivables	704	-	-	-	-	-	704
Other receivables	11,100	-	-	-	-	-	11,100
Total	11,804	-	-	-	-	-	11,804

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

a. Collateral held as security

HK\$9 million of the loan receivables are secured by unlisted securities.

b. Collateral pledged

No charge over trade receivables has been provided for during the year.

Note 11: Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2019	2018	2019	2018
Unlisted:				%	%	HK\$000	HK\$000
Quest Marine Resources Limited	Seafood Product	Australia	Ordinary	43.37%	43.37%	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 12: Other Financial Assets

Note

Consolidated Group

**2019
HK\$000**

**2018
HK\$000**

Current

Financial assets at fair value through profit or loss

(a)

12

31

Non-Current

Available-for-sale financial assets

(b)

53

53

Total Financial Assets

65

84

(a) Financial assets at fair value through profit or loss

Held-for-trading listed shares

25

12

31

Shares held for trading are traded for the purpose short-term profit taking. Changes in fair value are included in the statement of comprehensive income.

(b) Available-for-sale financial assets comprise:

Unlisted investments, at cost

– Shares in unlisted corporations

53

53

Total available-for-sale financial assets

25

53

53

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 13: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2019	2018
Parent Entity:			
Quest Investments 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	100	100
Quest Stockbrokers (HK) Limited	Hong Kong	100	100
Quest Nominees Limited	Hong Kong	100	100
Quest Investments Limited	Hong Kong	100	100
Quest Telecom Limited	Hong Kong	100	100
Link Service Technology Limited	Hong Kong	100	100

* Percentage of voting power is in proportion to ownership

The immediate parent entity of Quest Investments Limited is Murchison Holdings Limited, incorporated in Australia. The ultimate parent entity is Jondara Pty Limited, incorporated in Australia.

(b) Acquisition of Controlled Entities

There were no acquisitions of subsidiaries during the year.

(c) Disposal of Controlled Entities

There were no disposals of subsidiaries during the year.

(d) Controlled Entities with Ownership interest of 50% or Less

The group does not control any entity with equity interest of 50% or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 14: Plant and Equipment

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
At cost	1,202	1,202
Accumulated depreciation	(1,187)	(1,173)
	<u>15</u>	<u>29</u>

a. Movements in Carrying Amounts

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

Consolidated Group	Plant and Equipment HK\$000	Total HK\$000
Balance at 1 July 2017	81	81
Additions	19	19
Depreciation Expenses	(71)	(71)
Balance at 30 June 2018	<u>29</u>	<u>29</u>
Written off	(1)	(1)
Depreciation Expenses	(13)	(13)
Balance at 30 June 2019	<u><u>15</u></u>	<u><u>15</u></u>

Note 15: Other Assets

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
CURRENT		
Prepayments	<u>17</u>	<u>20</u>
NON-CURRENT		
Funds reserves	400	400
HKCC Membership	<u>360</u>	<u>360</u>
	<u><u>760</u></u>	<u><u>760</u></u>

Funds reserves represents deposits with and refundable admission fee paid to Hong Kong Securities Clearing Company Limited and deposits with the Stock Exchange of Hong Kong Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 16: Trade and other payables

Note

Consolidated Group

**2019
HK\$000**

**2018
HK\$000**

CURRENT

Trade payables

30,615

30,083

Payable to a director

16,637

11,250

Amounts payable to:

– Ultimate parent entity

1,546

3,565

17

48,798

44,898

**Financial liabilities at amortised cost
classified as trade and other payables**

Trade and other payables

– Total Current

48,798

44,898

25

48,798

44,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 17: Issued Capital

	Note	Consolidated Group	
		2019 HK\$000	2018 HK\$000
51,717,471 (2018: 51,717,471) fully paid ordinary shares		98,738	98,738
a. Ordinary Shares		No	No
At the beginning of reporting period		51,717,471	50,630,639
30 Nov 2017		-	420,000
8 Dec 2017		-	68,673
1 Jan 2018		-	598,159
At the end of the reporting period		51,717,471	51,717,471

No ordinary shares issued during the year (2018: 1,086,832 shares).

