

Cell Aquaculture Limited ABN 86 091 687 740

Notice of General Meeting, Explanatory Statement, Independent Expert's Report and Proxy Form

General Meeting to be held at Price Sierakowski Corporate, Level 24, 44 St Georges Terrace, Perth, Western Australia on 10 December 2014 commencing at 10:00 am (WST).

The Independent Expert reporting on the Proposed Transaction concludes that the issue of Shares pursuant to Resolutions 2(a) and 2(b) is **fair and reasonable** to the non-associated Shareholders of the Company.

IMPORTANT

This Notice of General Meeting and Explanatory Statement and accompanying Independent Expert's Report should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

This Notice of General Meeting and Explanatory Statement includes information and statements that are both historical and forward looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the development and management of commercial property in China as well as matters such as general economic conditions. Actual events or results may differ materially. None of the Company, its Existing Directors, the Proposed Directors, Haikou Peace Base Industry Development Company Limited or their advisers can assure Shareholders that forecasts or implied results will be achieved.

Shareholders should refer to the Independent Expert's Report contained inside this Notice.

Notice of General Meeting

Notice is given that the a General Meeting of Shareholders of Cell Aquaculture Limited will be held at Price Sierakowski Corporate, Level 24, 44 Georges Terrace, Perth, Western Australia on 10 December 2014, commencing at 10:00 am (WST).

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting describes in more detail the matters to be considered.

Business

1. Resolution 1 – Approval to change of nature and scale of activities

To consider, and if thought fit to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 to 7 (inclusive) and for the purpose of Listing Rule 11.1.2, and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying this Notice."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, accept a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2(a) and (b) – Issue of consideration to Haikou Vendors for the Company acquiring 100% of the ordinary shares in Haikou Peace Base Industry Development Company Limited

To consider, and if thought fit to pass, with or without amendment, the following resolution as an **ordinary resolution**:

- "(a) That, subject to the passing of Resolutions 1 and 2(b) to 7 (inclusive) and in accordance with Item 7 of section 611 and section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval be and is hereby given to the issue of 166,000,000 pre-Consolidation Shares as part consideration for the Company acquiring 100% of the issued capital of Rayport Limited, the legal and beneficial owner of 40% of the issued capital in Haikou Peace Base Industry Development Company Limited and for the acquisition by the Related Haikou Vendors of a Relevant Interest in the New Shares to be issued to them as contemplated by this Resolution 2(a), further details of which are contained in the Explanatory Statement."
- "(b) That, subject to the passing of Resolutions 1 and 2(a) and Resolutions 3 to 7 (inclusive) and in accordance with Item 7 of section 611 and section 208 of the Corporations Act and Listing Rule 10.11 and for all other purposes, approval be and is hereby given for the issue of 249,000,000 pre-Consolidation Shares to Tang Dashun as part consideration for the Company acquiring 100% of the issued capital of Actual Winner Limited, the legal and beneficial owner of 30% of the issued capital in Haikou Peace Base Industry Development Company Limited and 100% of the issued capital of Express Linker Limited, the legal and beneficial owner of 30% of the issued capital in Haikou Peace Base Industry Development Company Limited and for the acquisition by Tang Dashun of a Relevant Interest in the New Shares to be issued to him as contemplated by this Resolution 2(b), further details of which are contained in the Explanatory Statement."

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by BDO for the purposes of Shareholder approval required under Section 611 (Item 7) of the Corporations Act for Resolutions 2(a) and (b). The Independent Expert's Report comments on the fairness and reasonableness of the issues under Resolutions 2(a) and (b) to the non-associated Shareholders. The Independent Expert has determined that those issues are **fair and reasonable** to the non-associated Shareholders.

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Beijing Properties (Holdings) Limited and its associates and Tang Dashun and his associates or any other person who may participate in the proposed issue and a person who might obtain a benefit, accept a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

3. Resolution 3 – Approval of issue of shares to Advisors

To consider, and if thought fit to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 2(b) (inclusive) and Resolutions 4 to 7 (inclusive), for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue a total of 16,600,000 pre-Consolidation Shares to Precise Network Limited, Ms Lih Jiun Wah and Mr Ching Chung under the Prospectus, further details of which are contained in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Precise Network Limited, Lih Jiun Wah and Ching Chung and any of their associates, or any other person who may participate in the proposed issue and a person who might obtain a benefit, accept a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Approval of issue of shares to Trident Capital Pty Ltd

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 3 (inclusive), and Resolutions 5 to 7 for the purposes of ASX Listing Rule 10.11, and Section 208 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 4,150,000 pre-Consolidation Shares in the Company to Trident Capital Pty Ltd (and/or their nominee) under the Prospectus, further details of which are contained in the Explanatory Statement accompanying this notice."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by Trident Capital and/or any of its nominees or any of their associates, or any person who may participate in the proposed issue and a person who might obtain a benefit, accept a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Change of Name

To consider, and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to the passing of Resolutions 1 to 4 (inclusive) and Resolutions 6 and 7, for the purposes of Section 157(1) of the Corporations Act, and for all other purposes, the Company change its name from Cell Aquaculture Limited to CAQ Holdings Limited."

6. Resolution 6 – Issue of New Shares pursuant to the Capital Raising

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 5 (inclusive) and Resolution 7, and in accordance with Listing Rule 7.1, and for all other purposes, approval be and is hereby given to the issue of up to 250,000,000 New Shares to raise \$50,000,000 with a minimum subscription of at least 225,000,000 to raise at least \$45,000,000 under the Prospectus, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, accept a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.

7. Resolution 7 - Capital Consolidation

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 6 (inclusive), and in accordance with section 254H of the Corporations Act, and for all other purposes, approval be and is hereby given that the Existing Shares in the Company shall be consolidated on a 1 for 2 basis, with any fractional entitlements being rounded up to the nearest whole share. The consolidation of the Existing Shares will occur 6 Business Days from the date of the General Meeting at which this Resolution is passed."

8. Resolution 8 – Approval of Performance Rights Plan

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to all other Ordinary Resolutions being passed, in accordance with exception 9 of Listing Rule 7.2, and for all other purposes, Shareholders approve the grant of performance rights and issue of Shares on vesting of performance rights under the Performance Rights Plan, as described in the Explanatory Memorandum."

Voting Exclusion Statement: A person appointed as a proxy must not vote, on the basis of that appointment, on Resolutions 4 or 8 if:

- (a) the proxy is either:
 - (i) a member of Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on the relevant Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though the relevant Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of General Meeting and should be read in conjunction with it.

Resolutions 1 to 7 inclusive are subject to and conditional on each of those resolutions being passed. Accordingly, the resolutions should be considered collectively as well as individually.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalized terms used in this notice of General Meeting and the Explanatory Statement.

Proxies

Please note that:

- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorizing him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

Voting Entitlements

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 5.00pm (WST) on 8 December 2014. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

By Order of the Board of Directors

PAUL PRICE

Cell Aquaculture Limited

6 November 2014

Explanatory Statement

Important

Shareholders should read this Explanatory Statement and the accompanying Independent Expert's Report in full and if they have any questions, obtain professional advice before making any decisions in relation to the Resolutions to be put to Shareholders at the Meeting.

This Explanatory Statement includes information and statements that are both historical and forward-looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the development and management of commercial property in China as well as matters such as general economic conditions. Actual events or results may differ materially. None of the Company, its Existing Directors, the Proposed Directors or their advisers can assure Shareholders that forecasts or implied results will be achieved.

1. INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders of Cell Aquaculture Limited in connection with Resolutions 1 to 8 to be considered at the General Meeting to be held at Price Sierakowski Corporate, Level 24, 44 St Georges Terrace, Perth, Western Australia on 10 December 2014 at 10.00am (WST).

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting.

References to "\$", "AUD", "dollars" and "cents" in this Explanatory Statement are references to Australian currency unless otherwise stated.

References to "US\$", "USD" in this Explanatory Statement are references to the currency of the United States of America unless otherwise stated.

References to time in this Explanatory Statement relate to the time in Perth, Western Australia.

Capitalised terms which are not otherwise defined in this Explanatory Statement have the meanings given to those terms in the Glossary at section 5 of this Explanatory Statement.

2. BACKGROUND

2.1 General

On 2 March 2014, the Company announced to ASX that it had entered into a Heads of Agreement to acquire 100% of the Haikou Project as follows:

- (a) From the shareholders, Tang Dashun and Beijing Properties (Holdings) Limited, of Haikou Peace Base Industry Development Company Limited ("**HPB**") pursuant to which they agreed to sell their respective shares in HPB to the Company in consideration for the issue of Shares in the Company.
- (b) HPB is a wholly foreign owned enterprise registered in Hainan, China having been incorporated on 28 March 2013. It:

- (i) acquired 44,020m² of land in the designated Free Trade Zone on Hainan Island, China, near the city of Haikou;
- (ii) commenced construction of an 80,000m² complex consisting of an exhibition centre, three factory buildings, four warehouses and an office building ("Haikou Project");
- (iii) construction of the Haikou Project began on 13 October 2013, with completion currently scheduled for late December 2014; and
- (iv) entered into Expressions of Interest to lease the various retail, commercial, manufacturing and warehouse space with a number of parties over approximately 56% of the space.
- (c) HPB has no other assets or liabilities.

2.2 Share Sale and Purchase Agreements – Haikou Project

On 10 June 2014 the Company and each of the Haikou Vendors executed Share Sale and Purchase Agreements for the acquisition of 100% of the Haikou Project, by the Company. The key terms of the Share Sale and Purchase Agreements are:

- (a) the Purchaser satisfactorily completing legal and accounting due diligence;
- (b) the Vendors being satisfied with their due diligence of the Purchaser;
- (c) the Company obtaining all necessary Shareholder or regulatory approvals in accordance with the requirements of the Corporations Act and the Listing Rules;
- (d) the Purchaser not receiving an alternative proposal which an independent expert determines to be superior to the proposed transactions for the Shareholders of the Company;
- (e) no material adverse change in the assets being acquired by the Company;
- (f) Beijing Properties (Holdings) Limited obtaining any necessary authorisations, consents or approvals, including the approval of its shareholders; and
- (g) the Vendors procuring that all debts and liabilities of all the entities being acquired, directly and indirectly, are fully repaid and discharged, including all debts and liabilities associated with the Haikou Project.

The Company must use all reasonable endeavours to procure the satisfaction of conditions (a), (c) and (d) above.

The Share Sale and Purchase Agreements may be terminated in the following circumstances:

- (a) by any party where a condition has not been satisfied or waived, or where the other party has given notice that a condition cannot be satisfied, by 10 December 2014;
- (b) by any party prior to completion of the agreements, in circumstances where the other party fails to comply with its material obligations under the agreement, or commits a material breach of its warranties prior to completion under the agreement, and the breach is not remedied within 5 business days of the non-defaulting parties notice of the breach being given to the defaulting party.

The Company is acquiring 100% of the legal and beneficial ownership of the issued capital of HPB, the owner of the Haikou Project, by the acquisition of all the issued shares in Actual Winner Limited and Express Linker Limited from Tang Dashun, and all the issued shares in Rayport Limited from Beijing Properties (Holdings) Limited.

The Company will issue 415,000,000 (pre-Consolidation) Shares (at a deemed price of \$0.15) in total to Tang Dashun and Beijing Properties (Holdings) Limited.

The Haikou Vendors have agreed that the New Shares issued to them at Completion will be subject to voluntary escrow for 12 months from their date of issue.

At completion of the agreements, the Company has agreed (subject to the passing of Resolutions 2(a) and 2(b) by Shareholders) to issue New Shares to the Haikou Vendors.

The Share Sale and Purchase Agreements contain additional provisions, including warranties and indemnities in respect of the status of the Haikou Project and the companies being acquired, which are considered standard for agreements of this kind.

2.3 Overview of the Haikou Project

The Haikou Project is located in the Haikou Integrated Free Trade Zone, within the Laocheng Economic Development Zone, Haikou Master Planning and is adjacent to Macun Port. The Haikou Integrated Free Trade Zone is located 15km from the Haikou Railway South Freight Station, 42km from Meilan International Airport and 30km from downtown Haikou, Hainan Island, China.

The Haikou Free Trade Zone is the fourth free trade zone approved in China, by the Central Government. It is the first and currently the only, free trade zone that allows tourist tour programs. The Central Government approval of the Haikou Free Trade Zone is at the highest level, and incorporates the following:

- (a) imported goods bonded storage;
- (b) domestic goods get export tax rebate;
- (c) the zone is tax free;
- (d) overseas trading from the zone is tax free;
- (e) there are offshore banking policies in place;
- (f) tourist retail shopping; and
- (g) imported goods to the domestic market.

Hainan Island was announced an 'international tourism island' by the Central Government in January 2010. Special policies have been announced by the Central Government to assist Hainan Island to become a world-class international tourism destination. These policies have produced some immediate benefits with the island receiving 33 million visitors in 2013, 10 million more than Hong Kong.

The Haikou Project is the first and only shopping centre constructed in a free trade zone in China. It is contained on a 44,020m² property and will consist of several multi-storey buildings, containing factories, warehouses, a commercial/administration building and a retail complex. The overall built up areas of these buildings is approximately 87,165m² and is comprised of an exhibition centre with a total built up area of 22,083m², commercial and administrative centre with a total built up area of 6,080m², four bonded warehouses of

various sizes with an aggregated built up area of 41,115m² and three factory buildings of various sizes with a total built up area of 17,887m².

It is intended that the lettable area of the property will be primarily tenanted by diamond and jewellery businesses, jewellery manufacturing, loose diamond trading, jewellery and loose diamond retailing, and bonded storage. Building of the project is targeted for completion in late December 2014, with fit out of the interior spaces to then commence with a targeted date for opening of late May 2015.

2.4 Variation to Share Sale and Purchase Agreements

By Amending and Restatement Deeds dated 7 October 2014 the Company agreed that loans provided by the Vendors to the Haikou Project since 1 June 2014, and totalling approximately USD\$3,000,000 at that time ("Vendor Loans"), would be repaid to the Vendors, at completion from the proceeds of the Capital Raising. The various companies being acquired by the Company will be free of debts and liabilities with the exception only of the Vendor Loans, at completion.

2.5 Existing Activities

Following the completion of the Company's successful capital raising and the requotation of the Company's shares on 20 September 2013, the Directors embarked upon a review of the Company's various subsidiaries and international projects. The outcome of that review was that the Directors decided not to make any further investments in the subsidiaries, and where possible to divest them, whilst at the same time seeking other opportunities.

The Existing Directors and the Proposed Director have not made a decision on the Company's remaining aquaculture asset, the 'Hatch to Dispatch' aquaculture system trademarked as the EcoCell™ system of aquaculture production, in the event that Resolutions 1 to 7 (inclusive) are approved at the General Meeting and if the events the subject of those Resolutions occur and the Proposed Transaction is completed (which may or may not occur).

The Company may seek to sell or otherwise dispose of the 'Hatch to Dispatch' aquaculture asset but no decision has yet been made to that effect, and whether there would be prospective buyers for the system, or its value, if any, has not been ascertained.

2.6 Independent Expert's Report

For the purposes of Item 7 of section 611 of the Corporations Act and to assist Shareholders in considering Resolutions 2(a) and (b) in this Notice of Meeting, the Company has commissioned an Independent Expert's Report on the fairness and reasonableness of the proposed 100% acquisition of Haikou Peace Base and issues of securities in the Company pursuant to Resolutions 2(a) and (b). The Independent Expert concludes the proposed 100% acquisition of Haikou Peace Base and proposed issues of securities in the Company pursuant to Resolutions 2(a) and (b) are **fair and reasonable** to the non-associated Shareholders.

You should consider the Independent Expert's Report in detail (see Annexure A).

2.7 Indicative Timetable

Set out in the table below is the expected timing for completion of the Proposed Transaction and the matters contemplated by the Resolutions, subject to compliance with all regulatory requirements. These dates are indicative only and are subject to change. The Directors reserve the right to amend the timetable without notice.

Action	Date
Notice of Meeting sent to Shareholders	10 November 2014
Lodgement of Prospectus with ASIC	21 November 2014
Prospectus offer opens	28 November 2014
Last day for lodgement of Proxy Form	8 December 2014
Suspension of the Company's securities from trading on ASX at the opening of trading	10 December 2014
General Meeting of Shareholders	10 December 2014
Capital Consolidation	17 December 2014
Prospectus offer closes	19 December 2014
Issue of the Consideration Shares	22 December 2014
Issue of Shares pursuant to the Capital Raising	22 December 2014
Completion of the Proposed Transaction	22 December 2014
Commencement of trading of Shares on ASX (subject to satisfaction of all conditions to re-compliance with Chapters 1 and 2 of the Listing Rules)	16 January 2014

2.8 Advantages of the Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction:

- (a) The Company will be significantly expanding its asset portfolio to include interests in a substantial retail, commercial, manufacturing and warehouse project in southern China.
- (b) The Directors believe that an investment in Haikou Peace Base will add significant value to the Shares.
- (c) The Existing Shareholders can share in the expected future success of Haikou Peace Base.
- (d) The change in nature of the Company's activities could attract new investors and may allow the Company to more readily raise additional working capital (if required) as such, the Company may increase its ability to acquire further projects.
- (e) The Company will receive a significant cash injection.
- (f) The Company will acquire 100% of the Haikou Project. The Company will acquire these interests wholly by the issue of Shares (subject to relevant approvals).
- (g) The Independent Expert has concluded that the proposed 100% acquisition of Haikou Peace Base and issue of securities pursuant to Resolutions 2(a) and (b) is **fair and reasonable** to non-associated Shareholders (see Annexure A).

2.9 Disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction:

- (a) The Company will be changing the nature of its activities to include property development and management, which may not be consistent with the objectives of the Shareholders.
- (b) The Proposed Transaction will result in the issue of shares to the Haikou Vendors, which will have a dilutionary effect on the current holdings of Shareholders. The non-associated shareholders will have their aggregate interest in the Company's issued shares fall from 98.66% pre the Proposed Transaction, to 28.18% post the Proposed Transaction, and assuming a full subscription in the Capital Raising.
- (c) The Proposed Transaction will result in a change in control of the Company's expanded share with Tang Dashun and Beijing Properties (Holdings) Limited holding:
 - (i) 20.16% and 13.17% respectively, in the event that the minimum subscription is raised; or
 - (ii) 19.39% and 12.67% respectively, in the event that the full subscription is raised.
- (d) There are many risk factors associated with the change of nature of the Company's activities, or rather risks associated with the acquisition of the business of the Haikou Project and their respective operations. Some of these risks are set out in Section 2.11 below.

2.10 Effect of the Transaction on the Company

By acquiring 100% of the issued capital of the Haikou Project, the Company will be taking on substantial property development assets.