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options

- For information relating to the Quest Investments Limited 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 22: Share-based Payments.
- For information relating to share options issued to key management personnel during the financial year, refer to Note 22: Share-based Payments.

c. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 17: Issued Capital (Cont'd)

c. Capital Management (Cont'd)

The gearing ratio's for the year ended 30 June 2019 and 30 June 2018 are as follows:

	Note	Consolidated Group	
		2019 HK\$000	2018 HK\$000
Trade and other payable	16	48,798	44,898
Less cash and cash equivalents	9	(4,037)	(5,875)
Net equity		44,761	39,023
Total equity		23,723	25,795
Total capital		68,484	64,818
Gearing ratio		65%	60%

Note 18: Capital and Leasing Commitments

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	691	-
– between 12 months and 5 years	-	691
– greater than 5 years	-	-
	691	691

Operating lease payment represent rental payable by the company for its office premises. The lease is negotiated for a term of twenty months with fixed monthly rentals.

Note 19: Contingent Liabilities and Contingent Assets

There were no significant contingent assets at 30 June 2019 and subsequent to the financial year end (30 June 2018: Nil). The Group has entered into a cross guarantees agreement in previous financial year, in relation to the debts of its subsidiaries. (Note :12)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 20: Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

Types of products and services by segment

(i) Business segments

- Investments are invested in marketable securities.
- Stockbroking is provision of share trading services to clients.
- Provision of telecom services to clients.
- Provision of corporate advisory services; corporate restructuring and related services to clients.

(ii) Geographical segments

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

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

c. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

d. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Derivatives
- Net gains on disposal of available-for-sale investments
- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Current tax liabilities
- Other financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 20: Operating Segments(Cont'd)

e. Segments performance

	Consolidated Group				
	Investment	Stockbroking	Telecom	Corporate Advisory	Total
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
30 June 2019					
REVENUE					
External Sales	214	695	-	3,291	4,200
Sale to related Companies	-	-	-	-	-
Other (loss) / Income	(2)	81	(71)	121	129
Total segment revenue	212	776	(71)	3,412	4,329
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-	-	-	-	-
Total group revenue	212	773	(71)	3,412	4,329
Segment net profit /(loss) before tax from continuing operations	(175)	(3,134)	(1,851)	3,088	(2,072)
Reconciliation of segment result to group net loss before tax	-	-	-	-	-
- Impairment in investment	-	-	-	-	-
- Equity accounted profits of associates	-	-	-	-	-
Net profit /(loss) before tax from continuing operations	(175)	(3,134)	(1,851)	3,088	(2,072)
	Consolidated Group				
	Investment	Stockbroking	Telecom	Corporate Advisory	Total
	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
30 June 2018					
REVENUE					
External Sales	-	1,005	-	6,228	7,233
Sales to related Companies	-	-	-	-	-
Other (loss) / income	5,678	112	(124)	263	5,929
Total segment revenue	5,678	1,117	(124)	6,491	13,162
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	-	-	-	-	-
Total group revenue	5,678	1,117	(124)	6,491	13,162
Segment net profit /(loss) before tax from continuing operations	(1,161)	(3,154)	(1,674)	4,102	(1,887)
Reconciliation of segment result to group net loss before tax	-	-	-	-	-
- Impairment in investment	-	-	-	-	-
- Equity accounted profits of associates	-	-	-	-	-
Net profit /(loss) before tax from continuing operations	(1,161)	(3,154)	(1,674)	4,102	(1,887)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 20: Operating Segments(Cont'd)

e. Segments performance (cont'd)