PRO FORMA CAPITAL STRUCTURE (post Capital Consolidation)					
Shares	Minimum Subscription	Full Subscription			
Shares currently on issue (being Existing Shares on a post-Capital Consolidation basis)	187,057,678	187,057,678			
Shares to be issued to Haikou Vendors (Resolution 2(a) and (b))	207,500,000	207,500,000			
Shares to be issued to Advisors and Trident Capital (Resolutions 3 and 4)	10,375,000	10,375,000			
Shares to be issued pursuant to the Capital Raising (Resolution 6)	225,000,000	250,000,000			
Total	629,932,678	654,932,678			

PRO FORMA BALANCE SHEET					
		Minimum Subscription	Full Subscription		
	Audited 30 June 2014	Pro Forma Consolidated			
CURRENT ASSETS					
Cash and cash equivalents	1,127,403	45,546,217	50,246,217		
Other receivables	112,413	142,057	142,057		
Other assets	-	1,559,513	1,559,513		
Total Current Assets	1,239,816	47,247,787	51,947,787		
NON CURRENT ASSETS					
Land	-	34,424,622	34,424,622		
Land and buildings	-	6,405,284	6,405,284		
Goodwill on consolidation	-	(64)	(64)		
Total Non Current Assets	-	40,829,842	40,829,842		
TOTAL ASSETS	1,239,816	88,077,629	92,777,629		
CURRENT LIABILITIES					
Trade and other payables	141,986	375,944	375,944		
Loans and borrowings	-	3,103,854	3,103,854		
Total Current Liabilities	141,986	3,479,798	3,479,798		
NON CURRENT LIABILITIES					
Trade and other payables	-	-	-		
Total Non Current Liabilities	-	-	-		
TOTAL LIABILITIES	141,986	3,479,798	3,479,798		
NET ASSETS	1,097,830	84,597,831	89,297,831		
EQUITY					
Issued capital	2,855,431	88,730,431	93,430,431		
Reserves	-	-	-		
Accumulated losses	(1,757,601)	(4,132,600)	(4,132,600)		
TOTAL EQUITY	1,097,830	84,597,831	89,297,831		

2.11 Risks - Change in Nature of Activities

- (a) Shareholders should be aware that if the Resolutions are approved, the Company will be changing the nature of its activities which will be subject to various risk factors. These risk factors are both specific to the property development industry and also relates to the general business and economic environment in which the Company will operate.
- (b) Based on the information available, the principal risks facing the Company are as follows:

Land Title and Construction Permit

(i) Land Title

The Company commissioned a Legal Due Diligence Report ("Legal DD Report") in relation to Haikou Peace Base Industry Development Company Limited ("HPB") from Allbright Law Offices in Shenzhen, China. The full report, dated 18 June 2014, is available on the announcements platform of the ASX www.asx.com.au, and on the Company's website www.cellaquaculture.com.au.

The Legal DD Report identified that when the property was sold to HPB, the Transferor did not go through "...certain procedural requirements in relation to the sale of land use right". The Transferor is the administrative authority of the Haikou Integrated Free Trade Zone as authorised by Haikou Municipal Government.

Allbright Law Offices are of the view that:

- (A) there were procedural defects in the transfer of the land:
- (B) it was not HPB's fault that certain procedural requirements were not met:
- (C) should the transaction be deemed unfair in the future because of the procedural defects, certain people of the Transferor who effected the transaction would be held responsible and would be punished accordingly;
- (D) the chances that HPB would be punished are low; and
- (E) the purchase of the land by HPB would not be invalidated unless HPB was involved in the malicious conspiracy with the Transferor in the land transfer Transaction.

Following receipt of the Legal DD Report the Company sought clarification of the issue raised by Allbright Law Offices. On 26 June 2014 the Company was provided with a Letter of Certification from the Haikou Integrated Free Trade Zone Administrative Committee stating "...the land that HPB purchased and which is used to construct the project of 'HPB diamond jewellery processing and exhibition centre' is part of the land we obtained through legally procedural bidding. HPB has obtained the Certificate of State – owned Land Use Right of the People's Republic of China. The Use Right of abovementioned land HPB obtained is totally legal". The original Letter of Certification, and an English language translation of it is available on the

announcements platform of the ASX www.asx.com.au, and on the Company's website www.cellaquaculture.com.au.

(ii) Construction Permit

Allbright Law Offices in their Legal DD Report also state:

"...according to PRC laws and regulations, a Construction Permit is always required before a construction project can be commenced. In addition, it is also one of the requisite documents for the issuance of titled certificate to the property constructed. As a result, HPB might be ordered by relevant government authority to suspend the constructions, and might be imposed a fine in the range from RMB5,000 to RMB10,000 and HPB may not be able to obtain title certificate to the buildings. As advised by HPB during the site visit, they are preparing for the application of Construction Permit. If HPB obtains the Construction Permit, it can still apply for the issuance of the title certificate to the buildings".

Subsequent to the completion of the Legal DD Report, HPB received the Constructions Permit on 27 June 2014. An original copy of the Construction Permit and an English translation of it are available on the ASX announcements platform at www.asx.com.au, and on the Company's website www.cellaquaculture.com.au.

No Profit to Date

The business to be acquired by the Company has not been operating. No assurances can be given that the business will achieve commercial viability.

Unforeseen Expenditure Risk

Although the Company is not aware of any unforeseen future expenditure, any unforeseen expenditure is likely to adversely affect the financial position of the Company.

Insurance

The Company endeavours to ensure that adequate insurance policies are in place at all times. However, there is a risk that insurance coverage will not be adequate and that the Company is not insured against all possible losses.

Constructions Risks

The Haikou Project is subject to significant development and construction risks, which could have a material adverse impact on construction and opening timetables, costs and the ability to complete the Haikou Project. Substantial cost increases or construction delays could prevent or delay the opening of the Haikou Project.

Exchange Rate and Repatriation Risks

All of the Company's revenue will be derived from overseas markets and this will expose potential income of the Company to exchange rate risks. Also repatriation of funds out of China are governed by law in China which may adversely affect the Company's cash position. At this time the Company is not aware of any changes that will affect it.

Land Holding in China

The Company will have land holding in Hainan Island subject to the current land holding laws applicable to China. New laws introduced may restrict the ownership and transfer of land, which may subsequently affect its value. The Company is currently unaware of any such action being considered now or in the future.

Key Personnel

The Company relies on a number of key employees and consultants. There is a risk that the Company may fail to attract, retain or develop key employees or consultants and this would have a negative effect upon the development of the Company. The loss of any of these individuals could have an adverse impact on the Company's business.

Expansion

The Company will be actively seeking opportunities for growth in its core business areas. While the efforts of the Company have the potential to generate substantial returns in the longer term, there can be no certainty that these returns will be forthcoming. Should the anticipated sales not reach the levels anticipated, then this could materially impact upon the Company's profitability.

Future Capital Requirements

The Company may be required to raise further working capital. While the Company has no reason to believe that it is going to be required to raise any further working capital in the longer term, there can be no assurance on the timing or the amount of any future working capital requirements nor indeed whether the Company will be able to raise any required amount and if so, at what price.

Other risks

The future and profitability of the Company is also dependent on a number of other factors that affect the performance of the businesses in all industries including but not limited to the following:

- strength of the equity and share markets in Australia and throughout the world;
- competition for future business opportunities from other companies; and
- acts of terrorism or an outbreak of international hostilities may impact the operations of the Company or more generally the operation of global markets, including the share market.

2.12 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities.

2.13 Proposed use of funds

Use of funds	Minimum Subscription	Maximum Subscription
Costs of the Offer	\$3,000,000	\$3,300,000
Payment of Haikou Builders	\$34,600,000	\$34,600,000
Vendor Loans	\$3,400,000	\$3,400,000
Working Capital	\$4,000,000	\$8,700,000
Total	\$45,000,000 ⁽¹⁾	\$50,000,000(2)

Notes:

- 1. Minimum subscription of 225,000,000 Shares at \$0.20 each.
- 2. Full subscription of 250,000,000 Shares at \$0.20 each.

The above table is a statement of the Board's current intention as at the date of this Notice of General Meeting. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

2.14 Proposed Director

On completion of the Proposed Transaction, Kin Wai (Michael) Siu is to be appointed as a director of the Company.

Siu Kin Wai (Michael)

Mr Siu is the Executive Director, Chief Financial Officer and Company Secretary of Beijing Properties (Holdings) Limited (SEHK stock code: 925) and the Chief Financial Officer of Genvon Group Limited (SEHK stock code: 2389).

Mr Siu graduated from the City University of Hong Kong with a Bachelor's Degree in Accounting and is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr Siu has extensive experience in financial management and the corporate advisory and assurances areas.

Mr Siu is also an independent non-executive director of Agritrade Resources Limited (SEHK stock code: 1131).

2.15 Information on the Haikou Vendors

2.15.1 Beijing Properties (Holdings) Limited

Beijing Properties (Holdings) Limited (**BPHL**) is a company listed on the Stock Exchange of Hong Kong Limited (SEHK stock code: 0925), which is ultimately beneficially held by the Beijing Enterprises Group Company Limited (the **BE Group**). BE Group is a stated owned enterprise wholly held by the State-owned Assets Supervision and Administration Commission of the People's Government of the Beijing Municipality. The BE Group is also

the ultimate beneficiary of Beijing Enterprises Holdings Limited, Beijing Enterprises Water Group Limited and Beijing Development (Hong Kong) Limited, all of which are companies listed on the SEHK.

BPHL is a holding company mainly engaged in investment, development and operation of logistics centers in major cities of Mainland China such as Beijing, Shanghai and Tianjin. Currently, BPHL's business of logistics centers is classified into two major categories:

- (a) e-commerce and inland port operation, which is in co-operation with customs and in joint venture with Mitsui and Mitsubishi, the two business giants of Japan; and
- (b) cold storage and food chain logistics, which is in co-operation with major players of seafood, meat and agricultural products in Mainland China.

BPHL is also the single largest shareholder of another Hong Kong listed company which is engaged in development and operation of commercial properties in Mainland China.

As at 23 October 2014 BHPL had 498 shareholders, 6,750,587,849 shares on issue, and a market capitalisation of HK\$4,725,411,494.

2.15.2 Information on the Haikou Vendors

Tang Dashun is a citizen of New Zealand. Mr. Tang started his education in Hainan Island of Mainland China. From 2001 to 2006, he studied in New Zealand and then he returned to Mainland China to assist in the family business. He had been executive director of a property project and a tourist agent company and the general manager of a logistics company in Hainan. Mr. Tang is an experienced businessman especially in Hainan where he has extensive connection with the government and the commercial circle due to his family's long term investments in Hainan.

3. GENERAL MEETING

3.1 Action to be taken by Shareholders

In order to proceed with the Proposed Transaction, the Company must convene a general meeting of its Shareholders for the purpose of passing Resolutions 1 to 7 (inclusive) in compliance with the requirements of the Corporations Act and the Listing Rules.

This Notice convening the General Meeting is included in the front of this booklet. Shareholders are encouraged to attend and vote in favour of each of Resolutions 1 to 7 (inclusive) to be put to the General Meeting.

If a Shareholder is not able to attend and vote at the General Meeting, the Shareholder is encouraged to complete the Proxy Form at the back of this booklet and return it to the Company by no later than 10.00am (WST) on 8 December 2014.

3.2 Resolutions

There are 8 Resolutions to be put to the General Meeting, 1 of which is a special resolution (Resolution 5) and the balance of which are ordinary resolutions. Resolutions 1 to 7 (inclusive) relate to the Proposed Transaction and are conditional on the passing of each of the other Resolutions 1 to 7 (inclusive), so that Resolutions 1 to 7 (inclusive) will not have any effect unless all of Resolutions 1 to 7 (inclusive) are passed. Accordingly, Shareholders should consider each of Resolutions 1 to 7 (inclusive) collectively as well as individually.

Certain voting restrictions are imposed in relation to the Resolutions as detailed in the Notice under the "Voting Exclusion Statement" section. Sections 3.3 to 3.10 set out a brief explanation of each Resolution.

3.3 RESOLUTION 1 – Approval to change of nature and scale of activities

3.3.1 Background to Resolution 1

Resolution 1 seeks approval from Shareholders for a change in the scale of the activities of the Company.

The Company was incorporated on 7 March 2000 and subsequently issued a prospectus to raise \$5,000,000 (minimum subscription) to \$7,000,000 (maximum subscription) by way of an initial public offering (IPO) for the purpose of listing on ASX. From incorporation the Company's business has been the EcoCell "hatch to dispatch" system of aquaculture production. Should all the Resolutions be passed, the Company's focus will change from aquaculture to property development in Asia.

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. Listing Rule 11.1.2 provides, that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has indicated to the Company that it has exercised its discretion to require the Company to seek the approval of Shareholders under Listing Rule 11.1.2 for a change in the nature of its activities. For this reason, the Company is seeking Shareholder approval for the Company to change the nature of its activities under Listing Rule 11.1.1.

ASX may suspend quotation of the Shares until the Company has satisfied the requirements of Listing Rule 11.1. If Shareholders approve the Proposed Transaction by passing Resolutions 1 to 7 (inclusive), trading in the Company's securities will be

suspended until the Company re-complies with the requirements of Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. It is anticipated that re-quotation of the Company's securities will occur on or about 16 January 2014, subject to ASX's discretion.

If Resolutions 1 to 7 (inclusive) are approved and implemented, re-quotation of the Company's securities will be subject to the Company meeting these requirements. The Company intends to meet these requirements as soon as practicable after the Meeting.

If Shareholders reject any of Resolutions 1 to 7 (inclusive), or completion of the Proposed Transaction does not occur (including as a result of ASX not approving the reinstatement of the Company's securities to quotation), the Company will not issue the securities contemplated in Resolutions 1 to 7 (inclusive).

Accordingly, Shareholders should carefully consider all of the information contained in this Explanatory Statement before making a decision as to whether to vote in favour of the change in the nature and scale of the Company's activities. In particular, Shareholders should carefully consider the advantages, disadvantages and risks of the Proposed Transaction set out in section 2.

3.3.2 Recommendation

Each of the Directors has no interest in the outcome of Resolution 1, other than as Existing Shareholders. Each of them recommends that Shareholders vote in favour of Resolution 1.

Shareholders should refer to section 1 for information about the acquisition and its impact on the Company.

3.4 RESOLUTIONS 2(a) and (b) – Issue of consideration to Haikou Vendors

3.4.1 Background to Resolutions 2(a) and 2(b)

Resolution 2(a) seeks Shareholder approval for the issue of 166,000,000 pre-Consolidation Shares to Beijing Properties (Holdings) Limited for the purpose of acquiring all the issued shares in Rayport Limited (BVI), which owns forty percent (40%) of the issued shares in Haikou Peace Base, the owner of the Haikou Project.

Resolution 2(b) seeks Shareholder approval for the issue of 249,000,000 pre-Consolidation Shares to Tang Dashun for the purpose of acquiring all the issued shares in Actual Winner Limited, and Express Linker Limited, who in turn collectively own sixty percent (60%) of the issued shares in Haikou Peace Base, the owner of the Haikou Project.

Detailed information relating to the acquisition of Haikou Peace Base Industrial Development Co. is outlined in section 1 above.

Each of the Haikou Vendors do not consider that they will be associates of one another after the Consideration Shares are issued to them, and therefore do not consider that their Voting Power in the Company, should be aggregated following completion of the Proposed Transaction. However, at the point in time when the Consideration Shares are issued, the Haikou Vendors will be considered Associates of one another as a consequence of participating in the Proposed Transaction and agreeing to sell their shares in the Haikou Project to the Company. Accordingly the Company is seeking the approval of Shareholders under Item 7 of section 611 of the Corporations Act, because at the time of issue of the Consideration Shares under Resolution 2(a) and 2(b) the Haikou Vendors will hold Voting Power in the Company of up to a maximum of:

(a) 33.33% assuming \$45,000,000 is raised under the Capital Raising; and

(b) 32.06% assuming that \$50,000,000 is raised under the Capital Raising.

Furthermore, Resolution 2(b) requires Shareholder approval under item 7, section 611 of the Corporations Act for the issue of the Consideration Shares to Tang Dashun.

Tang Dashun's Voting Power in the Company, following Shareholder approval of the issue of the Consideration Shares under Resolution 2(b) will increase to a maximum of:

- (a) 20.16% assuming \$45,000,000 is raised under the Capital Raising; and
- (b) 19.39% assuming that \$50,000,000 is raised under the Capital Raising.

3.4.2 Section 611 of the Corporations Act

Section 606(1) of the Corporations Act, subject to the exceptions in section 611 of the Corporations Act, prohibits a person from acquiring shares in a company if, after the acquisition of those shares, that person or any other person would increase their relevant interest in the voting shares of a company from:

- (a) below 20% to above 20%; and
- (b) from some point above 20% but below 90%.

Item 7 of section 611 of the Corporations Act does not apply to an acquisition of a relevant interest in the voting shares in a company, if the company has agreed to the acquisition by resolution passed at a general meeting at which no votes are case in relation to the resolution by the person to whom the shares are to be issued or by an Associate of that person.

Under section 610 of the Corporations Act, a person's voting power is defined as the percentage of the total voting shares in a company held by the person and the person's Associates.

The Directors of the Company are seeking Shareholder approval pursuant to section 611 (Exception 7) of the Corporations Act to issue Consideration Shares to Beijing Properties (Holdings) Limited on the terms proposed in Resolution 2(a) and to Tang Dashun on the terms proposed in Resolution 2(b).

The following information is included in accordance with the requirements of item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 to the extent that it applies pursuant to ASIC Regulatory Guide 159.

As set out in the voting exclusion statements in the Notice of Meeting and in accordance with the Listing Rules, Beijing Properties (Holdings) Limited and Tang Dashun are precluded from voting on Resolutions 2(a) and (b).

3.4.3 Resolution 2(a) - Identity of person who will hold a relevant interest in the securities to be issued

If Resolution 2(a) is passed 166,000,000 Consideration Shares are proposed to be issued to Beijing Properties (Holdings) Limited as shown in Table 3.4.3 below.

Table 3.4.3

Number	Number of Shares held by Beijing Properties (Holdings) Limited pre and post transactions						
Beijing Limited	Properties	(Holdings)	Shares held by Beijing Properties (Holdings) Limited prior to approval of Resolution 2(a) Shares held by Beijing Properties (Holdings) Limited following approval Resolution 2(a)				
			Nil 166,000,000				

Notes:

- 1. Total shares in Company prior to transaction = 374,115,356 (pre-Capital Consolidation) fully paid ordinary shares.
- 2. All shares in above table are pre-Capital Consolidation.

3.4.4 Impact of the transactions on the voting power of Beijing Properties (Holdings) Limited with respect to the Company's Shares

(a) Current voting power of Beijing Properties (Holdings) Limited and/or their nominees

As at the date of this Notice of Meeting, Beijing Properties (Holdings) Limited and/or their Associates have a 0% relevant interest in the Existing Shares of the Company and Shareholders, other than Beijing Properties (Holdings) Limited and/or their Associates ("Existing Shareholders") hold a 100% relevant interest in the Existing Shares of the Company. See Table 3.4.4 below.

(b) The Company's capital structure

Table 3.4.4

Cell Aquaculture	Current Shareholding		Minimum Subscriptio		Full Subscription	
Shareholding			Following the Transactions			
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Beijing Properties (Holdings) Limited	-	-	83,000,000	13.17%	83,000,000	12.67%
Tang Dashun	5,000,000	1.34%	127,000,000	20.16%	127,000,000	19.39%
Other non-associated Cell Aquaculture Shareholders	369,115,356	98.66%	184,557,678	29.30%	184,557,678	28.18%
New Shareholders (refer to Resolutions 3, 4 and 6)	-	-	235,375,000	37.37%	260,375,000	39.76%
Total Share on an undiluted basis	374,115,356	100%	629,932,678	100%	654,932,678	100%

Notes:

- 1. Minimum subscription of 225,000,000 New Shares to raise \$45,000,000.
- 2. Maximum subscription of 250,000,000 New Shares to raise \$50,000,000.

(c) Voting power of Beijing Properties (Holdings) Limited after the issue of Shares

The relevant interest in the voting shares of the Company held by Beijing Properties (Holdings) Limited, will, upon approval of both Resolution 2(a), increase the voting power of Beijing Properties (Holdings) Limited to:

- (i) 13.17% in the event that only the minimum subscription of \$45,000,000 is achieved; or
- (ii) 12.67% in the event that the maximum capital raising of \$50,000,000 is achieved.

The number and percentages assume that the Company does not issue any other New Shares to any person other than those proposed in Resolutions 2(a), 2(b), 3, 4 and 6.

3.4.5 Resolution 2(b) - Identity of person who will hold a relevant interest in the securities to be issued

If Resolution 2(b) is passed 249,000,000 Consideration Shares are proposed to be issued to Tang Dashun as shown in Table 3.4.5 below.

Table 3.4.5

Number of Shares held by Tang Dashun pre-consolidation						
Tang Dashun	Shares held by Tang Dashun prior to approval of Resolution 2(b)	Shares held by Tang Dashun following approval of Resolution 2(b)				
	5,000,000	254,000,000				

Notes:

- Total shares in Company prior to transaction = 374,115,356 (pre-Capital Consolidation) fully paid ordinary shares.
- 2. All shares in above table are pre-Capital Consolidation.

3.4.6 Impact of the transactions on the voting power of Tang Dashun with respect to the Company's Shares

(a) Current voting power of Tang Dashun and/or his nominees

As at the date of this Notice of Meeting, Tang Dashun and/or his Associates have a 1.34% relevant interest in the Existing Shares of the Company and Shareholders, other than Tang Dashun ("Existing Shareholders") hold a 98.66% relevant interest in the Existing Shares of the Company. See Table 3.4.6 below.

(b) The Company's capital structure

Table 3.4.6

Cell Aquaculture	Current Shareholding		Minimum Sub	scription	Full Subsc	ription
Shareholding			Following the Transaction			Transactions
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tang Dashun	5,000,000	1.34%	127,000,000	20.16%	127,000,000	19.39%
Other non-associated Cell Aquaculture Shareholders	369,115,356	98.66%	184,557,678	29.30%	184,557,678	28.18%
New Shareholders (refer to Resolutions 3, 4 and 6)	-	-	318,375,000	50.54%	343,375,000	52.43%
Total Share on an undiluted basis	374,115,356	100%	629,932,678	100%	654,932,678	100%

Notes:

- 1. Minimum subscription of 225,000,000 New Shares to raise \$45,000,000.
- 2. Maximum subscription of 250,000,000 New Shares to raise \$50,000,000.

(c) Voting power of Tang Dashun after the issue of Shares

The relevant interest in the voting shares of the Company held by Tang Dashun, will, upon approval of Resolution 2(b), increase in the voting power of Tang Dashun to:

- (i) 20.16% in the event that the minimum subscription is raised; or
- (ii) 19.39% in the event that the full subscription is raised.

The number and percentages assume that the Company does not issue any other New Shares to any person other than those proposed in Resolutions 2(a), 2(b), 3, 4 and 6.

3.4.7 Section 208 of the Corporations Act

Resolutions 2(a) and 2(b) requires Shareholder approval under section 208(1) of the Corporations Act with respect to Related Party transactions.

Under Chapter 2E of the Corporations Act a public company cannot give a "financial benefit" (including an issue of shares and options) to a Related Party of that company, unless one of the exceptions set out in sections 210 to 216 of the Corporations Act apply, or shareholders have in general meeting approved the giving of the financial benefit to the Related Party.

Resolution 2(a)

Beijing Properties (Holdings) Limited is a Related Party to the Company as a result of their relevant interest in voting shares of the Company, and the control that this allows them to have in determining decisions in relation to the Company's financial and operating policies.

Beijing Properties (Holdings) Limited is also a Related Party to the Company for the purposes of section 228(6) as a director of Beijing Properties (Holdings) Limited, Mr Michael Siu, is to be appointed as a director of the Company on completion of the Proposed Transaction.

The financial benefit being obtained by Beijing Properties (Holdings) Limited pursuant to Resolution 2(a) is:

- (a) the issue of 166,000,000 (pre-Capital Consolidation) Consideration Shares to Beijing Properties (Holdings) Limited as a Related Party; and
- (b) the Company purchasing assets from Beijing Properties (Holdings) Limited as a Related Party of the Company.

Resolution 2(a) therefore require Shareholder approval under Section 208(1) of the Corporations Act to allow the Directors to issue Consideration Shares in the Company to Beijing Properties (Holdings) Limited as a Related Party, on the terms proposed in Resolution 2(a). The issue of the Consideration Shares is pursuant to Agreements allowing the Company to acquire 100% legal and beneficial ownership of the Haikou Free Trade Zone project.

Section 219 of the Corporations Act requires the following information be provided to the Shareholders for approval to be granted under section 208(1) of the Corporations Act:

- (a) The Related Party to which Consideration Shares are being issued under Resolution 2(a) is Beijing Properties (Holdings) Limited.
- (b) The financial benefit being obtained by Beijing Properties (Holdings) Limited is the issue of 166,000,000 (pre-Capital Consolidation) Consideration Shares in the Company and the sale of assets to the Company by Beijing Properties (Holdings) Limited.
- (c) The Directors of the Company recommend that Shareholders vote in favour of Resolution 2(a) as it underpins the objectives of the Company to engage in commercial property development and management as detailed in section 2.1 of the Explanatory Statement.
- (d) None of the Directors have any interest in the outcomes of Resolution 2(a).
- (e) As shown in Table 3.4.4, assuming that Resolution 2(a) is approved, the existing Shareholders of the Company may be diluted from an existing 100% interest in the voting Shares of the Company to:
 - (i) 29.69% in the event that the minimum subscription is raised; or
 - (ii) 28.56% in the event that the full subscription is raised.

Resolution 2(b)

Tang Dashun is a Related Party to the Company as a result of his relevant interest in voting shares of the Company, and the control that this allows him to have in determining

decisions in relation to the Company's financial and operating policies. The financial benefit being obtained by Tang Dashun pursuant to Resolution 2(b) is:

- (a) the issue of 249,000,000 (pre-Capital Consolidation) Consideration Shares to Tang Dashun as a Related Party;
- (b) the Company purchasing assets from Tang Dashun as a Related Party of the Company.

Resolution 2(b) therefore requires Shareholder approval under Section 208(1) of the Corporations Act to allow the Directors to issue Consideration Shares in the Company to Tang Dashun as a Related Party, on the terms proposed in Resolution 2(b). The issue of the Consideration Shares is pursuant to Agreements allowing the Company to acquire 100% legal and beneficial ownership of the Haikou Free Trade Zone project.

Section 219 of the Corporations Act requires the following information be provided to the Shareholders for approval to be granted under section 208(1) of the Corporations Act:

- (a) The Related Party to which Consideration Shares are being issued under Resolution 2(b) is Tang Dashun.
- (b) The financial benefit being obtained by Tang Dashun is the issue of 249,000,000 (pre-Capital Consolidation) Consideration Shares in the Company and the sale of part of the Haikou Project to the Company by Tang Dashun.
- (c) The Directors of the Company recommend that Shareholders vote in favour of Resolution 2(b) as it underpins the objectives of the Company to engage in commercial property development and management as detailed in section 2.1 of the Explanatory Statement.
- (d) None of the Directors have any interest in the outcomes of Resolution 2(b).
- (e) As shown in Table 3.4.6, assuming that Resolution 2(b) is approved, the existing Shareholders of the Company may be diluted from an existing 98.66% interest in the voting Shares of the Company to:
 - (i) 29.30% in the event that the minimum subscription is raised; or
 - (ii) 28.18% in the event that the full subscription is raised.

3.4.8 Listing Rule 10.11

Resolutions 2(a) and 2(b) require Shareholder approval under Listing Rule 10.11.

The total number of Consideration Shares that may be issued under Resolutions 2(a) and (b) is 415,000,000 (pre-Consolidation) Consideration Shares.

As the proposed issue of Consideration Shares under Resolutions 2(a) and 2(b) would both cumulatively and individually result in the issue of more than fifteen percent (15%) of the Company's share capital in a twelve (12) month period, Shareholder approval is required pursuant to Listing Rule 7.1 to issue the Consideration Shares under those Resolutions.

However, pursuant to Listing Rule 7.2, if Listing Rule 10.11 Shareholder approval is being sought, approval under Listing Rule 7 is not required.

Accordingly, as Listing Rule 10.11 Shareholder approval is being sought for Resolutions 2(a) and 2(b), Shareholder approval under Listing Rule 7.1 is not required for Resolutions 2(a) and 2(b).

Chapter 10 of the Listing Rules contains provisions in relation to transactions between a company, and "persons in a position of influence". Listing Rule 10.11 provides that, subject to the exceptions in Listing Rule 10.12, a company must not issue equity securities to a Related Party without the approval of holders of ordinary securities by ordinary resolution.

The term "Related Party" is defined for these purposes to include a related party within the meaning of section 228 of the Corporations Act and a person whose relationship with the entity on a Related Party is, in ASX's opinion, such that approval should be obtained.

Resolution 2(a)

For the purposes of Resolution 2(a) and ASX Listing Rule 10.11, Beijing Properties (Holdings) Limited is a Related Party of the Company by merit of their relevant interest in the voting shares of the Company and the control that this allows them to have in determining decisions in relation to the Company's financial and operating policies and the proposed appointment of Michael Siu, a director of Beijing Property (Holdings) Limited as a director of the Company on Completion of the Proposed Transaction.

The Directors of the Company therefore seek Shareholder approval under ASX Listing Rule 10.11 to issue Consideration Shares in the Company to Beijing Properties (Holdings) Limited on the terms proposed in Resolution 2(a).

Listing Rule 10.13 requires the following information to be provided to the Shareholders for the purposes of Listing Rule 10.11 in respect of Resolution 2(a):

- (a) The Related Party to whom the Consideration Shares are to be allotted and issued under Resolution 2(a) is Beijing Properties (Holdings) Limited.
- (b) The Maximum number of Consideration Shares to be issued under Resolution 2(a) is 166,000,000 (pre-Capital Consolidation) Consideration Shares.
- (c) The Consideration Shares will be allotted and issued under Resolution 2(a) within 3 months of the General Meeting (or such later date to the extent permitted by and ASX waiver or modification of the Listing Rules).
- (d) Beijing Properties (Holdings) Limited is a Related Party of the Company by reason of their relevant interest in voting shares of the Company and the control that this allows them to have in determining decisions in relation to the Company's financial and operating policies and the proposed appointment of Michael Siu as a director of the Company.
- (e) The deemed issue price of the Consideration Shares will be \$0.15.
- (f) The Consideration Shares to be issued under Resolution 2(a) are ordinary fully paid shares, which on issue will rank equally with the Existing Shares in the Company.
- (g) No funds will be raised by the issue of Consideration Shares under Resolution 2(a) as they are being issued as part consideration for the Company to acquire the Haikou Free Trade Zone project for the purpose of the Company becoming involved in property development as stated in section 2.1 of the Explanatory Statement.

Resolution 2(b)

For the purposes of Resolution 2(b) and ASX Listing Rule 10.11, Tang Dashun is a Related Party of the Company by merit of his relevant interest in the voting shares of the Company and the control that this allows him to have in determining decisions in relation to the Company's financial and operating policies.

The Directors of the Company therefore seek Shareholder approval under ASX Listing Rule 10.11 to issue Consideration Shares in the Company to Tang Dashun on the terms proposed in Resolutions 2(b).

Listing Rule 10.13 requires the following information to be provided to the Shareholders for the purposes of Listing Rule 10.11 in respect of Resolution 2(b):

- (a) The Related Party to whom the Consideration Shares are to be allotted and issued under Resolution 2(b) is Tang Dashun.
- (b) The Maximum number of Consideration Shares to be issued under Resolution 2(b) is 249,000,000 (pre-Consolidation) Consideration Shares.
- (c) The Consideration Shares will be allotted and issued under Resolution 2(b) within 3 months of the General Meeting (or such later date to the extent permitted by and ASX waiver or modification of the Listing Rules).
- (d) Tang Dashun is a Related Party of the Company by reason of his relevant interest in voting shares of the Company and the control that this allows him to have in determining decisions in relation to the Company's financial and operating policies.
- (e) The deemed issue price of the Consideration Shares will be \$0.15.
- (f) The Consideration Shares to be issued under Resolution 2(b) are ordinary fully paid shares, which on issue will rank equally with the Existing Shares in the Company.
- (g) No funds will be raised by the issue of Consideration Shares under Resolution 2(b). These Consideration Shares are to be issued pursuant to the Agreement allowing the Company to acquire the Haikou Free Trade Zone project, for the purpose of the Company moving into property development and ownership as stated in section 2.1 of the Explanatory Statement.

As set out in the voting exclusion statements in the Notice of Meeting and in accordance with the Listing Rules, Tang Dashun is precluded from voting on Resolution 2(b).

3.4.9 ASIC and ASX's Role

Under section 218(1) of the Corporations Act, the Company must lodge with ASIC the Notice of Meeting and Explanatory Statement at least fourteen (14) days before the notice convening a general meeting is given. Under section 218(2) of the Corporations Act, the Company has applied for a period of less than fourteen (14) days for the purpose of section 218(1) of the Corporations Act.

The fact that the accompanying Notice of Meeting, this Explanatory Statement and other relevant documentation has been received by ASX and ASIC is not to be taken as an indication of the merits of the proposed transaction of the Company. ASIC and ASX and their respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

3.4.10 ASX escrow requirements

Subject to the re-quotation of the Shares on ASX, all or part of the Shares to be issued pursuant to Resolutions 2(a) and (b) may be classified by ASX as restricted securities, and, if so, would be required to be held in escrow for up to 24 months from the date of requotation. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of their Shares in a timely manner. As at the date of this Notice of Meeting, ASX has not made a determination in this regard.

3.4.11 Details of any agreement between Beijing Properties (Holdings) Limited and/or Tang Dashun and the Company (and/or any of their associates), that is conditional (directly or indirectly) on approval of the Proposed Transaction

The Company is not aware of any agreement between Beijing Properties (Holdings) Limited and/or Tang Dashun and the Company (and/or any of their associates) that is conditional on approval of the Proposed Transaction other than those set out in this Explanatory Statement.

3.4.12 Intentions as to the future of the Company

Other than an disclosed elsewhere in this Explanatory Statement and changes pursuant to the Proposed Transaction and the Resolutions, the Company understands that Beijing Properties (Holdings) Limited, Tang Dashun and their associates (and the Proposed Directors):

- (a) have no current intention of making any changes to the business of the Company following the acquisition of Haikou Peace Base other those changes to the nature and scale of activities of the Company as referred to in this Explanatory Statement;
- (b) do not propose to inject further capital into the Company other than by way of the Capital Raising as referred to in this Explanatory Statement;
- (c) do not propose that any assets be transferred from the Company to Beijing Properties (Holdings) Limited, Tang Dashun or their associates;
- (d) have no intention of making changes regarding the future employment of the present employees of the Company, other than as set out in this Explanatory Statement;
- (e) have no intention to change the composition of the Board other than the proposal as described in this Explanatory Statement for the Proposed Director, Michael Siu, to join the Board; and
- (f) have no intention to otherwise redeploy the fixed assets of the Company.

3.4.13 Financial and dividend policies of the Company

There is no immediate intention of the Existing Directors, the Proposed Director or the Haikou Vendors to change the financial or dividend policies of the Company.

3.4.14 The identity, associations (with the Haikou Vendors) and qualifications of any person who is intended to or will become a Director

It is proposed that Michael Siu will join the Board following completion of the Proposed Transaction.

Refer to Section 2.14 of this Explanatory Statement for the biography of the Proposed Director.

3.4.15 Proposal is fair and reasonable

The report of the Independent Expert concludes that the proposed issues of Shares pursuant to Resolutions 2(a) and (b) and the Proposed Transaction described in this Explanatory Statement, are **fair and reasonable** to non-associated Shareholders. Shareholders are urged to consider the Independent Expert's Report in detail (see Annexure A).

3.4.16 Recommendation by Directors

The Directors recommend that Shareholders should approve Resolutions 2(a) and 2(b) to be put to the General Meeting. However, Shareholders must decide how to vote based on the matters set out in the Explanatory Statement.

3.5 RESOLUTION 3 – Approval of issue of shares to Advisors

3.5.1 General

Resolution 3 seeks Shareholder approval for the allotment and issue of up to 16,600,000 (pre-Consolidation) Shares to advisors who have assisted the Company in the acquisition of the Haikou Project.

None of the Advisors are related parties to the Company.

3.5.2 **Listing Rule 7.1**

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. The limitation on issuing equity securities is fifteen percent (15%) of a company's capital in any twelve (12) month period.

Listing Rule 7.1 provides that a company must not, without shareholder approval, and subject to certain exceptions, issue any equity securities or other securities with rights of conversion to equity (such as an option or a convertible note) during any twelve (12) month period, if the number of those securities exceeds fifteen percent (15%) of the number of securities in the same class on issue at the commencement of that twelve (12) month period.

The effect of Resolution 3 will be to allow the Directors to issue the Shares pursuant to this Resolution 3 during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

3.5.3 Technical Information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Shares to advisors assisting the Company:

- (a) the maximum number of Shares to be issued and allotted is 16,600,000 (pre-Consolidation) Shares;
- (b) the Shares will be issued no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued at a deemed issue price of \$0.10 as consideration for the assistance of the advisors in relation to the acquisition by the Company of the Haikou Project;
- (d) the Shares will be allotted and issued to the following advisors of the Company:
 - (i) 4,150,000 shares to Precise Network Limited;
 - (ii) 4,150,000 shares to Ms Lih Jiun Wah; and
 - (iii) 8,300,000 shares to Mr Ching Chung.

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's Existing Shares and will rank equally in all respects with the Existing Shares;
- (f) no funds will be raised from the issue of the Shares as they will be issued as consideration for the assistance provided by the recipients in relation to the acquisition of the Haikou Project; and
- (g) pursuant to and in accordance with Listing Rules 7.3 and 14.11, a voting exclusion statement is included in the Notice of Meeting.

3.6 RESOLUTION 4 – Approval of issue of shares to Trident Capital

3.6.1 General

Resolution 4 seeks Shareholder approval for the issue of 4,150,000 (pre-Consolidation) Shares to Trident Capital who have assisted the Company in the acquisition of the Haikou Project.

The Company has entered into an agreement with Trident Capital Pty Ltd ("**Trident Capital**") for the provision of corporate advisory services. The Company agreed to pay a facilitation fee to Trident Capital for their services. The facilitation fee payable to Trident Capital is to be satisfied via the issue of New Shares pursuant to Resolution 4.

Trident Capital is a related party of the Company as Paul Price is a director of the Company and a director and shareholder of Trident Capital. As Trident Capital is a Related Party of the Company, Resolution 4 must be approved by Shareholders under section 208 of the Corporations Act and Listing Rule 10.11.

The ASX Listing Rules and the Corporations Act set out a number of regulatory requirements which must be satisfied in connection with the proposed issue of securities to Trident Capital. These are summarised below.

3.6.2 **ASX Listing Rule 10.11**

A summary of ASX Listing Rule 10.1 is set out in section 3.4.8 above.

If Resolution 4 is passed, securities will be issued to Trident Capital which is a related party of the Company. Accordingly approval for the proposed issue of Shares to Trident Capital is required pursuant to ASX Listing Rule 10.11.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a Notice of Meeting proposing an approval of an issue of securities under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (a) the entity whom the Company will issue the New Shares under Resolution 4 is Trident Capital (and/or its nominee);
- (b) the maximum number of securities to be issued by the Company under Resolution 4 is 4,150,000 (pre-Consolidation) Shares;
- (c) the New Shares will be issued no later than 3 months after the date of the General Meeting;
- (d) the New Shares will be issued at a deemed issue price of \$0.10 per share as consideration for the assistance of Trident Capital in relation to the acquisition by the Company of the Haikou Project;

- (e) Mr Paul Price is both a director of the Company and a director and shareholder of Trident Capital;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company, issued on the same terms and conditions as the Company's Existing Shares and will rank equally in all respects with the Existing Shares; and
- (g) no funds will be raised from the issue of the Shares as they will be issued as consideration for the assistance provided by Trident Capital in relation to the acquisition of the Haikou Project.