	Consolidated Group				Total
	Investment	Stockbroking	Telecom	Corporate Advisory	
30 June 2019	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Segment Assets	45,236	17,301	1	9,983	72,521
Segment assets increases for the year– capital expenditure	-	-	-	-	-
	45,236	17,301	1	9,983	72,521
Included in segment assets are:					
- Equity accounted associates	-	-	-	-	-
Reconciliation of segment assets to group assets					
Inter-segment eliminations					-
Total group assets					72,521

	Consolidated Group				Total
	Investment	Stockbroking	Telecom	Corporate Advisory	
30 June 2018	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Segment Assets	42,977	20,886	5	6,825	70,693
Segment assets increases for the year– capital expenditure	-	-	-	-	-
	42,977	20,886	5	6,825	70,693
Included in segment assets are:					
- Equity accounted associates	-	-	-	-	-
Reconciliation of segment assets to group assets					
Inter-segment eliminations					-
Total group assets					70,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 20: Operating Segments(Cont'd)

e. Segments performance (cont'd)

30 June 2019	Consolidated Group				
	Investment	Stockbroking	Telecom	Corporate Advisory	Total
Segment liabilities	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Reconciliation of segment liabilities to group liabilities	39,672	2,492	4,131	2,503	48,798
Inter-segment eliminations	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-
Current tax liabilities	-	-	-	-	-
Total group liabilities	39,672	2,492	4,131	2,503	48,798

30 June 2018	Consolidated Group				
	Investment	Stockbroking	Telecom	Corporate Advisory	Total
Segment liabilities	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000
Reconciliation of segment liabilities to group liabilities	36,848	2,929	2,590	2,531	44,898
Inter-segment eliminations	-	-	-	-	-
Unallocated liabilities	-	-	-	-	-
Current tax liabilities	-	-	-	-	-
Total group liabilities	36,848	2,929	2,590	2,531	44,898

Revenue by Geographical region

Segment Revenues for External Customers

	2019	2018
	HK\$000	HK\$000
Australia	3,294	6,491
Hong Kong	1,035	6,671
Total revenue	4,329	13,162

Assets by Geographical region

	2019	2018
	HK\$000	HK\$000
Australia	45,290	40,045
Hong Kong	27,231	30,648
Total Assets	72,521	70,693

No customer of the group contributes more than 10% of the group's revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 21: Cash Flow Information

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(2,072)	(1,887)
Non-cash flows in profit		
Dividend income classified as investing cash flows	-	3
Depreciation	13	71
Share based payment expenses	-	186
Unrealised loss on securities	-	(478)
Changes in assets and liabilities		
Decrease in trade and others receivables	(4,623)	(7,974)
Increase/(Decrease) in trade payables and accruals	3,919	(3,108)
Decrease in tax payable	(511)	(187)
Cash outflows from operating activities	<u>(3,274)</u>	<u>(13,374)</u>

(b) Acquisition / disposal of entities

During the financial years ended 30 June 2019 and 30 June 2018, the Group did not acquire any equity interest of a company.

(c) Non-cash Financing and Investing Activities

There were no non-cash financing and investing activities.

(d) Credit standby arrangement with banks

	2019 HK\$000	2018 HK\$000
Credit facility	37,000	37,000
	<u>37,000</u>	<u>37,000</u>

The bank overdraft is secured by fixed deposit, and available for sale securities pledged with the bank and a personal guarantee from a director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 22: Share Based Payments

- i. During the year, no options were granted to directors with more than one year of full-time service under the Quest Investments Limited director option plan to take up ordinary shares.
- ii. The company established the Employee Share Option Scheme on 4 December 2012 as a long-term incentive scheme to recognize talent and motivate executives to strive for group performance. All employees are entitled to participate in the scheme upon completion of one year employment with the consolidated group. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including growth in shareholder return, return on equity, cash earnings and group EPS growth.
- iii. No options granted to key management personnel during the year
Further details of these options are provided in the directors' report. The options hold no voting or dividend rights. The options lapse when a director ceases their employment with the Group. During the financial year, these options vested with key management personnel.
- iv. During the year no share options were granted to employee as share based payment.
A summary of the movements of all company options issued is as follows:

	Number	Weighted average exercise price
		AUD
Options outstanding as at 30 June 2017	19,522,760	0.127
Granted	-	
Exercised/forfeited	-	
Options outstanding as at 30 June 2018	19,522,760	0.127
Granted	-	
Forfeited	(1,022,025)	0.127
Options outstanding as at 30 June 2019	18,500,735	0.127
Options exercisable as at 30 June 2019	18,500,735	0.127
Options exercisable as at 30 June 2018	19,522,760	0.127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 22: Share Based Payments (Cont'd)

- v. The weighted average remaining contractual life of options outstanding at year end was 2.33 years.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

During the year, no shares granted to key management personnel as share-based payments.

Note 23: Events after the Reporting Period

The Directors has disclosed the post balance sheet event in the Operating and Financial Review. Others than events disclosed, the directors do not believe that any matter or circumstances has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 24: Related Party Transactions

	Consolidated Group	
	2019 HK\$000	2018 HK\$000
a. Transactions with related parties:		
Associates		
Commission income charged by Quest Stockbrokers (HK) Limited to Meredeen Investments Limited	-	507
Commission income charged by Quest Stockbrokers (HK) Limited to Quest Securities Limited	-	104
Commission income charged by Quest Stockbrokers (HK) Limited to Quest Telecom Limited, Quest Investments Limited and Quest Nominees Limited	94	248
	<u>94</u>	<u>859</u>
Rental expenses:		
Murchison International Limited	-	726
	<u>-</u>	<u>726</u>
b. Amount due from related parties :		
Murchison Holdings Limited	11,017	14,237
Wanagolf Company Limited	120	120
	<u>11,137</u>	<u>14,357</u>

The amounts are unsecured, interest free and repayable on demand, Refer to Note 24(c) for details of guarantees covering the recoverability of these receivables.

c. Receivable balances guaranteed by related parties		
Amounts due from immediate parent entity	11,017	14,237
Loan receivables from third parties	9,000	10,345
	<u>20,017</u>	<u>24,582</u>

The director, Wee Tiong Chiang has undertaken to secure the full recoverability of these receivables.

d. Payables to related parties		
Director – Wee Tiong Chiang	16,637	11,251
Director – Kim Chan Koh	3,601	3,601
Director – Grant Robertson	453	453
Murchison Holdings Limited	-	3,565
Darbington Pte Limited	2,625	2,625
Quest Marine Resources Limited	-	1,301
	<u>23,316</u>	<u>22,796</u>

The amounts are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2019 HK\$000	2018 HK\$000
Financial Assets			
Cash and cash equivalents	9	4,037	5,875
Financial assets at fair value through profit and loss	12	12	31
Trade and other receivables	10	45,538	42,347
Available-for-sale financial assets			
— unlisted investments	12	53	53
Total Financial Assets		49,640	48,306
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	16	48,798	44,898
Total Financial Liabilities		48,798	44,898

Financial Risk Management Policies

The Chairman has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The Chairman monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of his authority. He also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The Chairman's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk).

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management (Cont'd)

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 120 days from the invoice date.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries.

The Group has significant concentration of credit risk through having large receivables balances due from related parties. Details with respect to credit risk of trade and other receivables are provided in Note 10 and Note 25.

Aggregates of trade and other receivables that are past due or impaired are as detailed in Note 10.