3.6.3 Section 208 of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 3.4.7 above.

The proposed issue of 4,150,000 (pre-Consolidation) Shares to Trident Capital constitutes a "financial benefit" as defined in the Corporations Act. Furthermore, Trident Capital is a "related party" of the Company as defined under the Corporations Act. Accordingly the proposed issue of Shares to Trident Capital Pty Ltd pursuant to Resolution 4 will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the Directors that the exceptions under the Corporations Act to the provision of a financial benefit to a related party may not apply in the current circumstances. The Directors have determined to seek Shareholder approval under section 208 of the Corporations Act to permit the issue of the securities to Trident Capital on the terms set out in Resolution 4.

3.6.4 Section 217 to 227 of the Corporations Act

Pursuant to sections 217 to 227 of the Corporations Act, the Company provides the following information to Shareholders in respect of the proposed financial benefit to be given to Trident Capital:

- (a) the related party to whom the financial benefit will be given is Trident Capital;
- (b) the maximum number of securities (being the nature of the financial benefit to be provided) to be issued is 4,150,000 (pre-Consolidation) Shares;
- (c) in resolving to issue the Shares to Trident Capital, subject to obtaining Shareholder approval, the Directors (other than Mr Price) considered Trident Capital Pty Ltd's contribution to the acquisition by the Company of the Haikou Project;
- (d) none of the Directors, other than Mr Price, has a material personal interest in the subject matter of Resolution 4. Each of the Directors other than Mr Price recommends that Shareholders vote in favour of Resolution 4:
- (e) Trident Capital has to date been paid \$384,000 for its services to the Company, including its work on the reconstruction and recapitalisation of the Company (\$150,000) in the 2013 financial year;
- (f) Trident Capital currently has an interest in 3,300,000 Shares in the Company;
- (g) if Shareholders approve the issue of Shares to Trident Capital the effect will be to dilute the shareholdings of existing Shareholders by approximately 1.11% on an undiluted basis, based on the number of Shares on issue as at the date of the Notice of General Meeting, and approximately 0.03% on a fully diluted basis, assuming all resolutions are passed by Shareholders at the General Meeting and the maximum subscription of \$50,000,000 is received under the Capital Raising;

(h) ASIC requires explanatory information regarding the value of the financial benefit proposed to be granted to be provided to Shareholders. The value of the Shares proposed to be issued to Trident Capital is shown in the table below, using highest and lowest and last trading prices on ASX during the last 3 months:

	Price	No. of Shares	Value
Highest	\$0.15	4,150,000	\$622,500
Lowest	\$0.094	4,150,000	\$390,100
Last	\$0.098	4,150,000	\$406,700

(i) additional information in relation to Resolution 4 is set out throughout this Explanatory Statement. Shareholders should therefore read the Notice of General Meeting and Explanatory Statement in its entirety before making a decision as to how to vote on Resolution 4.

3.6.5 Directors' Recommendation

The Directors (other than Mr Price) do not have any personal interest in the outcome of Resolution 4. The Directors (other than Mr Price) believe that the proposed transaction is beneficial to the Company as it conserves the Company's cash position by the issue of securities in payment, rather than cash.

The Directors (other than Mr Price) believe that the number of Shares to be issued pursuant to Resolution 4 are commercial for the Company in light of the minimal dilutionary effect and the preservations of the Company's cash, described above and recommend Shareholders vote in favour of Resolution 4.

Mr Price declines to make a recommendation in relation to Resolution 4 due to the fact he has a material personal interest in the outcome.

3.7 RESOLUTION 5 – Change of Name

Resolution 5 is a special resolution which seeks approval for the Company to change its name. Subject to the Resolutions 1 to 4 (inclusive) and Resolutions 6 and 7 being passed and the completion of the acquisition of the Haikou Project, and consistent with the new focus and direction of the Company, the Company proposes to change its name from "Cell Aquaculture Limited" to "CAQ Holdings Limited".

The change requires Shareholder approval for the purpose of section 157 of the Corporations Act. The change does not affect the legal status of the Company. The change will take effect upon a new certificate of registration being issued by ASIC. The Company will not apply to change its name with ASIC until completion of the acquisition of the Haikou Project.

The Directors recommend Shareholders vote in favour of Resolution 5 to change the Company's name.

3.8 RESOLUTION 6 – Issue of New Shares pursuant to the Capital Raising

Subject to the passing of Resolutions 1 to 5 (inclusive) and Resolution 7, Resolution 6 is an ordinary resolution which seeks Shareholder approval for the issue of 250,000,000 New Shares to raise \$50,000,000 with a minimum subscription of at least 225,000,000 New

Shares to raise at least \$45,000,000. For further information on the capital raising, see section 2.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 6:

- (a) the maximum number of securities to be issued by the Company under Resolution 6 is 250,000,000;
- (b) the New Shares will be issued on one date, no later than 3 months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price for the New Shares issued pursuant to Resolution 6 is \$0.20 per New Share:
- (d) the New Shares will be issued to participants in the Capital Raising who will be members of the public who are not related parties of the Company, and otherwise will be determined at the sole discretion of the Board;
- (e) the New Shares are ordinary fully paid shares and will rank equally in all respects with the Existing Shares;
- (f) the intended use of the funds raised is set out in section 2.10; and
- (g) pursuant to and in accordance with Listing Rules 7.3 and 14.11, a voting exclusion statement is included in the Notice of Meeting.

3.9 RESOLUTION 7 – Capital Consolidation

Subject to Resolutions 1 to 6 (inclusive) being passed, Resolution 7 is an ordinary resolution which proposes that the issued capital of the Company be altered by consolidating the existing securities on a 1 for 2 basis. The record date for determining the consolidation of the Company's capital will be 6 business days after the date of the General Meeting. Any fractional entitlements as a result of holdings not being evenly divisible by 2 will be rounded down to the nearest whole number.

3.9.1 Section 254H of the Corporations Act

Section 254H of the Corporations Act enables a company to convert all of its ordinary securities into a smaller number of securities by a resolution passed at a general meeting. The conversion proposed by Resolution 7 is permitted under section 254H of the Corporations Act.

The Capital Consolidation will only occur if the Board is reasonably satisfied that all of the conditions to completion of the Proposed Transaction (including all requirements for the Company to re-comply with Chapters 1 and 2 of the Listing Rules) have been, or are likely to be, satisfied or waived.

The consolidation will not result in any change to the substantive rights and obligations of existing security holders of the Company. The purpose of the consolidation of the existing issued Shares of the Company is to reduce the number of existing securities on issue, which is considered to be a more appropriate capital structure for the Company going forward, and to enable the Company to satisfy Chapters 1 and 2 of the Listing Rules and obtain re-quotation of its securities on ASX. For example, a Shareholder currently holding 10,000 Shares will as a result of the consolidation, hold 5,000 Shares. The Company's balance sheet and tax position will remain unaltered as a result of the consolidation.

3.9.2 Shares

At the date of this Notice, the Company had 374,115,356 Shares on issue. The consolidation on a 1 for 2 basis will reduce the number of Shares on issue to approximately 187,057,678 Shares (subject to rounding).

3.9.3 Holding statements

Following the Capital Consolidation, all holding statements for Existing Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares (on a post-Consolidation basis). After the Capital Consolidation becomes effective, the Company will arrange for new holding statements for Shares to be issued to Shareholders.

3.9.4 Timetable for Capital Consolidation

If Resolutions 1 to 6 (inclusive) and Resolution 7 and are passed, the Capital Consolidation will take effect in accordance with the timetable set out in paragraph 5 of Appendix 7A of the Listing Rules. The anticipated timetable for the Capital Consolidation is set out below:

Event	Anticipated Date
Company notifies ASX that Shareholders have approved the Capital Consolidation.	10 December 2014
Last day to register transfers on a Pre-Capital Consolidation basis (although the Company is anticipated to remain suspended at this stage).	12 December 2014
Trading would normally commence in the reorganised Shares on a deferred settlement basis (as the Company's securities are anticipated to be suspended from trading, deferred settlement trading will not occur).	15 December 2014
Last day for the Company to register transfers on a pre- Capital Consolidation basis.	17 December 2014
First day for the Company to send notice to each security holder of the change in their details of holdings.	18 December 2014
First day for the Company to register securities on a post- Capital Consolidation basis.	
First day for issue of new holding statements.	
Issue date.	22 December 2014
Last day for the Company to send notice to each security holder of the change in their details of holdings and to enter securities into the holder's security holdings.	
Last day for issue of new holding statements or certificates for consolidated Shares.	

The above dates are indicative only and are subject to change.

3.10 RESOLUTION 8 – Approval of Performance Rights Plan

Resolution 8 is an ordinary resolution which provides for the approval of the proposed performance rights plan of the Company (Plan or Performance Rights Plan). A copy of

the Plan is included as Annexure B. At the date of this Notice, no securities have been issued under the Plan. This is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Plan. A voting exclusion statement has been included for the purpose of Resolution 8.

The Plan forms what the Board considers to be an important element of the Company's total remuneration strategy for key officers and employees. Awards under the Plan will be in the form of performance rights (which result in the issue of Shares) in the Company which will be subject to performance hurdles and other terms to be determined by the Board.

The primary objectives of the Plan are to:

- (g) attract employees, officers and other service providers of a high calibre;
- (h) reward an eligible person for its past performance;
- (i) provide long term incentives for participation in the Company's future growth;
- (j) motivate and generate loyalty from an eligible person;
- (k) assist to retain the services of a valuable eligible person; and
- (I) align the interests of an eligible person with those of the Company.

Listing Rule 7.2, exception 9(b)

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

Under exception 9(b) in Listing Rule 7.2, shareholders may approve the issue of equity securities under an employee incentive scheme as an exception to Listing Rule 7.1. If such approval is obtained, Listing Rule 7.1 does not apply to an issue of equity securities in the Company made under an employee incentive scheme within three years of the approval.

The grant of any performance rights to a director of the Company will require specific approval under Listing Rule 10.14.

4. OTHER INFORMATION

4.1.1 Intentions as to the Future of the Company

The present intentions of Tang Dashun regarding the future of the Company, subject to Resolutions 1 to 7 (inclusive) in the Notice of Meeting being approved by Shareholders are as follows:

- (a) To maintain and expand the Company's new business and property development.
- (b) Tang Dashun has no present intentions to otherwise redeploy the fixed assets of the Company.
- (c) There are no proposals whereby any property will be transferred between the Company and Tang Dashun or any person associated with Tang Dashun.
- (d) Tang Dashun does not intend to make any changes with regards to the employees of the Company.

The present intentions of Beijing Properties (Holdings) Limited regarding the future of the Company, subject to Resolutions 1 to 7 (inclusive) in the Notice of Meeting being approved by Shareholders are as follows:

- (a) To maintain and expand the Company's new business and property development.
- (b) Beijing Properties (Holdings) Limited has no present intentions to otherwise redeploy the fixed assets of the Company.
- (c) There are no proposals whereby any property will be transferred between the Company and Beijing Properties (Holdings) Limited or any person associated with Beijing Properties (Holdings) Limited.
- (d) Beijing Properties (Holdings) Limited does not intend to make any changes with regards to the employees of the Company.

4.1.2 Financial and Dividend Policies of the Company

The Board has not adopted a formal dividend distribution policy since being re-admitted to ASX on 20 September 2013. Since then the Company has not yet declared a dividend distribution to Shareholders.

There is no immediate intention on the part of Tang Dashun or Beijing Properties (Holdings) Limited, or the Directors to change the financial policies of the Company or to declare a dividend.

4.1.3 Proposal is fair and reasonable

The Independent Expert's Report concludes that the purchase of the Haikou Project on the terms set out in the Agreements is fair and reasonable to Shareholders.

5. GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

Annexure annexure to this Explanatory Statement.

ASIC Australian Securities and Investments Commission.

Associate has the meaning set out in sections 11 to 17 of the Corporations

Act, as applicable and as applied in accordance with the note to

Listing Rule 14.11.

ASX Limited (ABN 98 008 624 691) or the Australian Securities

Exchange, as the context requires.

Beijing Properties (Holdings)

Limited

Beijing Properties (Holdings) Limited of 66th Floor, Central

Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Board board of Directors.

Business Day a day that is not a Saturday, Sunday, public holiday or bank

holiday in Perth, Western Australia.

Capital Consolidation the consolidation of the Existing Shares of the Company on the

basis of 1 for 2 as proposed under Resolution 7 and detailed in

section 3.9.

Capital Raising the proposed Issue of New Shares under the Prospectus, as

contemplated by Resolution 6.

Chairman Paul Price.

Company Cell Aquaculture Limited (ACN 091 687 740).

Company Approvals the approvals of the Company's Shareholders required pursuant

to the Corporations Act and the Listing Rules for the purpose of

implementing the Proposed Transaction.

Completion Date the latest of the date that is 7 Business Days after the date on

which the Conditions are satisfied; or any other date, which is

agreed in writing between the parties.

Constitution constitution of the Company.

Corporations Act Corporations Act 2001 (Cth).

Director director of the Company.

Existing Shares the issued shares in the Company as at the date of this Notice

of Meeting being 374,115,356 fully paid ordinary shares.

Explanatory Statement this Explanatory Statement accompanying the Notice of

Meeting.

Haikou Peace Base Haikou Peace Base Industry Development Company Limited.

Haikou Project and Haikou the exhibition centre, three factories, four warehouses and an

Free Trade Zone Project of land in the

Haikou Free Trade Zone on Hainan Island, China, No. 69 South First Ring Road, Laocheng Economic Development Zone,

Chengmai County, Hainan Province, China.

Haikou Vendors Tang Dashun and Beijing Properties (Holdings) Limited.

Independent Expert BDO Corporate Finance (WA) Pty Ltd.

Independent Expert's Report the report of the Independent Expert attached to Annexure A to

and forming part of the Explanatory Statement.

Listing Rules the official listing rules of the ASX as amended from time to

time.

New Shares fully paid ordinary shares in the Company, after the Capital

Consolidation.

Notice of Meeting the notice convening the General Meeting which accompanies

this Explanatory Statement.

Proposed Director Michael Siu.

Proposed Transaction the acquisition of the Haikou Project by the Company.

Prospectus the prospectus to be issued by the Company as referred to in

Resolution 6.

Quotation official quotation as defined in the Listing Rules.

Regulatory Authority any government or local authority and any department, minister

or agency of any government; and any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation or the listing rules of any recognized stock

or securities exchange (including ASX).

Related Party the meaning give to that term in the Corporations Act.

Relevant Interest the meaning given to that term in the Corporations Act.

Resolutions the resolutions set out in the Notice of Meeting.

Share fully paid ordinary share in the capital of the Company.

Shareholder shareholder of the Company.

Trident Capital or **Trident** Trident Capital Pty Ltd (ACN 100 561 733).

Voting Power the meaning given to that term in the Corporations Act.

WST Western Standard Time in Australia.



Cell Aquaculture Limited ACN 091 687 740

PROXY FORM

Shareholder Details				
Name:				
Address:				
Contact Telephone No:				
Contact Name (if different from above):				
Appointment of Proxy				
I/We being a shareholder/s of Cell Aquaculture Limite behalf and to vote in accordance with my/our follow Corporate, Level 24, 44 St Georges Terrace, Perth, W. The Chairman of the meeting (mark with an 'X') OR If the person you are appointing as your proxy is seen accordance.	ving directions at the General Meeting of estern Australia on 10 December 2014 at 10 IMPORTANT: If the Chairman of the meeting is your wish to direct him/her how to vote on a By marking this box, you acknowledge on those resolutions (for which you he the outcome of the resolution and that disregarded because of that interest. proxy how to vote on any of these revotes on the resolutions (for which you poll. The Chairman of the meeting interest.	Cell Aquacultu 0.00am (WST) proxy, or if app my of these rese that the Chair ave not given a t votes cast by If you do not m pesolutions, the put have not given at the control of the control pesolution of the control pesoluti	re Limited to be held and at any adjournmen cointed your proxy by colutions, you must ma man of the meeting man of the meeting man of the meeting this box, and you chairman of the meeten a direction) on a significant cointerment of the meeten a direction) on a significant cointerment of the meeten a direction) on a significant cointerment of the meeten a direction) on a significant cointerment of the meeten a direction) on a significant cointerment cointerme	at Price Sierakowski nt of that meeting. default and you do not rk this box with an "X". ay exercise your proxy she has an interest in s proxy holder, will be have not directed your ting will not cast your show of hands or on a
Write the name of that person in the box below.	Someone other than the chairman or the h	-	ecify the % of your vote	es that you authorise
If you hold 2 or more Shares in #full company nam	%	your proxy to	exercise if:	•
Write the name of your second proxy in the box be			only appointed 1 prox o exercise all of your v	
	%	(b) if you ha	ve appointed 2 proxies	under this proxy form.
If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Cell Aquaculture Limited to be held at Price Sierakowski Corporate, Level 24, 44 St Georges Terrace, Perth, Western Australia on 10 December 2014 at 10.00am (WST) and at any adjournment of that meeting.				
Voting directions to your proxy	Please mark only one of the boxes with	an "X" for ea	ch resolution to indic	ate your directions.
Special Business		For	Against	Abstain
Resolution 1 – Approval to change of nature an	ture and scale of activities			
Resolution 2(a) and (b) – Issue of consideration acquiring 100% of the ordinary shares in Haiko Company Limited	u Peace Base Industry Development			
Resolution 3 – Approval of issue of shares to A				
Resolution 4 – Approval of issue of shares to T Resolution 5 – Change of Name	ndeni Capitai Pty Ltd			
Resolution 6 – Issue of New Shares pursuant to the Capital Raising				
Resolution 7 – Capital Consolidation Resolution 8 – Approval of Performance Rights Plan			H	
1 If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a				
show of hands or on a poll.	r a particular resolution, you are uncou	ang your pro	ty not to vote on yo	ar benan on a
PLEASE SIGN HERE This section <i>must</i> be signed in accordance with the	e instructions overleaf to enable your dir	ections to be i	mnlemented	
Individual or Shareholder 1	Shareholder 2	collons to be	Shareholder 3	
3.3.2.2				
Sole Director and Sole Company Secretary	Director		Director/Compar	y Secretary

How to complete this Proxy Form

1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document

with the company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of

Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary,

this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by

signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

6 Lodgment of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting i.e. no later than 10.00am (WST) on 8 December 2014. Any Proxy Form received after that time will not be valid for the scheduled meeting.

This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at Level 24, 44 St Georges Terrace, Perth WA 6000 or sent by facsimile to the registered office on (08) 9218 8875.

Annexure A – Independent Expert's Report







Financial Services Guide

3 November 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Cell Aquaculture Limited ('CAQ') to provide an independent expert's report on the proposal to acquire 100% of all the rights and title to the Haikou Free Trade Zone Project in Hainan Island, China. You will be provided with a copy of our report as a retail client because you are a shareholder of CAQ.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$25,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments

In June 2013 we were engaged to provide an investigating accountant's report for inclusion in a Prospectus to be prepared by the directors of the Company. Our fees for this work amounted to approximately \$8,000.

In July 2014 we were engaged to provide an investigating accountant's report for inclusion in a Prospectus to be prepared by the directors of the Company. Our fees for this work amounted to approximately \$8,000.

BDO Audit (WA) Pty Ltd is the appointed auditor of CAQ. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from CAQ for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 0

Toll free: 1300 78 08 08 Facsimile: (03) 9613 6399

Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies



www.bdo.com.au

38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

3 November 2014

The Directors Cell Aquaculture Limited Level 24, 44 St Georges Terrace Perth WA 6000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 18 March 2014, Cell Aquaculture Limited ('CAQ' or 'the Company') announced that it had entered into a Heads of Agreement with the Vendors, Tang Dashun ('TD') and Beijing Properties (Holdings) Limited ('BPH') (together referred to as the 'Haikou Vendors'), to acquire 100% of all the rights and title to the Haikou Free Trade Zone Project ('Haikou Project') in Hainan Island, China ('the Transaction').