Credit risk related to balances with banks and other financial institutions is managed by the executive chairman in accordance with approved Board policy.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Financial support pledged by Wee Tiong Chiang to ensure liabilities are paid when they fall due.
- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The Group's policy is to ensure the borrowings should mature in any 12 month period.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable immediately subject to further mutually negotiation.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management (Cont'd)

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		No Stated repayment term		Total	
Consolidated Group	2019 HK\$000	2018 HK\$000	2019 HK\$000	2018 HK\$000	2019 HK\$000	2018 HK\$000	2019 HK\$000	2018 HK\$000	2019 HK\$000	2018 HK\$000
Borrowings	-	-	-	-	-	-	-	-	-	-
Trade and other payables (excluding estimated annual leave)	48,798	44,898	-	-	-	-	-	-	48,798	44,898
Taxation	-	-	-	-	-	-	-	-	-	-
Total contractual outflows	48,798	44,898	-	-	-	-	-	-	48,798	44,898
less bank overdrafts	-	-	-	-	-	-	-	-	-	-
Total expected outflows	48,798	44,898	-	-	-	-	-	-	48,798	44,898
Financial assets — cash flows realisable										
Cash and cash equivalents	4,037	5,875	-	-	-	-	-	-	4,037	5,875
Trade, term and loans receivables	32,736	28,110	-	-	-	-	12,802	14,237	45,538	42,347
Financial assets-current	12	31	-	-	-	-	-	-	12	31
Other current assets	53	53	-	-	-	-	-	-	53	53
Total anticipated inflows	36,838	34,069	-	-	-	-	12,802	14,237	49,640	48,306
Net (outflow)/inflow on financial instruments	(11,960)	(10,829)	-	-	-	-	12,802	14,237	842	3,408

Financial Assets Pledged as Collateral

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management (Cont'd)

c. Market Risk

i. *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is not exposed to earnings volatility on floating rate instruments.

Interest Rate Swaps

At balance date, there is no outstanding interest rate swap contract.

Interest rate swap transactions are entered into by the Group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The consolidated group does not use swap contracts to maintain a designated proportion of fixed to floating debt.

ii. *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the HKD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the Australian Dollar and Hong Kong Dollar may impact on the Group's financial results unless those exposures are appropriately hedged. At present, the group maintains 50% of its cash reserve in AUD deposit to minimize its foreign exchange rate exposure.

iii. *Price risk*

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group is not exposed to commodity price risk.

The Group is exposed to securities price risk on investments held for trading or for medium to longer terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management (Cont'd)

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profits	Equity
	HK\$000	HK\$000
Year ended 30 June 2019		
+/-2.5% in interest rates	120/(80)	118/(82)
+/-5% in \$A/HKD	1,186/(1,186)	1,164/(1,208)
+/-10% in listed investments	500/(500)	1,449/449
Year ended 30 June 2018		
+/-2.5% in interest rates	150/(100)	143/(107)
+/-5% in \$A/HKD	903/(903)	899/(907)
+/-10% in listed investments	500/(500)	500/(500)

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

The directors have determined the fair value of all financial assets approximate their carrying value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 25: Financial Risk Management (Cont'd)

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated Group

2019	Level 1 HK\$000	Level 2 HK\$000	Level 3 HK\$000	Total HK\$000
Financial assets:				
<i>Financial assets at fair value through profit or loss:</i>				
— Investments — held-for-trading	12	-	-	12
Available-for-sales financial assets				
— unlisted investments	-	-	53	53
	12	-	53	65

2018

Financial assets:

Financial assets at fair value through profit or loss:

— Investments — held-for-trading	31	-	-	31
Available-for-sales financial assets :				
— unlisted investments	-	-	53	53
	31	-	53	84

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

All financial assets are stated at fair value except for the unlisted investments which is values at the cost of acquisition due to the lack of information available to reliably calculate fair value.

The directors have determined that the fair value of the unlisted investments carried at cost cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. Consequently the investments has been recognized at cost and their fair values have also been stated at cost in the table above.

No transfers between the levels of the fair value hierarchy occurred during the current or previous reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 26: Reserves

a. *Capital Profits Reserve*

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

b. *Foreign Currency Translation Reserve*

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

d. *Option Reserve*

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

Note 27: Company Details

The registered office of the company is:

Quest Investments Limited

7 Dallas Street, Mount Waverley, Melbourne , VIC 3149, Australia

The principal places of business are:

Quest Investments Limited

5/F, Wing On Cheung Building, 5 Wing Lok Street, Sheung Wan, Hong Kong

Quest Stockbrokers (HK) Ltd

5/F, Wing On Cheung Building, 5 Wing Lok Street, Sheung Wan, Hong Kong

DIRECTORS' DECLARATION

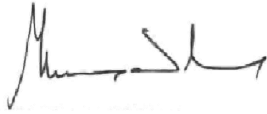
In accordance with a resolution of the directors of Quest Investments Limited, the directors of the company declare that:

1. the consolidated financial statements and notes, as set out on pages 27 to 73 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the consolidated group;
2. 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; and
3. On the date set out at Column 1 of the Table below, the Guarantor set out at Column 2 thereof guaranteed the due and punctual performance and observance of the various obligations of the Beneficiaries set out Column 3 thereof (being Quest Investments Limited and its controlled entities)

Column 1 Date of Deed	Column 2 Guarantor	Beneficiaries of Guarantee
15 May 2019	Quest Investments Limited ACN 004 749 044	Quest Securities (Australia) Limited ACN 066 242 245 MQ Holdings Limited Company Number 271351 Quest Stockbrokers (HK) Limited CR 0351177 Quest Nominees Limited CR 0328511 Quest Investments Limited CR 0563455 Quest Telecom Limited CR 1016144
17 May 2019	Murchison Holdings Limited ACN 004 707 260	Quest Securities (Australia) Limited ACN 066 242 245 MQ Holdings Limited Company Number 271351 Quest Stockbrokers (HK) Limited CR 0351177 Quest Nominees Limited CR 0328511 Quest Investments Limited CR 0563455 Quest Telecom Limited CR 1016144
17 May 2019	Chiang Wee Tiong	Quest Investments Limited ACN 004 749 044 Quest Securities (Australia) Limited ACN 066 242 245 MQ Holdings Limited Company Number 271351 Quest Stockbrokers (HK) Limited CR 0351177 Quest Nominees Limited CR 0328511 Quest Investments Limited CR 0563455

DIRECTORS' DECLARATION (cont'd)

- 4 the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.



Director

Dated this 23rd December 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED A.B.N. 59 004 749 044

Report of the Audit on the Financial Report for 2019

Opinion

We have audited the financial report of Quest Investments Limited (the Company) and its controlled entities (collectively the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, after considering the following four key audit matters, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*

Basis for Our Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and significantly forming our opinion thereon, but we do not provide a separate opinion on these matters. For each key audit matters below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the following matters below, provide the basis for our audit opinion on the accompanying financial report:

- 1 Cash receipts, if any, are only available for our audit verification procedures once they are first entered into the Group's initial books of first entry, for example, in the cash book or into bank accounts. Unfortunately, we cannot address this matter other than to state this key audit matter applies to all businesses, we believe, wherever collection of cash is involved and even where electronic surveillance equipment is installed to record physical security and handling. Thus, this is an inherent insoluble issue for all management and auditors of all cash collecting businesses in general ;
2. We have relied on the audit work and the audit opinions of the separate auditors of the Company's controlled entities to support or to enhance our audit work and to provide further evidence to assist the formation of our above audit opinion. We addressed this key audit

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED A.B.N. 59 004 749 044

matter by meeting some of the Group's controlled entities auditors in person to confirm their audit findings and to discuss their risk assessments. We believe these meetings are important as lead auditors to co-ordinate audit findings, concerns, opinions and common audit objectives between the Group's auditors;

3. At 30 June 2019 balance date, the Company's consolidated *working capital* was deficient by HK\$11,906,000. The Group and the Company's reported net after tax loss of HK\$2,072,000 (2019) and HK\$1,887,000 (2018) respectively on page 27 in the Group's Annual Report for 2019.