On 10 June 2014, the Company announced the execution of formal Share Sale Agreements with the Haikou Vendors. Subject to the satisfaction of a number of conditions precedent, the Company will acquire 100% ownership of the Haikou Project to be satisfied by the issue of 415,000,000 fully paid ordinary shares ('Consideration Shares') in the Company to be apportioned between each of the Haikou Vendors as follows:

- Tang Dashun 249,000,000 fully paid ordinary shares; and
- Beijing Properties (Holdings) Limited 166,000,000 fully paid ordinary shares.

Each of the Haikou Vendors do not consider that they will be associates of one another after the Consideration Shares are issued to them. However, at the point in time when the Consideration Shares are issued, the Haikou Vendors will be considered associates of one another as a consequence of participating in the Transaction and agreeing to sell their shares in the Haikou Project to the Company.

Accordingly, the Company is seeking the approval of shareholders under item 7 section 611 of the Corporations Act 2001 (Cth) ('the Act') to issue the Consideration Shares to the Haikou Vendors as this will increase their combined shareholding in the Company to beyond 20%.

The Company has also proposed to perform a share capital consolidation on a 1 for 2 basis, with any fractional entitlements being rounded up to the nearest whole share ('Capital Consolidation'). Unless otherwise indicated all references to shares on issue is on a pre Capital Consolidation basis.

Completion of the Transaction is also contingent on the Company completing a capital raising to raise a minimum subscription amount of \$45 million ('Capital Raising').



2. Summary and Opinion

2.1 Purpose of the report

The directors of CAQ have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Company acquiring 100% ownership of the Haikou Project to be satisfied by the issue of 415,000,000 fully paid ordinary shares in the Company to be apportioned between the Haikou Vendors, is fair and reasonable to the non associated shareholders of CAQ ('Shareholders').

Our Report is prepared pursuant to item 7 section 611 of the Act and is to be included in the Explanatory Memorandum for CAQ in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of a CAQ share prior to the Transaction compares to the value of a CAQ share following the Transaction;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.

2.4 Fairness

In section 11 we determined that the value of a CAQ share prior to the Transaction on a control basis compares to the value of CAQ share following the Transaction on a minority basis, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a CAQ share prior to the Transaction on a control basis (pre Capital Consolidation)	9	0.003	0.003	0.003
Value of a CAQ share following the Transaction on a minority basis (pre Capital Consolidation)	10	0.022	0.024	0.026

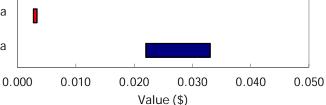


The above valuation ranges are graphically presented below:

Valuation Summary

Value of a CAQ share prior to the Transaction on a control basis

Value of a CAQ share following the Transaction on a minority basis



The above pricing indicates that, in the absence of any other relevant information the Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 12 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAG	ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages	
12.4	The Transaction is fair	12.5	Dilution of existing Shareholders' interests	
12.4	Shareholders will gain exposure to a significantly expanding asset portfolio	12.5	Change in risk profile of the investment	
12.4	The Company retains cash to use for other purposes	12.5	Potential lower liquidity of shares	
12.4	Additional sources of financing could potentially become available to the Company			



Other key matters we have considered include:

Section	Description
12.1	Alternative proposals
12.2	Practical level of control
12.3	Movements in CAQ's share price following the announcement of the Transaction

3. Scope of the Report

3.1 Purpose of the Report

TD currently holds 1.34% of the issued capital of CAQ while BPH currently holds no interest in the issued capital of CAQ. If Shareholders approve the Transaction, the Haikou Vendors will increase their collective holding to a maximum of 33.33%, assuming the minimum subscription of \$45 million is achieved under the Capital Raising. Section 606 of the Corporations Act Regulations expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of CAQ, by either:

- undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of CAQ have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.



In our opinion, the Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a CAQ share prior to the Transaction on a control basis and the value of a CAQ share following the Transaction on a minority basis (fairness see section 11 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness see section 12 'Is the Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 18 March 2014, CAQ announced that it had entered into a Heads of Agreement with the Haikou Vendors, TD and BPH, to acquire 100% of all the rights and title to the Haikou Project in Hainan Island, China. On 10 June 2014, the Company announced the execution of formal Share Sale Agreements with the Haikou Vendors.

The Haikou Project is the fourth free trade zone approved in China, by the Central Government. It is the first and currently the only, free trade zone that allows tourist tour programs. It has the first and only shopping centre constructed in a free trade zone in China. It is contained on a 44,020m² property and will consist of several multi-story buildings, containing factories, warehouses, a commercial/administration building and a retail complex. Building for the project is targeted for completion in December 2014, with fit out of the interior spaces to then commence with a targeted date for opening of April 2015.

The Company is acquiring 100% of the legal and beneficial ownership of the issued capital of Haikou Peace Base Industry Development Company Ltd ('HPB'), the owner of the Haikou Project, by the acquisition of



all the issued shares in Actual Winner Limited and Express Linker Limited from TD, and all the issued shares in Rayport Limited and Beijing Properties (Holding) Limited.

Under the executed Share Sale Agreement, the Company will acquire 100% ownership of the Haikou Project to be satisfied by the issue of 415,000,000 fully paid ordinary shares in the Company. The Consideration Shares will be apportioned between each Haikou Vendor as follows:

Tang Dashun - 249,000,000 fully paid ordinary shares; and

Beijing Properties (Holdings) Limited - 166,000,000 fully paid ordinary shares.

Completion of the Transaction is subject to the satisfaction of a number of conditions precedent, as follows:

- The Purchaser satisfactorily completing all legal and accounting due diligence;
- The Haikou Vendors being satisfied with their due diligence of the Company;
- The Company obtaining all necessary Shareholder and regulatory approvals in accordance with the requirements of the Act and the Australian Securities Exchange ('ASX') Listing Rules;
- Prior to the completion date, the Company does not receive a proposal in respect of the Company, which an independent expert determines to be a superior Transaction for Shareholders;
- No material adverse change in the assets being acquired by the Company;
- BPH obtaining any necessary authorisations, consents or approvals, including the approval of its shareholders; and
- The Haikou Vendors procuring that all debt and liabilities of the entities being acquired, directly or indirectly, are fully repaid and discharged, including all debt and liabilities associated with the Haikou Project.

The Company announced on 8 October 2014 that it had agreed to vary the Share Sale Agreement with BPH and agreed that loans provided by the Haikou Vendors to the Haikou Project since 1 June 2014, and totalling approximately \$3 million ('Vendor Loans'), would be repaid to the Haikou Vendors, at completion from the proceeds of the Capital Raising. All other outstanding amounts (i.e. debts and liabilities) in the entities being acquired under the Share Sale Agreement, up to 30 May 2014 will be extinguished by the Haikou Vendors, prior to completion of the Transaction.

The Company is also undertaking a Capital Raising in which it will issue 250 million New Shares (post Capital Consolidation) at an issue price of \$0.20 each to raise \$50 million before costs with a minimum subscription of at least 225 million New Shares (post Capital Consolidation) to raise at least \$45 million before costs. The completion of the Transaction is contingent of the Company achieving the minimum subscription of the Capital Raising.

Changes to Capital Structure (Pre Capital Consolidation)

As at the date of our report the Company has 374,115,356 shares on issue with TD holding 5 million shares and BPH holding no shares in CAQ. Assuming all shares are issued under the attached Notice of Meeting and the minimum subscription is achieved under the Capital Raising, the issue of the Consideration Shares for the Transaction will increase TD and BPH holding in the share capital of CAQ to 20.16% and 13.17% respectively, and to 33.33% on a combined basis. These potential changes in shareholding are summarised in the table below, assuming none of the current options are exercised.



			Other	
Pre Capital Consolidation	TD	ВРН	Shareholders	Total
Issued Shares as at date of this Report	5,000,000	-	369,115,356	374,115,356
% holdings as at date of this Report	1.34%	0.00%	98.66%	100.00%
Consideration Shares issued for the Transaction	249,000,000	166,000,000	-	415,000,000
Shares issued to Advisors	-	-	16,600,000	16,600,000
Shares issued to Trident Capital Pty Ltd	-	-	4,150,000	4,150,000
Shares issued under Capital Raising (minimum subscription)	-	-	450,000,000	450,000,000
Issued Shares following the Transaction	254,000,000	166,000,000	839,865,356	1,259,865,356
% holdings after the Transaction	20.16%	13.17%	66.66%	100.00%

5. Profile of Cell Aquaculture

5.1 History

Cell Aquaculture Limited was incorporated on 7 March 2000 and obtained official admittance to the ASX on 20 July 2005. The Company's primary operations were focused on the vertically integrated production of premium quality seafood.

On 1 October 2012 Cell Aquaculture was suspended from official quotation on the ASX. On 19 November 2012, David Hurt and Christopher Williamson were appointed voluntary administrators of the Company. On 15 February 2013, the Company's creditors resolved that Cell Aquaculture enter into a Deed of Company Arrangement ('DOCA') to approve a recapitalisation proposal. The DOCA was wholly effectuated on 2 May 2013. On 18 June 2013, the Company held a general meeting and received approval for the recapitalisation of the Company which resulted in the following:

- Consolidation of Capital the consolidation of the existing Shares on a 1 for 10 basis;
- Reduction of capital the capital reduction of the Company by applying an amount of accumulated losses against share capital which is considered permanently lost;
- Issue of new shares under a Prospectus;
- Appointment of new Directors; and
- Payment to the Deed Administrator and forgiveness of claims.

Following the Recapitalisation Proposal and completion of the issue of new shares under the Prospectus, the Company was reinstated to quotation on the ASX on 20 September 2013. Following CAQ's reinstatement, the Director's undertook a review of the current investments of CAQ as well as further alternative investment opportunities for the Company. Following this review the following outcomes were achieved:

- The Directors sold the Company's interest in Cell Aqua Malaysia Sdn Bhd to the minority shareholder for a nominal sum;
- The Directors were of the view that there was no benefit to the Group of maintaining an interest in the Thai projects or subsidiary companies due to these companies not being operational for several years. The Company's investment in the Thai subsidiaries was sold for a nominal amount and the Company retains no interest in the Thai projects; and



- The Company's Australian subsidiary, Cell Aqua Foods Pty Ltd ceased operations following the appointment of administrators to the Company. Following a review of the position and prospects of Cell Aqua Foods Pty Ltd the Company resolved to liquidate Cell Aqua Foods Pty Ltd and liquidators were appointed on 19 November 2013.

On 18 March 2014, CAQ announced that it had entered into a Heads of Agreement with the Haikou Vendors to acquire 100% of all the rights and title to the Haikou Project in Hainan Island, China. On 10 June 2014, the Company announced the execution of formal Share Sale Agreements with the Haikou Vendors.



5.2 Historical Financial Information

	Audited for the	Audited for the	Audited for the
	year ended	year ended	year ended
	30-Jun-14	30-Jun-13	30-Jun-12
	\$	\$	\$
Revenue from continuing operations	50,814	1,889,150	499,001
Foreign currency gain/(loss)	-	17,073	19,433
Gain on derivative financial instrument	-	-	545,236
Expenses:			
Raw materials and consumables used	-	(1,642,578)	(447,385)
Legal expenses	(114,212)	(93,811)	(52,866)
Marketing expenses	-	(40,875)	(20,656)
Communication expenses	(8,235)	(10,294)	(17,209)
Consultancy expenses	(142,000)	(403,298)	(974,591)
Employee benefits expense	(4,466)	(15,134)	(333,146)
Insurance expenses	(5,816)	-	(33,896)
Occupancy costs	(18,000)	(37,079)	(127,212)
Professional costs	(202,478)	(167,847)	(272,385)
Travel costs	(65,997)	(13,629)	(51,663)
Depreciation and administration expense	-	-	(31,276)
Finance costs	-	(50,061)	(21,984)
Interest expenses	-	-	(566,233)
R&D expenses	-	-	(95,000)
Other expenses	(75,718)	(180,435)	(170,014)
Administration expenses	-	(114,614)	-
Due diligence expense	(125,839)	-	-
Provision for impairment of receivable	-	40,565	(380,595)
Provision for impairment of buildings	-	-	(416,000)
Provision for impairment of property, plant & equipment	-	-	(323,411)
Provision for impairment of inventories	-	(527,311)	(257,173)
Provision for impairment of biological assets	-	-	(10,621)
Default fee	-	-	(64,706)
Gain on Deed of Company Arrangement	-	1,085,726	-
Loss before income tax for the year	(711,947)	(264,452)	(3,604,352)
Income tax benefit/(expense)	-	-	104,477
Loss after income tax for the year	(711,947)	(264,452)	(3,499,875)
Net gain on disposal and deconsolidation of subsidiaries	110,039	-	-
Loss for the year	(601,908)	(264,452)	(3,499,875)
Other comprehensive income:			
Exchange differences on foreign currency translation	50,313	36,103	12,130
Total comprehensive loss for the year	(551,595)	(228,349)	(3,487,745)

Source: Audited financial statements for CAQ for the years ended 30 June 2014, 2013 and 2012



	Audited as at	Audited as at	Audited as at
	30-Jun-14	30-Jun-13	30-Jun-12
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	1,127,403	394,443	29,674
Trade and other receivables	112,413	239,010	-
TOTAL CURRENT ASSETS	1,239,816	633,453	29,674
TOTAL ASSETS	1,239,816	633,453	29,674
CURRENT LIABILITIES			
Trade and other payables	141,986	2,210,709	663,148
Borrowings	-	-	721,607
TOTAL CURRENT LIABILITES	141,986	2,210,709	1,384,755
TOTAL LIABILITIES	141,986	2,210,709	1,384,755
NET ASSETS/(LIABILITES)	1,097,830	(1,577,256)	(1,355,081)
EQUITY			
Contributed equity	2,855,431	86,416	19,138,441
Reserves	-	(50, 313)	734,299
Accumulated losses	(1,757,601)	(1,155,692)	(20,789,514)
Capital and Reserves attributable to the owners of Cell	1,097,830	(1,119,589)	(916,774)
Aquaculture			
Non-controlling interest	-	(457,667)	(438, 307)
TOTAL EQUITY	1,097,830	(1,577,256)	(1,355,081)

Source: Audited financial statements for the years ended 30 June 2014, 2013 and 2012

Commentary on Historical Financial information

For the year ended 30 June 2014, the Company's auditor issued a qualified audit opinion based on the Company being unable to access all of the financial information of one of its subsidiaries Cell Aqua Malaysia Sdn Bhd for the period 1 July 2013 to 4 November 2013. Attention was drawn to the gain on deconsolidation of Cell Aqua Malaysia Sdn Bhd of \$1,181,150 recognised in the statement of profit or loss and other comprehensive income for the year ended 30 June 2014. The auditor's were unable to obtain appropriate audit evidence to satisfy themselves as to completeness and existence of this amount. Consequently they were unable to determine whether any adjustments were necessary to the statement of financial position as at 30 June 2014 and the statement of profit or loss and other comprehensive income for the year ended 30 June 2014.

On 1 October 2012 Cell Aquaculture was suspended from official quotation on the ASX and on 19 November 2012, David Hurt and Christopher Williamson were appointed voluntary administrators of the Company. Following the Recapitalisation Proposal and completion of the issue of new shares under the Prospectus, the Company was reinstated to quotation on the ASX on 20 September 2013. Prior to the Company going into administration, it operated within the aquaculture industry.



Cash increased from \$0.39 million as at 30 June 2013 to \$1.13 million as at 30 June 2014 as a result of the capital raising which closed in August 2013, which saw the Company raise a total of \$3 million through a public share offer and an offer to sophisticated investors.

Trade and other receivables of \$0.11 million as at 30 June 2014 predominantly relate to deferred acquisition costs paid by the Company in relation to the Transaction.

The decrease in trade and other payables between 30 June 2013 and 30 June 2014 can be attributed to the repayment of amounts owed to the administrator under the DOCA and the repayment of trade creditors with funds raised under the capital raising.

Contributed equity decreased from \$19.14 million as at 30 June 2012 to \$0.09 million as at 30 June 2013 as a result of the Recapitalisation Proposal whereby the Company undertook a reduction in capital by applying an amount of accumulated losses of the Company against the share capital of the Company which is considered permanently lost. This also resulted in the decrease in accumulated losses over the corresponding period.

There was no non-controlling interest as at 30 June 2014 as a result of the deconsolidation of the Company's Malaysian subsidiary, Cell Acqua Malaysia Sdn Bhd, on 4 November 2013.

5.3 Capital Structure

The share structure of CAQ as at the date of our Report is outlined below:

	Number
Total ordinary shares on issue	374,115,356
Top 20 shareholders	311,274,554
Top 20 shareholders - % of shares on issue	83.20%

Source: Management of CAQ

The range of shares held in CAQ as at the date of our Report is as follows:

	Number of Ordinary	Percentage of Issued
Name	Shares Held	Shares (%)
Citicorp Nominees Pty Ltd	111,639,608	29.84%
JP Morgan Nominees Australia Limited	49,226,160	13.16%
Mr Huan Wei Xiao	22,500,000	6.01%
Mr Andrew Chan	20,000,000	5.35%
Subtotal	203,365,768	54.36%
Others	170,749,588	45.64%
Total ordinary shares on Issue	374,115,356	100.00%

Source: Management of CAQ

The ordinary shares held by the most significant shareholders as at the date of our Report are detailed below:



Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	261	172,203	0.05%
1,001 - 5,000	242	700,346	0.19%
5,001 - 10,000	84	685,003	0.18%
10,001 - 100,000	141	4,907,808	1.31%
100,001 - and over	96	367,649,996	98.27%
TOTAL	824	374,115,356	100.00%

Source: Management of CAQ

6. Profile of the Haikou Project

The Haikou Project is located in the Haikou Integrated Free Trade Zone, within the Laocheng Economic Development Zone, Haikou Master Planning and is adjacent to Macun Port. It is located 15km from the Haikou Railway South Freight Station, 42km from Meilan International Airport and 30km from downtown Haikou, Hainan Island, China.

The Haikou Project is the fourth free trade zone approved in China, by the Central Government. It is the first and currently the only, free trade zone that allows tourist tour programs. The approval incorporates the following:

- Imported goods bonded storage;
- Domestic goods get export tax rebate;
- The zone is tax free;
- Overseas trading from the zone is tax free;
- There are offshore banking policies in place;
- Tourist retail shopping; and
- Imported goods to the domestic market.

It is the first and only shopping centre constructed in a free trade zone in China. HPB is responsible for the construction and operation of the Haikou Project which will contain the following buildings:

- One commercial and administrative building with a total built up area of approximately 6,080 m²;
- Three building factories of various sizes with a total built up area of approximately 17,887 m²;
- Four bonded warehouses of various sizes with a total built up area of approximately 41,115 m²; and
- One exhibition centre with a total built up area of approximately 22,083 m².

Building for the project is targeted for completion in December 2014, with fit out of the interior spaces to then commence with a targeted date for opening in late May 2015. It is intended that the lettable area of the property will be primarily tenanted by diamond and jewellery businesses, jewellery manufacturing, loose diamond trading, jewellery and loose diamond retailing, and bonded storage.

HPB has already entered into Expressions of Interest to lease various retail, commercial, manufacturing and warehouse space with a number of parties over approximately 56% of the space.