Working capital normally represents current assets exceeding current liabilities and a deficiency in working capital indicates a likely future event when there may be an inability for the Company to be able to pay its debts as when they may become due and payable or, in other words becoming *insolvent*. This important matter was subsequently addressed by directors **by**;

- (i) Some of the liabilities or debts of the Company and/ or the Group were converted into fully paid issued shares in Quest Investments Limited A.B.N. 59 004 749 044 ("Quest"), a subsidiary company of Murchison Holdings Limited A.B.N. 52 004 707 260;
- (ii) Quest received a pledge of 25 shares in a gold mine in the People's Republic of China from a third party company "Gold Lord Investments Inc.", estimated to have a market value of HK\$44,318,475. On the 19 September 2019, the Company accepted Wai Ming's repudiation of its Subscription Agreement and Merger Implementation Agreement. Further information concerning these issues are contained on pages 5 and 6 of the Chairman's Statement.
- (iii) Signing a binding '*Term Sheet*' with a company domiciled in Malaysia to purchase all the shares in the Quest's two subsidiary stockbroking companies *MQ Holdings Limited* and *Quest Stockbrokers (HK) Limited* for a sales price of about HK\$19,210,479 during February 2019. This transaction was subject to the approval of all relevant authorities; however, since that date this agreement has also been terminated prior to balance date of 30 June 2019.
- (iv) Approving and signing a *Deed of Cross Guarantee* between all the companies within the Group and a *Deed Poll* being signed by the Chairman of the Company guaranteeing **all** the liabilities or debts of each company within the Quest Investments Limited group controlled entities;
- (v) For further information about these transactions or events, please refer to Pages 74 and 75 in Quest Goup's Financial Report for 2019;
- (vi) The Murchison and Quest Groups have a significant concentration of credit risk through having large balances of receivables due from related entities (or parties). The Chairman, and also a major shareholder, has guaranteed HK\$48,261,000 of the total trading and other receivables. Further details are provided on pages 44 to 45 and 67 to 72; and,
- (vii) We addressed the Group's working capital deficiency issue prior to balance date by requiring the Company's and controlled entities directors to sign a *Deed of Cross Guarantee* between Murchison Holdings Limited, Quest investments Limited and their respective wholly owned subsidiary companies plus signing a *Deed Poll* to ensure the Group remains as a going concern for twelve months from the date of

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED A.B.N. 59 004 749 044**

signing the Director's Declaration. We believe the above transactions and/or events are important as being able to install some substantial means to ensure, *but not totally*, the Group's continued solvency and hence shareholders' confidence in their Company and its Controlled Entities.

4. Please note the directors comments made on page 44 in the Group's Annual Report for 2019:.

"These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and to be able to pay its debts as and when they fall due, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report".

The above comments made by directors highlights, in our opinion, their concerns for the immediate future of the Company and the Group for at least the next twelve months after signing their director's report and declaration and also how they have put into place various plans (for example, above points (I) to (vii)) and others to address their concerns.

Information Other than the Financial Statements and Auditor's Report

The directors are responsible for the other information. The 'other' information' comprises the information included in the Group's Annual Report for 2019 other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, for 2019 prior to the date of our auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a "material misstatement" of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such *internal control* as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is *not* a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED A.B.N. 59 004 749 044

As part of our audit, in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient or appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 14, 19 to 25 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Murchison Holdings Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QUEST INVESTMENTS LIMITED A.B.N. 59 004 749 044

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Our Procedural Audit Comments

We were provided with the Company's Financial Report and its Financial Statements for the year ended 30 June 2019 by directors on or about the 15 October 2019 for our audit opinion thereon.

The Financial Statements for the year ended 30 June 2019, as presented to us for our audit, contained these important final key financial amounts in the Statement of Financial Position (page 28) as at 30 June 2019:

- Total Consolidated Assets HK\$72,521,000;
- Total Consolidated Liabilities HK\$48,798,000; and
- Consolidated Net Equity/Net Assets of HK\$23,723,000.

National Audits Pty Ltd

National Audits Pty Ltd

Chartered Accountants



Mr Jeffrey D Cannings, FCA, CTA

Registered Company Auditor

Also, Director of National Audits Pty Ltd,

An Authorised Audit Company by ASIC

Dated this 23 Day of December 2019

Chartered Accountants, Auditors & Business Advisors

National Audits Pty Ltd T/A SuperAudits Central ABN: 23 161 483 094

Liability limited by a scheme approved under the Professional Standards Legislation

Director: Jeffrey D Cannings, MBA, Dip Tech (Comm), Dip Ed, FCA, CTA, Registered Company Auditor, SMSF Auditor & Tax Agent

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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

- a. **Distribution of Shareholders**
- | Category (size of holding) | Number
Ordinary |
|----------------------------|--------------------|
| 1 – 1,000 | 879 |
| 1,001 – 5,000 | 127 |
| 5,001 – 10,000 | 34 |
| 10,001 – 100,000 | 32 |
| 100,001 – and over | 24 |
| | 1,096 |
- b. The number of shareholdings held in less than marketable parcels is 1,040.
- c. The names of the substantial shareholders listed in the holding company's register as at 30 June 2019 are:

Shareholder	Number Ordinary	Preference
MURCHISON HOLDINGS LTD	22,776,602	46.38%
QUEST STOCKBROKERS (HK) LTD <CLIENTS A/C>	19,029,821	37.22%
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,424,780	2.79%

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

e. 20 Largest Shareholders — Ordinary Shares

		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	MURCHISON HOLDINGS LTD	22,776,602	46.38
2.	QUEST STOCKBROKERS (HK) LTD <CLIENTS A/C>	19,029,821	37.22
3.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,424,780	2.79
4.	MR CHENG TUAN DONALD TEO	1,000,000	1.96
5.	MR WEE TIONG CHIANG	883,130	1.63
6.	MARLOSS FIFTEEN PTY LIMITED	708,334	1.40
7.	STAR BLOOM INVESTMENT LIMITED	555,000	1.09
8.	MRS CHEOW MOI CHUA	500,000	0.98
9.	MQ SERVICES PTY LTD	455,696	0.89
10.	DAYTON WAY FINANCIAL PTY LTD <CLIENT A/C>	444,433	0.87
11.	KORNHILL SERVICES PTY LTD	419,644	0.82
12.	OPTEX EXCHANGE PTY LIMITED <DAVID SUTTON SUPER FUND A/C>	250,842	0.49
13.	MR PETER KITCHIN <PETER KITCHIN SUPER FUND A/C>	250,000	0.49
14.	MR ILMARS DRAUDINS <RETIREMENT FUND A/C>	220,000	0.43
15.	SERENAR NOMINEES PTY LTD <AS & W SUPER FUND A/C>	213,075	0.42
16.	BOURKE STREET PROPERTY CONSULTANTS PTY LTD <PAUL WHEELER SUPER FUND A/C>	135,000	0.26
17.	COOPER HOLDINGS NSW PTY <THE COOPER FAMILY A/C>	133,333	0.26
18.	G E & COOPER PTY LTD <COOPER FAMILY SUPER FUND A/C>	133,333	0.26
19.	RABIN PTY LTD <RABIN S/F A/C>	120,000	0.23
20.	MrRhett MORSON <BOMIMO FAMILY A/C>	107,720	0.21
		49,760,743	99.08

2. The name of the company secretary is Grant Anthony Robertson
3. The address of the principal registered office in Australia is 7 Dallas Street, Mt Waverley Melbourne Victoria Australia 3149
Telephone (613) 9807 5639
4. Registers of securities are held at the following addresses
Boardroom Pty Limited - Level 12, 225 George Street, Sydney, NSW 2000, Australia
5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.
6. **Unquoted Securities**
There are 18,500,735 options are on issue to directors and employees under the Quest Investments Limited directors' option scheme and Quest Investments Limited employee retention option scheme.