The estimation for the whole construction of the Haikou Project is approximately \$49 million, which includes a signed construction contract of approximately \$38 million for the civil construction and further electrical and mechanical installation totalling approximately \$11 million. To date, the Haikou Vendors have funded approximately \$12 million of this construction cost. It is anticipated that the funds raised under the Capital Raising will be predominantly used to complete the construction of the Haikou Project.

6.1 Financial information of acquired entities

The Company is acquiring 100% of the legal and beneficial ownership of the issued capital of Haikou Peace Base Industry Development Company Ltd, the owner of the Haikou Project, by the acquisition of all the issued shares in Actual Winner Limited and Express Linker Limited from TD, and all the issued shares in Rayport Limited (minimal operations).

Under the terms of the Share Sale Agreement, the Haikou Vendors procure that all debt and liabilities of the entities being acquired, directly or indirectly, are fully repaid and discharged, including all debt and liabilities associated with the Haikou Project. Therefore, the only debt that will need to be repaid on completion of the Transaction is the Vendor Loans totalling approximately US\$3 million.

The acquired companies' historical financial information is presented below.

6.1.1 Actual Winner Limited

Actual Winner Limited	Reviewed as at
Statement of Financial Position	30-Jun-14
	HK\$
CURRENT ASSETS	
Intercompany receivable	13,562,500
TOTAL CURRENT ASSETS	13,562,500
NON CURRENT ASSETS	
Investments in Associates	22,535,191
TOTAL NON CURRENT ASSETS	22,535,191
TOTAL ASSETS	36,097,691
CURRENT LIABILITIES	
Loans and borrowings	7,564,191
Intercompany payables	28,595,805
TOTAL CURRENT LIABILITES	36,159,996
TOTAL LIABILITIES	36,159,996
NET LIABILITES	(62,305)
EQUITY	
Contributed equity	10,000
Accumulated losses	(72,305)
TOTAL EQUITY	(62,305)

Source: Reviewed financial statements of Actual Winner Limited as at 30 June 2014



Actual Winner Limited	Reviewed for the period
Statement of Profit or Loss and Other Comprehensive Income	ended 30-Jun-14
	HK\$
Administration costs	(12,200)
Loss for the period	(12,200)

Source: Reviewed financial statements of Actual Winner Limited as at 30 June 2014

The above financial information of Actual Winner Limited as at 30 June 2014 was reviewed by BDO Audit (WA) Pty Ltd.

6.1.2 Express Linker Limited

Express Linker Limited	Reviewed as at
Statement of Financial Position	30-Jun-14
	HK\$
CURRENT ASSETS	
Intercompany receivable	13,485,000
TOTAL CURRENT ASSETS	13,485,000
NON CURRENT ASSETS	
Investments in Associates	22,535,191
TOTAL NON CURRENT ASSETS	22,535,191
TOTAL ASSETS	36,020,191
CURRENT LIABILITIES	
Loans and borrowings	7,580,991
Intercompany payables	28,518,305
TOTAL CURRENT LIABILITES	36,099,296
TOTAL LIABILITIES	36,099,296
NET LIABILITES	(79,105)
EQUITY	
Contributed equity	10,000
Accumulated losses	(89,105)
TOTAL EQUITY	(79,105)

Source: Reviewed financial statements of Express Linker Limited as at 30 June 2014 $\,$

Express Linker Limited	Reviewed for the period
Statement of Profit or Loss and Other Comprehensive Income	ended 30-Jun-14
	HK\$
Administration costs	(13,000)
Loss for the period	(13,000)

Source: Reviewed financial statements of Express Linker Limited as at 30 June 2014

The above financial information of Express Linker Limited as at 30 June 2014 was reviewed by BDO Audit (WA) Pty Ltd.



6.1.3 Haikou Peace Base Industry Development Limited

Haikou Peace Base Industry Development Limited Statement of Financial Position	Audited as at 31-May-14
	RMB
CURRENT ASSETS	
Cash and cash equivalents	16,893,631
Trade and other receivables	172,300
Other assets	9,227,404
TOTAL CURRENT ASSETS	26,293,335
NON CURRENT ASSETS	
Intangibles	13,867,959
Property, pant and equipment	17,081,808
Deferred tax assets	1,029,639
TOTAL NON CURRENT ASSETS	31,979,406
TOTAL ASSETS	58,272,741
CURRENT LIABILITIES	
Trade and other payables	1,354,268
Tax payable	46,364
TOTAL CURRENT LIABILITES	1,400,632
TOTAL LIABILITIES	1,400,632
NET ASSETS	56,872,109
EQUITY	
Contributed equity	60,000,000
Reserves	8,742
Accumulated losses	(3,136,632)
TOTAL EQUITY	56,872,110

Source: Audited financial statements of Haikou Peace Base Industry Development Limited as at 31 May 2014

Haikou Peace Base Industry Development Limited Statement of Profit or Loss and Other Comprehensive Income	Audited for the period ended 31-May-14 RMB
Revenue	-
Cost of sales and services	(1,863,045)
Gross profit	(1,863,045)
Administration costs	(3,100)
Profit/(loss) before tax	(1,866,145)
Taxation revenue/(expense)	465,761
Loss for the period	(1,400,384)

Source: Audited financial statements of Haikou Peace Base Industry Development Limited as at 31 May 2014



The above financial information of Haikou Peace Base Industry Development Limited as at 31 May 2014 was audited by BDO Guangdong.

6.1.4 Rayport Limited

Rayport Limited	Reviewed as at
Statement of Financial Position	30-Jun-14
	HK\$
CURRENT ASSETS	
Intercompany receivable	-
TOTAL CURRENT ASSETS	-
NON CURRENT ASSETS	
Investments in Associates	10,000
TOTAL NON CURRENT ASSETS	10,000
TOTAL ASSETS	10,000
CURRENT LIABILITIES	
Loans and borrowings	24,906
Intercompany payables	-
TOTAL CURRENT LIABILITES	24,906
TOTAL LIABILITIES	24,906
NET LIABILITES	(14,906)
EQUITY	
Contributed equity	8
Accumulated losses	(14,914)
TOTAL EQUITY	(14,906)

Source: Reviewed financial statements of Rayport Limited as at 30 June 2014

Rayport Limited	Reviewed for the period
Statement of Profit or Loss and Other Comprehensive Income	ended 30-Jun-14
	HK\$
Administration costs	(5,144)
Loss for the period	(5,144)

Source: Reviewed financial statements of Rayport Limited as at 30 June 2014

The above financial information of Rayport Limited as at 30 June 2014 was reviewed by BDO Audit (WA) Pty Ltd.



7. Economic analysis

7.1 Australia

Growth in the global economy is continuing at a moderate pace. China's growth has generally been in line with policymakers' objectives, though some data suggest a slowing in recent months. Weakening property markets in China present a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined further in recent months.

Volatility in some financial markets has picked up in recent weeks. Overall however, financial conditions remain very accommodative. Long-term interest rates and risk spreads remain very low. Markets still appear to be attaching a low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Reserve Bank of Australia ('RBA') still expects growth to be a little below trend for the next several quarters.

Labour market data have been unusually volatile of late. The RBA's assessment remains that although some forward indicators of employment have been firming this year, the labour market has a degree of spare capacity and it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth is moderate overall, but with a further pick-up in recent months in lending to investors in housing assets. Dwelling prices have continued to rise over recent months.

The exchange rate has declined recently, in large part reflecting the strengthening US dollar, but remains high by historical standards, particularly given the further declines in key commodity prices in recent months. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2-3% target over the next two years.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 October 2014

7.2 People's Republic of China

The Monetary Policy Committee of the People's Bank of China held its 3rd quarterly meeting on 5 October 2014 in Beijing.

The participants analysed the current economic and financial situation in China and beyond, and were of the view that performance of the Chinese economy is still within a reasonable range. The performance of the financial sector and the overall price level are both stable. However, the complexities of the situation should not be underestimated. The international economic situation and monetary policy of the major



economies have diverged as there are more positive signals in the U.S., the euro area has further relaxed its monetary policy, and the real sector in some developing economies faces many difficulties.

It was emphasized at the meeting that the decisions and resolutions adopted at the 18th CPC National Congress, 3rd Plenum of the 18th CPC Central Committee and Central Economic Work Conference will be earnestly implemented. The PBC will closely monitor the latest developments in the real economy and financial sector at home and the world and changes in global capital flow, follow the overall requirements of making progress while maintaining stability, reform and innovation, continue to implement the sound monetary policy, use a multiple of monetary policy tools flexibly, keep liquidity at appropriate levels, and bring about reasonable growth of money, credit and all-system financing aggregates. The financing and credit structure will be improved and financial sector reform will be deepened to improve efficiency and build stronger capacity to serve the real economy. The market-based interest rate regime reform and RMB exchange rate regime will be furthered to keep RMB exchange rate basically stable at an adaptive and equilibrium level.

Source: http://www.pbc.gov.cn/ Statement by People's Bank of China, 5 October 2014

8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')

A summary of each of these methodologies is outlined in Appendix 2. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of CAQ shares prior to the Transaction, we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- CAQ was suspended from official quotation on the ASX on 1 October 2012. Following the completion of
 a Recapitalisation Proposal the Company was readmitted on 20 September 2013. Following CAQ's
 reinstatement, the Director's undertook a review of the current investments of CAQ which resulted in
 the Company disposing of all its investments and current operating subsidiaries and allowing the
 Company to pursue alternative investment opportunities. Prior to the Transaction the Company is
 essentially a shell with no operations, therefore we consider the NAV methodology to be an
 appropriate valuation methodology;
- The QMP basis is a relevant methodology to consider because CAQ shares are currently listed on the ASX. This means there is a regulated and observable market where CAQ's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 9.2 of our Report;



- CAQ does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate; and
- CAQ has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not appropriate.

In our assessment of the value of CAQ shares following the Transaction, we have chosen to employ the NAV (sum-of-parts) methodology as our primary valuation methodology. The value of CAQ shares following the Transaction using this approach will involve the following items:

- The value of CAQ prior to the Transaction;
- Incorporate the effects of the Capital Raising to be undertaken by the Company which is contingent on the completion of the Transaction; and
- The number of shares on issue will incorporate the shares to be issued to the Haikou Vendors upon completion of the Transaction, the shares to be issued under the Capital Raising and any other shares to be issued under the attached Notice of Meeting.
- We have not assigned a value to the Haikou Project, see section 10 for further details.

9. Valuation of a CAQ share prior to the Transaction

9.1 Net Asset Valuation of a CAQ share

The value of CAQ assets on a going concern basis is reflected in our valuation below:

		30-Jun-14	Low value	Preferred value	High value
	Notes	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		1,127,403	1,127,403	1,127,403	1,127,403
Trade and other receivables		112,413	112,413	112,413	112,413
TOTAL CURRENT ASSETS	-	1,239,816	1,239,816	1,239,816	1,239,816
TOTAL ASSETS	-	1,239,816	1,239,816	1,239,816	1,239,816
	-				
CURRENT LIABILITIES					
Trade and other payables		141,986	141,986	141,986	141,986
TOTAL CURRENT LIABILITIES	-	141,986	141,986	141,986	141,986
TOTAL LIABILITIES	-	141,986	141,986	141,986	141,986
NET ASSETS		1,097,830	1,097,830	1,097,830	1,097,830
Shares on issue (number)			374,115,356	374,115,356	374,115,356
Value per share (\$)			\$0.003	\$0.003	\$0.003

We have been advised that there has not been a significant change in the net assets of CAQ since 30 June 2014 and the date of our Report.



9.2 Quoted Market Prices for CAQ Securities

To provide a comparison to the valuation of CAQ in section 9.1, we have also assessed the quoted market price for a CAQ share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under item 7 of section 611 of the Act, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst the Haikou Vendors will not be obtaining 100% of CAQ, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 12.

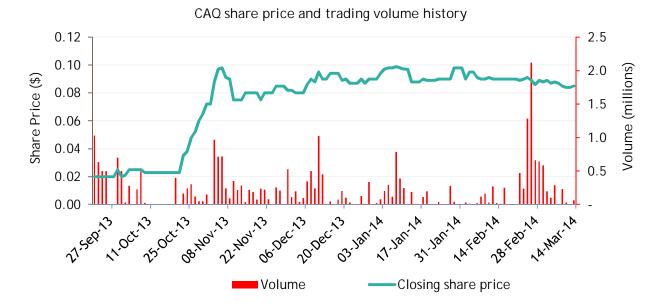
Therefore, our calculation of the quoted market price of a CAQ share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a CAQ share is based on the pricing prior to the announcement of the Transaction. This is because the value of a CAQ share after the announcement may include the affects of any change in value as a result of the Transaction. However, we have considered the value of a CAQ share following the announcement when we have considered reasonableness in section 12.

Information on the Transaction was first announced to the market on 18 March 2014 when the Company announced that it had entered into a Heads of Agreement with the Haikou Vendors. Therefore, the following chart provides a summary of the share price movement up until 14 March 2014, which was the last full trading day prior to the Company going into a trading halt before the announcement of the Transaction.





Source: Bloomberg and BDO analysis

The share price and trading volume analysis above only goes back to 20 September 2013 as this was the date the Company was reinstated to the ASX. The daily price of CAQ shares from 20 September 2013 to 14 March 2014 has ranged from a low of \$0.02 on 2 October 2013 to a high of \$0.105 on 7 November 2013.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)	
3/03/2014	Half Yearly Report and Accounts 31 December 2013	0.089 🔺 3.5%	0.087 ▼ 2.2%	
31/01/2014	Appendix 4C - quarterly	0.098 • 0.0%	0.095 ▼ 3.1%	
22/11/2013	Liquidation of Wholly Owned subsidiary	0.080 🔺 6.7%	0.085 • 6.3%	
7/11/2013	Response to ASX price and volume query	0.098 🔺 1.0%	0.075 23.5%	
1/10/2013	Appendix 4C - quarterly	0.025 🔺 25.0%	0.025 ▶ 0.0%	

Source: Bloomberg and BDO analysis

On 22 November 2013, the company announced the appointment of Christopher Michael Williamson and David Ashley Normal Hurt as joint and several liquidators of Cell Aqua Foods Pty Itd, a wholly owned subsidiary of the Company, on 19 November 2013.

On 18 September 2013, the Company announced it will reinstated to official quotation on the ASX at the commencement of trading on Friday, 20 September 2013, following effectuation of the deed of company arrangement and completion of a capital raising.



The Company released a replacement prospectus on 15 July 2013, offering up to 250 million shares at a price of \$0.01 each to raise up to \$2.5 million and 100 million shares to Sophisticated Investors at a price of \$0.005 each to raise up to \$0.5 million. The replacement prospectus closed on 23 August 2013, as announced by the Company.

On 3 July 2013, as approved by shareholders of the Company at the General Meeting held on 18 June 2013, the Capital Consolidation on a 1:10 basis was completed resulting in approximately 24 million post consolidation shares.

To provide further analysis of the market prices for a CAQ share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 14 March 2014.

	14 March 2014	10 Days	30 Days	60 Days	90 Days
Closing Price	\$0.085				
Weighted Average		\$0.088	\$0.089	\$0.091	\$0.088

Source: Bloomberg and BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of CAQ shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in CAQ shares for the period 20 September 2013 to 14 March 2014 is set out below:

	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.085	\$0.085	60,534	0.02%
10 days	\$0.081	\$0.090	2,134,972	0.57%
30 days	\$0.081	\$0.098	7,825,684	2.09%
60 days	\$0.081	\$0.100	11,400,747	3.05%
90 days	\$0.075	\$0.100	17,695,247	4.73%
125 days	\$0.020	\$0.105	26,724,371	7.14%

Source: Bloomberg and BDO analysis

This table indicates that CAQ's shares display a low level of liquidity, with 4.73% of the Company's current issued capital being traded in a 3 month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;



- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of CAQ, we do not consider there to be a deep market for CAQ shares based on only 4.73% of the Company's issued capital being traded in a 3 month period prior to announcement of the Transaction.

Our assessment is that a range of values for CAQ shares based on market pricing, after disregarding post announcement pricing, is between \$0.081 and \$0.089.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (A\$m)	Average Control Premium (%)
2014	1	583.15	31.78
2013	36	143.63	50.86
2012	48	364.43	41.32
2011	64	799.28	45.07
2010	63	794.58	40.23
2009	61	328.42	44.87
2008	39	827.80	40.83
2007	81	1045.80	22.20
2006	90	688.47	25.12
	Mean	619.51	38.03
	Median	688.47	40.83

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average control premium paid for ASX-listed companies is in the order of 30% to 40%. However, given that the Company is currently a shell that has only recently been



recapitalised and disposed of its investments and any operating subsidiaries, we consider an appropriate control premium to be in the range of 20% to 40%.

Quoted market price including control premium

Applying a control premium to CAQ's quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	Midpoint \$	High \$
Quoted market price value	0.081	0.085	0.089
Control premium	20%	30%	40%
Quoted market price valuation including a premium for control	0.097	0.111	0.125

Therefore, our valuation of a CAQ share based on the quoted market price method and including a premium for control is between \$0.097 and \$0.125, with a midpoint value of \$0.111.

10.1 Assessment of CAQ Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High	
	\$	\$	\$	
NAV methodology (section 10.1)	0.003	0.003	0.003	
QMP methodology (section 10.2)	0.097	0.111	0.125	

Our valuation of a CAQ share under the QMP methodology (including a premium for control) is significantly higher than our valuation under the NAV methodology in all scenarios.

The Company was suspended from trading on the ASX during October 2012 with administrators appointed shortly after. In August 2013, the Company raised \$0.5 million at an issue price of \$0.005 per share to Sophisticated Investors and a further \$2.5 million at an issue price of \$0.01 per share to Public Investors. Following this, the Company was reinstated to quotation on the ASX during September 2013. Following the Company's reinstatement, the Directors undertook a review of the current investments and it was decided to dispose of all the Company's investments and subsidiaries. Since that point in time the Company has essentially been a listed ASX shell pursuing alternative investment opportunities.

Our analysis of CAQ shares trading on the ASX, as outlined in section 9.2, indicates that over the 125 trading days since the Company was reinstated to the ASX up until the announcement of the Transaction only 7.14% of the Company's current issued capital was traded with shares trading between a low of \$0.02 and a high of \$0.105 over the same period. Further, there was a significant increase in the traded price of a CAQ share between the end of October 2013 and early November 2013. The CAQ share priced closed at \$0.023 on 23 October 2013 and reached an intraday high of \$0.105 on 7 November 2013. We note that over this period there were no significant announcements that may have lead to this increase. Following this



increase and up until the announcement of the Transaction in Mach 2014, CAQ shares didn't close below \$0.07.

Based on our discussion above, we consider the NAV to be the most appropriate methodology, given that prior to the announcement of the Transaction the Company had disposed of its operations and is pursuing alternative investment opportunities. Based on the results above we consider the value of a CAQ share to be \$0.003.

10. Valuation of a CAQ share following the Transaction

The value of CAQ assets on a going concern basis following the Transaction is reflected in our valuation below:

		Low value	Preferred value	High value
	Notes	\$	\$	\$
Net Assets of CAQ prior to the Transaction		1,097,830	1,097,830	1,097,830
Value of the Haikou Project	1	-	-	-
Cash raised under Capital Raising (minimum subscription)	2	45,000,000	45,000,000	45,000,000
Capital raising costs (minimum subscription)	2	(3,000,000)	(3,000,000)	(3,000,000)
Repayment of Vendor Loans	3	(3,378,378)	(3,378,378)	(3,378,378)
Net Assets of CAQ following the Transaction		39,719,452	39,719,452	39,719,452
Discount for minority interest	4	29%	23%	17%
Net Assets of CAQ following the Transaction (minority	,			
interest basis)		28,200,811	30,583,978	32,967,145
Shares on issue (number)	5	1,259,865,356	1,259,865,356	1,259,865,356
Value per share (\$)		\$0.022	\$0.024	\$0.026

The table above indicates the net asset value of a CAQ share following the Transaction is between \$0.022 and \$0.026, with a preferred value of \$0.024. The following adjustments were made to the net assets of CAQ prior to the Transaction.

Note 1: Valuation of the Haikou Project

We note that a condition precedent of the Share Sale agreement is that the Haikou Vendors must procure that all debt and liabilities of the entities being acquired, directly or indirectly, are fully repaid and discharged, including all debt and liabilities associated with the Haikou Project.

For this reason we have not shown a consolidated balance sheet of the four entities being acquired as our post acquisition valuation. We have also not incorporated the value of other assets (cash and other receivables) into our valuation as we would expect a significant portion of these to be utilised in meeting the condition precedent of discharging all debt and liabilities and consider this to be a conservative approach. In effect whilst the acquisition involves four companies being acquired the Transaction is in substance an asset acquisition.

We note the estimation of the cost for the whole construction of the Haikou Project is approximately \$49 million, which includes a signed construction contract of approximately \$38 million for the civil construction and further electrical and mechanical installation totalling approximately \$11 million. To date, the Haikou Vendors have funded approximately \$12 million of this construction cost. It is anticipated that the funds raised under the Capital Raising will be predominantly used to complete the construction of



the Haikou Project. We have not incorporated any value for the Haikou Project into our valuation and we note that any value attributable to the project would be of benefit to CAQ shareholders.

Note 2: Capital Raising

In conjunction with the Transaction, the Company is also undertaking a Capital Raising in which it will issue 250 million New Shares (post Capital Consolidation) at an issue price of \$0.20 each to raise \$50 million before costs with a minimum subscription of at least 225 million New Shares (post Capital Consolidation) to raise at least \$45 million before costs. The completion of the Transaction is contingent of the Company achieving the minimum subscription of the Capital Raising.

We have been advised that the costs of the Capital Raising, based on the minimum subscription, will be approximately \$3 million. We have incorporated the value of the capital raising into our analysis as no value has been attributed to the Haikou Project and future capital expenditure will increase the value of the Haikou Project. We note that for the Transaction to be considered unfair the value attributable to the capital raising would need to be less than \$10,081,894 in our preferred value scenario.

Note 3: Repayment of Vendor Loans

The Company announced on 8 October 2014 that is had agreed to vary the Share Sale Agreement with BPH and agreed that loans provided by the Haikou Vendors to the Haikou Project since 1 June 2014, and totalling approximately US\$3 million (A\$3.38 Million at an exchange rate of A\$1:US\$0.888), would be repaid to the Haikou Vendors, at completion from the proceeds of the Capital Raising.

Under the terms of the Share Sale Agreement, the Haikou Vendors procure that all debt and liabilities of the entities being acquired, directly or indirectly, are fully repaid and discharged, including all debt and liabilities associated with the Haikou Project. Therefore, the only debt that will need to be repaid on completion of the Transaction is the Vendor Loans totalling approximately US\$3 million.

Note 4: Minority discount

The net asset value of a CAQ share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Transaction is approved Shareholders may become minority interest shareholders in CAQ as the Haikou Vendors could hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a CAQ share following the Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control. As discussed in section 9.2, we consider an appropriate control premium for CAQ to be in the range of 20% to 40%, giving rise to a minority interest discount in the range of 17% to 29%.

Note 5: Number of shares on issue

We have adjusted the total number of shares on issue as a result of the 415,000,000 Consideration Shares to be issued to the Haikou Vendors, shares to be issue under the minimum subscription of the Capital Raising and any further shares to be issued under the Notice of Meeting. Therefore total shares on issue will increase from 374,115,356 to 1,259,865,356 on a pre Capital Consolidation basis, as shown below.



Pre Capital Consolidation	Total
Issued Shares as at date of this Report	374,115,356
Consideration Shares issued for the Transaction	415,000,000
Shares issued to Advisors	16,600,000
Shares issued to Trident Capital Pty Ltd	4,150,000
Shares issued under Capital Raising (minimum subscription)	450,000,000
TOTAL	1,259,865,356

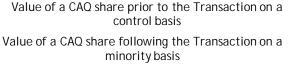
11. Is the Transaction fair?

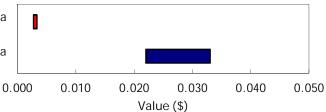
The value of a CAQ share prior to the Transaction on a control basis compares to the value of CAQ share following the Transaction on a minority basis, as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a CAQ share prior to the Transaction on a control basis (pre Capital Consolidation)	9	0.003	0.003	0.003
Value of a CAQ share following the Transaction on a minority basis (post Capital Consolidation)	10	0.022	0.024	0.026

The above valuation ranges are graphically presented below:







The above pricing indicates that, in the absence of any other relevant information the Transaction is fair for Shareholders.

12. Is the Transaction reasonable?

12.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of CAQ a premium over the value ascribed to, resulting from the Transaction.



12.2 Practical Level of Control

If the Transaction is approved then the Haikou Vendors will hold a combined interest of approximately 33.34% in CAQ. This will be allocated between the Vendors as follows:

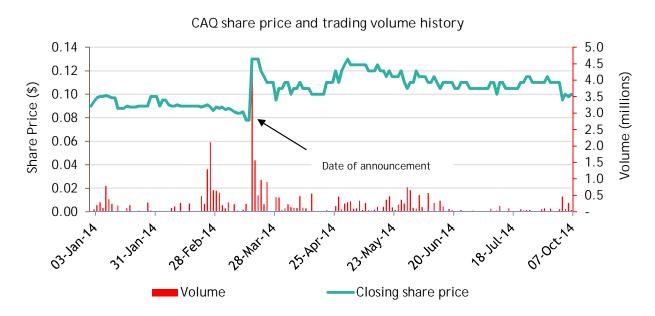
- Tang Dashun 20.16%; and
- Beijing Properties (Holdings) Limited 13.18%.

Each of the Haikou Vendors do not consider that they will be associates of one another after the Consideration Shares are issued to them. However, at the point in time when the Consideration Shares are issued, the Haikou Vendors will be considered associates of one another as a consequence of participating in the Transaction and agreeing to sell their shares in the Haikou Project to the Company.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved then the Haikou Vendors (if acting as associates following the issue of the Consideration Shares) will be able to block special resolutions.

12.3 Movements in CAQ's share price following announcement of the Transaction

We have analysed movements in CAQ's share price since the Transaction was announced. A graph of CAQ's share price since the announcement is set out below.



Source: Bloomberg and BDO analysis

Information on the Transaction was first announced to the market on 18 March 2014 when the Company announced that it had entered into a Heads of Agreement with the Haikou Vendors. The following day approximately 4.45 million shares were traded and CAQ's share price closed at \$0.13, an increase of 52.9% from the closing share price of \$0.085 on the last full trading day prior to the Company going into a



trading halt. CAQ's share price has continued to trade between a low of \$0.078 and a high of \$0.135 since the announcement of the Transaction. On 9 October 2014, the Company's share price closed at \$0.098.

12.4 Advantages of approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

-	·
Advantage	Description
The Transaction is fair	As set out in section 11 the Transaction is fair. RG 111 states that an offer is reasonable if it is fair. Further we note that as we have not assigned a value to the Haikou Project any value attributable to the Project will provide futher upside to Shareholders.
Shareholders will gain exposure to a significantly expanding asset portfolio	Through the acquisition of the Haikou Project, Shareholders will gain exposure to a substantial retail, commercial, manufacturing and warehouse project in China.
	Building for the project is targeted for completion in December 2014, with fit out of the interior spaces to then commence with a targeted date for opening in late May 2015. It is intended that the lettable area of the property will be primarily tenanted by diamond and jewellery businesses, jewellery manufacturing, loose diamond trading, jewellery and loose diamond retailing, and bonded storage. HPB has already entered into Expressions of Interest to lease various retail, commercial, manufacturing and warehouse space with a number of parties over approximately 56% of the space.
The Company retains cash to use for other purposes	The consideration for the Transaction consists solely of scrip and the repayment of Vendor Loans from funds received under the Capital Raising. Although the majority of the funds raised through the Capital Raising are expected to be used in completing the construction of the Haikou Project, the Company is expecting to retain some cash to be used for working capital purposes.
Additional sources of financing could potentially become available to the Company	The change in nature of activities could potentially enable CAQ to attract new investors and raise additional working capital (if necessary) to enable the Company to acquire further projects.

12.5 Disadvantages of approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of existing	Shareholders will have their collective shareholding diluted to 66.66% if the



Shareholders' interests	Transaction is approved and the Consideration Shares are issued to the Haikou Vendors. Shareholders will be passing a substantial amount of control to the combined Haikou Vendors as a result of an increase in the combined Haikou Vendors shareholding of up to 33.34%.
Change in risk profile of the investment	If the Transaction is approved the Company will acquire the Haikou Project and therefore change the nature of the Company's activities. This is a business that operates in the property development and management sector which differs to the sectors which CAQ has previously operated. This means that Shareholders will be exposed to the market sector and business risk profile that the Haikou Project operates in.
	The change in Shareholders' investment profile may include differences in business profile, operational profile, capital structure, size, share liquidity and geographic exposure between CAQ's previous business and the proposed property development activities.
Potential lower liquidity of shares	If Shareholders approve the Transaction, trading in CAQ shares may be negatively affected by the presence of the Haikou Vendors holding a potential combined 33.34% ownership interest. The existing shares will therefore have a materially lower free float on a proportional basis which may reduce liquidity.

13. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the Shareholders of CAQ.

14. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of CAQ for the years ended 30 June 2014, 30 June 2013 and 30 June 2012:
- Audited financial statement for Haikou Peace Industry Development Limited for the period ended 31 May 2014;
- Reviewed financial statements for Actual Winner Limited for the period ended 30 June 2014;
- Reviewed financial statements for Express Linker Limited for the period ended 30 June 2014;
- Signed Share Sale and Purchase Agreement between CAQ and Beijing Properties (Holdings) Limited dated 9 June 2014;
- Signed Share Sale and Purchase Agreement between CAQ and Tang Dashun dated 9 June 2014;
- Signed Deed of Variation with Tang Dashun;
- Signed Deed of Variation with Beijing Properties (Holdings) Limited;
- Signed Varied Share Sale and Purchase Agreement between CAQ and Tang Dashun;
- Signed Varied Share Sale and Purchase Agreement between CAQ and Beijing Properties (Holdings) Limited;



- Share registry information for CAQ;
- Information in the public domain; and
- Discussions with Directors and Management of CAQ.

15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$25,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by CAQ in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the CAQ, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to CAQ and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of CAQ and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of CAQ.

A draft of this report was provided to CAQ and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the



preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

17. Disclaimers and consents

This report has been prepared at the request of CAQ for inclusion in the Explanatory Memorandum which will be sent to all CAQ Shareholders. CAQ engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to acquire 100% of all the rights and title to the Haikou Project in Hainan Island, China.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Projects. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of CAQ, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.



Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers

Director

Sherif Andrawes

MA

Director



Appendix 1 - Glossary of Terms

Reference	Definition
the Act	The Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
ВРН	Beijing Properties (Holdings) Limited
CAQ	Cell Aquaculture Limited
The Company	Cell Aquaculture Limited
Consideration Shares	415,000,000 fully paid ordinary shares in the Company
DCF	Discounted Future Cash Flows
DOCA	Deed of Company Arrangement
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
GDV	Gross Development Value
Haikou Project	Haikou Free Trade Zone Project located in Hainan Island, China
Haikou Vendors	Tang Dashun and Beijing Properties (Holdings) Limited
НРВ	Haikou Peace Base Industry Development Co. Ltd
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
NAV	Net Asset Value
QMP	Quoted Market Price



RBA	Reserve Bank of Australia
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
TD	Tang Dashun
the Transaction	The proposal to acquire 100% of all the rights and title to the Haikou Project located in Hainan Island, China
Shareholders	Shareholders of CAQ not associated with the Haikou Vendors
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price



Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Annexure B – Performance Rights Plan

Cell Aquaculture Limited (to be re-named "CAQ Holdings Limited") ACN 091 687 740

Performance Rights Plan

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Cell Aquaculture Limited (to be re-named "CAQ Holdings Limited") ACN 091 687 740

RULES OF THE PERFORMANCE RIGHTS PLAN

1. Interpretation and Construction

1.1 Definitions

In the Plan, the following expressions have the meanings given to them:

Acceptance Period is defined in Rule 5.3.

Applicant has the meaning given in Rule 5.1.

Application has the meaning given in Rule 5.2.

ASIC means the Australian Securities and Investments Commission.

ASIC Relief means the relief from the disclosure and licensing provisions of the Corporations Act contemplated by ASIC Regulatory Guide 49 as modified from time to time and any additional relief granted by ASIC pursuant to an application made by the Company. To avoid doubt, the ASIC Relief includes the relief set out in ASIC Class Order 03/184 and any future ASIC Class Order relating to ASIC Regulatory Guide 49, including the ASIC Class Order contemplated by ASIC Consultation Paper 218.

ASX means ASX Limited ABN 98 008 624 691, and where the context requires, the Australian Securities Exchange operated by ASX Limited.

ASX Listing Rules means the Official Listing Rules of ASX.

Board means the board of Directors of the Company.

Company means Cell Aquaculture Limited ACN 091 687 740 (to be re-named "CAQ Holdings Limited").

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Eligible Person means a person who is a full or part-time employee of a Group Company, or such other person as the Board determines.

Expiry Date in relation to a Performance Right, means the date specified in an Invitation in respect of that Performance Right as being the final date that the Performance Right can be converted to a Share.

Group Companies means the Company and its Related Bodies Corporate.

Invitation means an invitation made to an Eligible Person in accordance with Rule 4.2.

Participant means an Eligible Person to whom a Performance Right has been granted.

Performance Right means a right granted under the Plan to a Share subject to the satisfaction of performance condition(s).

Plan means the Performance Rights Plan established in accordance with these Rules.

Related Body Corporate has the meaning given to that term in section 9 of the Corporations Act.

Retirement means the termination of a Participant's engagement with a Group Company by reason of:

- (a) reaching the normal retirement age of the Group Company as determined by the Directors from time to time;
- (b) participation in an early retirement plan or a voluntary redundancy plan of the Group Company;
- (c) the illness or incapacity of the Participant necessitating the permanent withdrawal of the Participant from the work force; or
- (d) circumstances which the Directors consider should be treated as a Retirement for the purposes of the Plan.

Retrenchment means the compulsory termination of the engagement of a Participant with a Group Company where the termination is expressed to be on the ground that:

- (a) the engagement of the Participant is not necessary and his or her position is not to be filled:
- (b) the work for which the Participant was engaged is finished; or
- (c) the quantity of work required by the Group Company to be undertaken has diminished and has rendered a reduction in the number of staff necessary.

Rules means these rules of the Plan, as supplemented and amended from time to time.

Share means a fully paid, ordinary share in the share capital of the Company.

Terms of Issue means the terms of issue upon which a Performance Right is granted by the Company.

Vesting Date in relation to a Performance Right, means the date that Performance Right vests in a Participant as specified in the Terms of Issue in respect of that Performance Right.

1.2 Construction

- (a) Where the context so admits, any reference in the Plan:
 - (i) to the singular includes the plural and vice versa; and
 - (ii) to the masculine includes the feminine.
- (b) Any reference in the Plan to an enactment, the ASX Listing Rules or any ASIC class order includes the enactment, the ASX Listing Rules or any ASIC class order as amended or re-enacted from time to time.
- (c) The headings to the Rules are for reference purposes only and are not to affect the meaning or construction of the Rules.
- (d) "Includes", "including", "for example" or similar expressions means that expression without limitation.
- (e) The expression "person" includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust.

1.3 Governing Law

The Plan (including any Performance Right granted under it) is governed by, and is to be construed in accordance with, the laws of Western Australia.

2. ASX and Corporations Act Requirements

2.1 General

The Board must ensure that the Plan is at all times operated in accordance with the requirements of:

- (a) the ASX Listing Rules;
- (b) the Corporations Act; and
- (c) any other applicable law.

2.2 ASX Requirements

The offer and grant of Performance Rights, and the issue of the underlying Shares, under the Plan must comply with the ASX Listing Rules, including:

- (a) ASX Listing Rules Chapter 7 and the 15% placement capacity <u>unless</u> the Plan has been approved by shareholders under Listing Rule 7.2 Exception 9 and that shareholder approval has not expired;
- (b) ASX Listing Rule 10.11 and the issue of (or the agreement to issue) equity securities to a related party <u>unless</u> the Plan been approved by shareholders under Listing Rule 10.14 together with 10.15 or 10.15A; and
- (c) where ASX Listing Rule 7.2 Exception 9 and / or ASX Listing Rule 10.14 is being relied upon by the Company, the Plan and its operation must comply with the definition of "Employee Incentive Scheme" in Chapter 19 of the ASX Listing Rules, being a scheme for the issue or acquisition of equity securities in the entity to be held by, or for the benefit of, participating employees or non-executive directors of the entity or a related entity, or a scheme which in ASX's opinion is an employee incentive scheme.

2.3 Corporations Act Requirements

The Board must not invite an Eligible Person to participate under the Plan, nor offer or grant Performance Rights to an Eligible Person, unless:

- (a) the invitation or offer complies with Chapter 6D of the Corporations Act and the Company issues a disclosure document for the invitation or offer:
- (b) the invitation or offer does <u>not</u> need disclosure to the Eligible Person under Chapter 6D because of a disclosure document exemption in Section 708 of the Corporations Act, such as:
 - (1) an offer to a "senior manager" as defined in Section 9 of the Corporations Act and ASIC Class Order 04/899;
 - (2) an offer which complies with Section 708(8) (sophisticated investors); or
 - (3) an offer which complies with Section 708(1) to (7) (20 issues or less in 12 months with personal offers raising \$2 million or less); or

(c) an exemption from Chapter 6D of the Corporations Act applies to the invitation or offer, and all conditions and requirements of that exemption are satisfied, such as the exemptions set out in the ASIC Relief.

2.4 Corporations Act Secondary Sale Requirements

If the Company issues the underlying Shares relating to a Performance Right and a disclosure document was not used then, provided it is legally able to do so, the Company will issue a cleansing notice under Section 708A of the Corporations Act unless the Performance Right was granted in reliance on the exemptions in the ASIC Relief.

2.5 Corporations Act and Chapter 2E

The offer and grant of Performance Rights, and the issue of the underlying Shares, under the Plan must comply with Chapter 2E of the Corporations Act regarding providing a financial benefit to a related party unless an exemption in Chapter 2E applies.

2.6 Corporations Act and Financial Product Advice

The Company will not provide financial product advice, including investment advice or recommendations, in relation to the offer or grant of Performance Rights, nor the issue of the underlying Shares, unless the Performance Right was granted in reliance on the exemptions in the ASIC Relief, in which case an exemption applies and general advice may be provided in accordance with the requirements of ASIC Relief.

3. Purpose

The purpose of the Plan is to:

- (a) attract employees, officers and other service providers of a high calibre;
- (b) reward an Eligible Person for its past performance;
- (c) provide long term incentives for participation in the Company's future growth;
- (d) motivate and generate loyalty from an Eligible Person;
- (e) assist to retain the services of a valuable Eligible Person; and
- (f) align the interests of an eligible person with those of the Company.

The Plan will be used as part of the remuneration planning for staff.

4. Eligibility and Invitations

4.1 Board to determine Eligible Person to participate in Plan

Subject to the Rules, the Board may from time to time determine that an Eligible Person may participate in the Plan and the extent of that participation.

In determining the eligibility of an Eligible Person, the Board must have regard to:

- (a) the seniority of the Eligible Person and the position the Eligible Person occupies with the Group Company;
- (b) the length of service of the Eligible Person with the Group Company;
- (c) the performance of the Eligible Person with the Group Company;

- (d) the potential contribution of the Eligible Person to the growth and profitability of the Group Company;
- (e) the extent (if any) of the existing participation of the Eligible Person (directly or indirectly) in the Plan; and
- (f) any other matters which the Board considers relevant.

4.2 Invitations

If the Board determines that an Eligible Person may participate in the Plan, then the Board may issue invitations (in such form as the Board decides from time to time) (**Invitation**) to an Eligible Person, or any one or more of them, inviting applications for a grant of Performance Rights for up to the number of Performance Rights specified in the Invitation.

The Invitation will, amongst other things, set out:

- (a) the number of Performance Rights;
- (b) any performance condition/s;
- (c) the Vesting Date;
- (d) the Expiry Date;
- (e) the Exercise Price (if any);
- (f) the Acceptance Period.

Each of the matters set out in Rules 4.2(a) to (f) inclusive shall be determined by the Board in its absolute discretion.

4.3 Maximum total number of underlying Shares which can be offered under Plan

The total number of underlying Shares to be received on the vesting of the Performance Rights the subject of the offer, when aggregated with:

- (a) the number of Shares which would be issued were each outstanding offer with respect to Shares, units of Shares and options to acquire unissued Shares, under the Plan or any other employee share scheme extended only to Eligible Persons to be accepted or exercised; and
- (b) the number of Shares issued, during the previous 5 years pursuant to the Plan or any other employee share scheme extended only to Eligible Persons,

but disregarding an offer made, or option acquired or share issued by way of or as a result of:

- (c) an offer to a person situated at the time of receipt of the offer outside Australia; or
- (d) an offer that did not need disclosure to investors because of Section 708 of the Corporations Act; or
- (e) an offer that did not require the giving of a Product Disclosure Statement because of Section 1012D of the Corporations Act; or
- (f) an offer made under a disclosure document or Product Disclosure Statement,

must not exceed 5% of the total number of issued Shares at the time of the offer.

Plan Note 1: The above maximum is the maximum prescribed by the ASIC Relief.

<u>Plan Note 2</u>: For the avoidance of doubt, under the ASIC Relief, an offer which does not require a disclosure document under Chapter 6D of the Corporations Act, such as:

- (a) an offer to a "senior manager" as defined in Section 9 of the Corporations Act and ASIC Class Order 04/899:
- (b) an offer which complies with Section 708(8) (sophisticated investors); or
- (c) an offer which complies with Section 708(1) to (7) (20 issues or less in 12 months with personal offers).

are not required to be included in the calculation of the maximum number of Share permitted by the exemptions set out in the ASIC Relief.

<u>Plan Note 3:</u> Where the offer and grant of Performance Rights, and the issue of the underlying Shares, is made under the Plan in reliance on the exemptions set out in the ASIC Relief, then an offer under the Plan and any secondary trading (on-sale) of Shares issued on vesting of Performance Rights does not require a disclosure document under Chapter 6D of the Corporations Act.

5. Applications

5.1 Application

Following receipt of an Invitation by an Eligible Person, application for the Performance Rights may be made by the Eligible Person (**Applicant**).

5.2 Number of Performance Rights applied for

The Applicant may apply for the number of Performance Rights specified in an Invitation or part thereof by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to the Invitation) (**Application**).

5.3 Acceptance Period

The Application must be received by the Company within the acceptance period specified in the Invitation, which cannot be less than 7 days after the date of the Invitation (**Acceptance Period**).

5.4 Provision of additional information

The Board may require the Applicant to provide any information that the Board may specify concerning the Applicant, and the Applicant's entitlement to lodge an Application. The Board may reject an Application if the Applicant fails to provide information requested by the Board.

6. Grant of Performance Rights

6.1 General

Upon acceptance of a duly signed and completed Application in accordance with the Rules, the Company may grant the Performance Rights applied for to the Applicant.

Notwithstanding the lodgement of a completed Application, no entitlement to Performance Rights, or, if applicable, Shares to which those Performance Rights relate, accrues to an Applicant until the date on which those Performance Rights are granted to the Applicant by the Company.

6.2 Terms of Issue of Performance Rights

When Performance Rights are granted, the Performance Rights will be granted on:

- (a) written Terms of Issue approved by the Board, which will be based on the Terms of Issue set out in **Annexure 1** with such modifications as are required by the Board in its absolute discretion; together with
- (b) the terms and conditions set out in these Rules.

If there is any inconsistency between the written Terms of Issue approved by the Board and the terms and conditions set out in these Rules, then the written Terms of Issue approved by the Board at the time of grant will prevail to the extent of that inconsistency.

6.3 Waiver of Performance Rights

A Participant may give up Performance Rights in whole or in part by deed.

7. Lapse of Performance Rights

7.1 Lapse

Subject to Rule 7.2, Performance Rights lapse on the Expiry Date.

7.2 Lapse upon ceasing to be engaged

- (a) Subject only to Rule 7.2(b) below, if prior to the occurrence of the Vesting Date in relation to Performance Rights held by a Participant the Participant ceases to be engaged by the Group Company, all such Performance Rights held by that Participant will lapse immediately or after such longer period as determined by the Board in its absolute discretion.
- (b) If a Participant ceases to be engaged by the Group Company by reason of any of the following events, the Performance Rights held by that Participant will lapse at the expiration of 6 months, or such longer period as determined by the Board at its absolute discretion, after the relevant event:
 - (i) the Retirement or Retrenchment of the Participant, or if the Participant is not a natural person, the Retirement or Retrenchment of the natural person by virtue of whom an Eligible Person holds Performance Rights;
 - (ii) the bankruptcy or commencement of winding up or deregistration procedures in respect of the Participant; or
 - (iii) the death of the Participant, or if the Participant is not a natural person, the death of the natural person by virtue of whom an Eligible Person holds Performance Rights.

8. Restriction on Transfer or Assignment

8.1 General

Subject to Rule 8.2 below, Performance Rights granted under the Plan may not be transferred or assigned.

8.2 Board consent

The Company, by the Board, may consent to the transfer or assignment of Performance Rights, upon such terms and conditions as the Company decides in its absolute discretion.

9. Takeover Bids etc

Notwithstanding anything to the contrary set out in any Invitation, if:

- (a) a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid:
- (b) a change of Control of the Company occurs; or
- (c) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act,

the Board may, in its absolute discretion, resolve that all Performance Rights granted under the Plan immediately vest in a Participant (to the extent they have not already vested and have not lapsed) and are converted into Shares.

10. Reorganisation of Capital and New Issues of Shares

10.1 Reorganisation

In the event of any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company, the number of Performance Rights to which each Participant is entitled, or any amount payable on vesting of the Performance Rights, or both as appropriate, will be adjusted in the manner provided for in the Listing Rules.

10.2 Bonus issues

If securities are issued by the Company pro rata to members generally by way of a bonus issue (other than an issue in lieu of dividends or by way of a dividend reinvestment), a Participant is entitled, upon vesting of a Performance Right, to receive, in addition to the Shares underlying the Performance Right and without the payment of any further consideration, the number of securities which the Participant would have received if the Performance Right had vested before the record date for the bonus issue.

10.3 Rights issues

Subject to the Board determining otherwise, a Participant does not have the right to participate in a pro rata issue of securities made by the Company or sell renounceable rights save that, if the Performance Rights have vested then the Participant may participate along with other members.

10.4 Notification of adjustments

The Board must notify each Participant of any adjustment to its Performance Rights as soon as practicable after the adjustment.

10.5 No Right to Participate in New issues

Subject to rules 10.1, 10.2 and 10.3, during the currency of any Performance Rights and prior to their vesting, Participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights.

11. General

11.1 Administration

- (a) Subject as otherwise provided in the Rules, the Board shall administer the Plan.
- (b) The Board's decision on the construction of the Rules and on any disputes arising under the Plan is final and binding on all Participants.

11.2 Notices and circulars to shareholders

The Company is not obliged to give a Participant copies of any notices, circulars and other documents sent by the Company to its shareholders until that Participant becomes a shareholder by the vesting of any or all of that Participant's Performance Rights, or on the automatic conversion of any Performance Rights when converted.

11.3 Non-Australian residents

When a Performance Right is granted under the Plan to a person who is not a resident of Australia the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any applicable or relevant laws, matters of convenience and desirability and similar factors which may have application to the Participant or to any Group Company in relation to the Performance Right.

11.4 Tax

- (a) The Company will provide to each Participant all reports required to be delivered by the Company under applicable legislation which outline the tax treatment arising from the grant of Performance Rights to that Participant.
- (b) In no circumstances will any Group Company be liable for any tax liability of a Participant or Eligible Person in connection with the grant, issue, vesting, exercise or waiver of any Performance Rights, or any issue or disposal of any Shares issued on vesting of any Performance Rights.

11.5 Costs and Expenses

The Company will pay the cost of the preparation and operation of the Plan. It may, however, require Group Companies to share the cost on such a basis as the Board considers fair.

12. Amendment and Termination of Plan

12.1 Power of Amendment – General

Subject to the limitations in Rule 12.2, the Board may from time to time amend, vary or supplement the Plan in any respect, but, for so long as the Company remains on the official list of ASX, such amendment, variation or supplement has no effect unless it complies with the ASX Listing Rules.

12.2 Power of amendment - limitations

No amendment may be made by the Board to the provisions of the Plan which reduces the rights of Participants, other than an amendment introduced primarily:

- (a) for the purpose of complying with, or conforming to, present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake; or
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a Court of competent jurisdiction.

12.3 Notification of amendments

The Board must give written notice to all Participants of any amendment which affects their rights.

12.4 Termination

The Board may at any time terminate the Plan and in which case no further Performance Rights will be granted. In all other respects the provisions of the Plan shall remain in force.

13. Notices

13.1 To Employees and Participants

- (a) The Board or the Company may give notice to the person entitled to notice either personally or through the internal post or by sending it by post to the address supplied by him for that purpose.
- (b) Where a notice or document is sent by post to an address located in Australia, it shall be deemed to have been received on the third business day after it was put into the post. Where a notice or document is sent by post to an address located outside Australia, it shall be deemed to have been received on the seventh business day after it was put into the post.
- (c) All notices and documents sent by post will be sent at the risk of the addressee.

13.2 To the Company

An Employee or a Participant may give notice to the Company or the Board by delivering or sending it to the Company at its registered office, marked for the attention of the Company Secretary. The Board may make other arrangements for the receipt of notices.

Annexure 1

Standard Terms of Issue for Performance Rights

(Rule 6.2)

The terms of issue of the Performance Rights are as follows:

- (a) Each Performance Right entitles the holder of the Performance Right (**Holder**) to be issued one fully paid ordinary share in the Company (**Share**), with a nil share issue price, on these terms of issue including the performance condition(s) set out below.
- (b) The Performance Rights will be granted for nil issue price.
- (c) An applicant for Performance Rights may apply for the number of Performance Rights specified in an invitation sent by the Company to the Applicant, by sending to the Company (marked for the attention of the Company Secretary) a duly signed and completed application (in the form attached to or accompanying the invitation).
- (d) If the Board determines, in its sole discretion, that the performance conditions for a class of Performance Rights set out below have been satisfied prior to the relevant expiry date then that class of Performance Rights will vest and be converted into Shares on a one for one basis.

Class	Number	Performance condition	Expiry date
[insert]	[insert]	[insert]	[insert]

- (e) If a performance condition is not satisfied by the relevant expiry date, then the relevant class of Performance Rights will automatically lapse.
- (f) Subject to paragraph (g), Performance Rights convert to Shares on the date of vesting with no exercise price, or share issue price, being payable and the Company must issue the number of Shares, update the share register and issue and send to the Holder an updated holding statement within 5 business days after the date of vesting.
- (g) Notwithstanding any other provision of these terms and conditions or the Plan, conversion of Performance Rights into Shares will be subject to the Company obtaining all required (if any) shareholder and regulatory approvals for the purpose of issuing the Shares to the Holder. If conversion of all or part of the Performance Rights would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) then the conversion of each Performance Right that would cause the contravention will be deferred until such time or times that the conversion would not result in a contravention of section 606(1) of the Corporations Act. Holders must give notification to the Company in writing if they consider that the conversion of all or part of the Performance Rights may result in the contravention of section 606(1) of the Corporations Act, failing which the Company will be entitled to assume that the conversion of the Performance Rights will not result in any person being in contravention of section 606(1) of the Corporations Act.
- (h) The Performance Rights will not be quoted for trading on the ASX or any other stock exchange.
- (i) The Share issued upon vesting will rank equally in all respects with the Company's ordinary shares and the Company will apply to the ASX for official quotation of the shares after they are issued.
- (j) If the Holder elects to resign [as a director / officer / employee / other] of the Company, then all Performance Rights automatically lapse on the date of resignation, unless the Company determines otherwise in its absolute discretion.
- (k) If:
 - a takeover bid (as defined in the Corporations Act) to acquire Shares becomes, or is declared to be, unconditional, irrespective of whether or not the takeover bid extends to Shares issued and allotted after the date of the takeover bid;

- (ii) a change of Control of the Company occurs; or
- (iii) a merger by scheme of arrangement under the Corporations Act is approved by the court under section 411(4)(b) of the Corporations Act,

the Board may, in its absolute discretion, resolve that the Performance Rights granted but not vested immediately vest (to the extent they have not already vested or lapsed).

- (I) If the Company is required under relevant tax legislation to make withholdings on account of tax upon:
 - (i) the grant of Performance Rights; or
 - (ii) the conversion of Performance Rights to Shares,

then the Board may, in its absolute discretion, sell a sufficient number of the Shares which would otherwise be issued upon vesting, so that the net proceeds of sale equal the payment which the Company is required to pay to the appropriate authorities. This arrangement does not apply if the Holder makes an alternative arrangement to the satisfaction of the Company.

- (m) The Performance Rights are not transferable without the consent of the Board.
- (n) The Holder is not entitled to assign any right, interest or benefit in the Performance Rights (or any part of them), or grant an interest over or in the Performance Rights.
- (o) The Performance Rights will not confer upon the Holder the right to dividends or to vote as a shareholder of the Company until the Performance Rights have vested and the Shares have been allocated to the Holder.
- (p) In the event of any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company, the number of Performance Rights to which the Holder is entitled, or any amount payable on vesting of the Performance Rights, or both as appropriate, will be adjusted in the manner provided for in the Listing Rules.
- (q) If securities are issued by the Company pro rata to members generally by way of a bonus issue (other than an issue in lieu of dividends or by way of a dividend reinvestment), the Holder is entitled, upon vesting of a Performance Right, to receive, in addition to the Shares underlying the Performance Right and without the payment of any further consideration, the number of securities which the Participant would have received if the Performance Right had vested before the record date for the bonus issue.
- (r) Subject to the Board determining otherwise, the Holder does not have the right to participate in a pro rata issue of securities made by the Company or sell renounceable rights save that, if the Performance Rights have vested then the Holder may participate along with other members.
- (s) If the Corporations Act, the Listing Rules or the Constitution conflicts with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, the Listing Rules or the Constitution, the holders authorise the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
- (t) By applying for Performance Rights, the Holder acknowledges that any Shares issued pursuant to the vesting of Performance Rights may be subject to the on-sale restrictions set out in section 707(3) of the Corporations Act. In such circumstances, the Holder must not sell or transfer any of the Shares for 12 months from the date of issue.

Annexure C – Audited Financial Statements of Haikou Peace Base Industry Development Company Limited

Set out below is the following extracts from the historical financial information of Haikou Peace Base Industry Development Company Limited, as audited by BDO Shu Lun Pan Certified Public Accountants LLP Guangdong Branch:

- 1. Audited Consolidated Statement of Comprehensive Income for the last 14 months.
- 2. Audited Consolidated Statement of Financial Position for the last 14 months.
- 3. Audited Consolidated Statement of Cash Flows for the last 14 months.
- 4. Audited Consolidated Statement of Change in Equity for the last 14 months.

The Haikou Peace Base Industry development Company Limited was incorporated on 28 March 2013.

The complete audited financial statements of Haikou Peace Base Industry Development Company Limited for the periods ending 31 December 2013 and 31 May 2014 are available to Shareholders on the Company's website www.cellaquaculture.com.au, the ASX market announcements at www.asx.com.au and will be available to Shareholders at the General Meeting to be held on 10 December 2014.

1. AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
	Period to 31 May Period to 31			
	2014	December 2013		
	RMB	RMB		
Revenue	-	-		
Adminstration expense	- 1,863,046	- 2,245,511		
Impairment loss	-	- 10,000		
Other expense	- 3,100	- 44,614		
Total profit/(loss) before income tax	- 1,866,146	- 2,300,125		
Income tax (expense)/benefit	465,761	563,878		
Total profit/(loss) before income tax	- 1,400,384	- 1,736,248		
Other comprehensive income	-	-		
Total comprehensive loss	- 1,400,384	- 1,736,248		

2. AUDITED STATEMENT OF FINANCIAL POSITION				
	31-May-14	31-Dec-13		
	RMB	RMB		
Cash & cash equivelent	16,893,632	3,893,976		
Prepayment	172,300	-		
Other receivable	9,227,404	38,910,209		
Total current assets	26,293,336	42,804,185		
Property, Plant and Equipment	639,120	48,981		
Construction in Progress	16,442,689	1,013,044		
Intangible asset	13,867,960	14,073,275		
Deferred tax asset	1,029,639	563,878		
Total non-current assets	31,979,408	15,699,179		
Total assets	58,272,744	58,503,364		
Salaries payable	149,583	40,973		
Tax payable	46,364	36,384		
Other payable	1,204,686	153,512		
Total current liabilities	1,400,633	230,870		
Total liabilities	1,400,633	230,870		
Net assets	56,872,110	58,272,494		
Share capital	60,000,000	60,000,000		
Capital surplus reserve	8,742	8,742		
Accumulated losses	- 3,136,632	- 1,736,248		
Total equity	56,872,110	58,272,494		

3. AUDITED STATEMENT OF CASH FLOW		
	Period to 31 May 2014	Period to 31
	-	December 2013
	RMB	RMB
Cash flows from operating activities		
Proceeds from other operating activities	49,319,320	-
Payments for other operating activities	- 17,999,320	- 36,820,000
Net cash outflow from operating activities	31,320,000	- 36,820,000
Cash flows from investing activities		
Proceeds from other investing activities	10,161	30,953
Payments for fixed assets and intangbile assets	- 15,888,024	- 15,191,202
Payments to other investing activities	- 2,442,481	- 4,134,517
Net cash outflow from investing activities	- 18,320,345	- 19,294,766
Cash flows from financing activities		
Proceeds from investors	-	60,008,742
Net cash inflow from financing activities	-	60,008,742
Net increase in cash and cash equivalents	12,999,655	3,893,976
Cash and cash equivalents at the beginning of the year	3,893,976	-
Cash and cash equivalents at the end of the year	16,893,632	3,893,976

4. AUDITED STATEMENT OF CHANGE IN EQUITY					
		Capital surplus			
	Share capital	reserve	Accumulated losses	Total equity	
	RMB	RMB	RMB	RMB	
At 1 January 2014	60,000,000	8,742	- 1,736,248	58,272,494	
Loss for the year	-	-	- 1,400,384	- 1,400,384	
Constributed by investor	-	_	-	-	
At 31 May 2014	60,000,000	8,742	- 3,136,632	56,872,110	
At 22 March 2013	-	-	-	-	
Loss for the year	-	-	- 1,736,248	- 1,736,248	
Constributed by investor	60,000,000	8,742	-	60,008,742	
At 31 December 2013	60,000,000	8,742	- 1,736,248	58,272,494	