

CAQ Holdings Limited and its Controlled Entities
Consolidated interim financial report for the period ending 30 June 2017

RULE 4.2A

APPENDIX 4D

Consolidated interim financial report for the period ending 30 June 2017

1. Name of entity

CAQ Holdings Limited and its Controlled Entities

ABN	Reporting Period	Previous Corresponding Period
86 091 687 740	Half-year ended 30 June 2017	Half-year ended 30 June 2016

2. Results for Announcement to the Market

Financial Results			30 June 2017
Revenues from ordinary activities (<i>item 2.1</i>)	Up	178%	to 1,040,418
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	72%	to (1,044,086)
Net loss for the period attributable to members (<i>item 2.3</i>)	Down	72%	to (1,044,086)
Final and interim dividends (<i>item 2.4</i>)	It is not proposed that either a final or interim dividend be paid.		
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A		
Brief explanation of any of the figures reported above (<i>item 2.6</i>):	The loss for the half-year ended 30 June 2017 amounts to \$1,044,086 (2016: \$3,681,922). The current period loss was incurred in the ordinary course of business. The prior period loss was mainly attributable to a change in fair value of the investment properties.		

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share (<i>Item 3</i>)	8.1 cents	8.6 cents

CAQ Holdings Limited and its Controlled Entities
Consolidated interim financial report for the period ending 30 June 2017

4. Control gained over entities

Details of entities over which control has been gained or lost (<i>item 4</i>)	N/A.
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5. Dividends paid and payable

Details of dividends or distribution payments (<i>item 5</i>)	No dividends or distributions are payable.
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6. Dividend reinvestment plans

Details of dividend or distribution reinvestment plans (<i>item 6</i>)	There is no dividend reinvestment program in operation for CAQ Holdings Limited
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7. Details of associates

Details of associates and joint venture entities (<i>item 7</i>)	N/A
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8. Foreign entities

Foreign entities to disclose which accounting standards are used in compiling the report (<i>item 8</i>)	Hong Kong Financial Reporting Standards and China Generally Accepted Accounting Principles.
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9. Review Opinion

Details of any audit dispute or qualification (<i>item 9</i>)
None noted.

CAQ Holdings Limited and its Controlled Entities

ABN 86 091 687 740

**Consolidated Interim Financial Report
Half-Year Ended 30 June 2017**

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONTENTS

Directors' Report	2
Independent Auditor's Declaration	3
Independent Auditor's Review Report	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	21

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

DIRECTORS' REPORT

The Directors of CAQ Holdings Limited (the "Company") submit herewith the interim financial report of the Company and its controlled entities (collectively the "Group") during the half-year ended 30 June 2017.

Directors

The following persons acted as directors of the Company during or since the end of the period:

Paul Price, *Chairman and Non-Executive Director*

KC Ong, *Non-Executive Director*

Richard Soo, *Non-Executive Director*

Michael Siu, *Non-Executive Director*

Qian Xu, *Non-Executive Director*

Ching Chung, *Deputy Chairman and Executive Director*

Company Secretary

Deborah Ho

Principal Activities

The Group's principal activity is property development and jewellery trading.

Dividends Paid or Recommended

No dividends were paid and no recommendation is made as to dividends during the half-year (2016: Nil)

Operating and Financial Review

The loss for the half-year ended 30 June 2017 amounts to \$1,044,086 (2016: \$3,681,922). The current period loss was incurred in the ordinary course of business. The prior period loss was mainly attributable to a change in fair value of the investment properties.

Review of Operations and Changes in State of Affairs

During the half-year ended 30 June 2017, the Company's leasing business commenced and the revenues earned (net of business tax) amounted to \$106,654. In addition to this, revenues earned (before business tax) from the Company's jewellery business amounted to \$933,764. The Company's subsidiary Haikou Peace Base Development Co Limited ("HPB") has physical jewellery stores in Haikou Meilan Airport Duty-Free Mall and in Haikou Mingzhu Square as well as a jewellery e-commerce platform and a jewellery e-store on the JingDong Mall e-commerce platform.

Events Subsequent to Reporting Date

On 29 August 2017, the Company successfully completed a sophisticated investor placement raising US\$10,000,000 (equivalent to AUD\$12,570,710.25). The Company issued 62,853,551 fully paid ordinary shares at \$0.20 per share.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on the following page.

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



Michael Siu

Director

Signed in China this 31 day of August 2017

Auditor's Independence Declaration to the Directors of CAQ Holdings Ltd

As lead auditor for the review of CAQ Holdings Ltd for the half-year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of CAQ Holdings Ltd and the entities it controlled during the financial half-year ended 30 June 2017.



Ernst & Young



V L Hoang
Partner
31 August 2017

Independent Auditor's Review Report to the Members of CAQ Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of CAQ Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.


Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



V L Hoang
Partner
Perth
31 August 2017

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	<i>Notes</i>	Half-year ended 30 June 2017 \$	Half-year ended 30 June 2016 \$
Sales		1,040,418	373,631
Other revenue		511,236	270,941
Total revenue		1,551,654	644,572
Purchase and changes in trading stock		(911,589)	(297,999)
Foreign currency loss		(2,416)	(42,050)
Legal expenses		(1,693)	(47,456)
Accounting, auditing fees and consultancy expenses		(98,236)	(47,874)
Directors fees and salary	4	(686,585)	(872,586)
Insurance		(17,931)	(22,630)
Occupancy costs		(21,658)	(12,000)
Travel costs		(137,833)	(207,421)
Finance costs		(61,548)	(2,282)
Administration expenses		(294,189)	(82,048)
Advertising and promotion		(29,020)	(41,622)
Depreciation		(131,125)	(109,037)
Other expenses		(201,917)	(142,968)
Change in fair value of investment properties	5	—	(2,784,602)
Loss before income tax		(1,044,086)	(4,068,003)
Income tax benefit		—	386,081
Loss after income tax		(1,044,086)	(3,681,922)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017 (CONTINUED)

	Half-year ended 30 June 2017 \$	Half-year ended 30 June 2016 \$
Other comprehensive loss		
<i>Items that may be reclassified to the profit or loss</i>		
Exchange differences on translation of foreign operations	(2,210,247)	(2,133,418)
Total comprehensive loss for the period	(3,254,333)	(5,815,340)
Loss is attributable to:		
Owners of CAQ Holdings Limited	(1,044,086)	(3,681,922)
Non-controlling interests	—	—
	(1,044,086)	(3,681,922)
Total comprehensive loss for the period is attributable to:		
Owners of CAQ Holdings Limited	(3,254,333)	(5,815,340)
Non-controlling interests	—	—
	(3,254,333)	(5,815,340)
Loss per share attributable to the members of CAQ Holdings Limited		
Basic and diluted loss per share (cents per share)	(0.16)	(0.56)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

		(Restated)
	30 June 2017	31 December 2016
	\$	\$
<i>Notes</i>		
CURRENT ASSETS		
Cash and cash equivalents	672,880	1,497,816
Trade and other receivables	2,326,478	1,008,395
Inventory	1,777,244	1,255,247
Prepayments	117,822	104,925
TOTAL CURRENT ASSETS	4,894,424	3,866,383
NON-CURRENT ASSETS		
Property, plant & equipment	546,737	661,426
Investment property	52,855,119	55,174,157
Intangibles	–	122,565
TOTAL NON-CURRENT ASSETS	53,401,856	55,958,148
TOTAL ASSETS	58,296,280	59,824,531
CURRENT LIABILITIES		
Trade and other payables	1,543,328	1,103,039
Tax payable	396	4,564
Accruals	13,950	1,075
Borrowings	3,049,967	1,772,881
TOTAL CURRENT LIABILITIES	4,607,641	2,881,559
NON-CURRENT LIABILITIES		
Deferred tax liabilities	386,081	386,081
TOTAL NON-CURRENT LIABILITIES	386,081	386,081
TOTAL LIABILITIES	4,993,722	3,267,640
NET ASSETS	53,302,558	56,556,891
EQUITY		
Contributed equity	62,102,608	62,102,608
Accumulated losses	(6,957,969)	(5,913,883)
Foreign currency translation reserves	(1,842,081)	368,166
TOTAL EQUITY	53,302,558	56,556,891

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1.1.2016 (as previously stated)	62,102,608	(4,367,589)	3,184,249	60,919,268
Restatement of comparatives (<i>Note 12</i>)	—	1,158,245	—	1,158,245
Balance at 1.1.2016 (as restated)	62,102,608	(3,209,344)	3,184,249	62,077,513
Loss for the period				
Loss for the period (under historical cost accounting policy for investment property – refer to Note 12)	—	(1,283,401)	—	(1,283,401)
Restatement of comparatives (<i>note 12</i>)	—	(2,398,521)	—	(2,398,521)
Restated loss for the period	—	(3,681,922)	—	(3,681,922)
Other comprehensive loss:				
Exchange differences on foreign currency translation	—	—	(2,133,418)	(2,133,418)
Total comprehensive loss for the period	—	(3,681,922)	(2,133,418)	(5,815,340)
Balance at 30.6.2016	62,102,608	(6,891,266)	1,050,831	56,262,173
Balance at 1.1.2017 (as previously stated)	62,102,608	(7,072,128)	368,166	55,398,646
Restatement of comparatives (<i>Note 12</i>)	—	1,158,245	—	1,158,245
Balance at 1.1.2017 (as restated)	62,102,608	(5,913,883)	368,166	56,556,891
Loss for the period				
Loss for the period	—	(1,044,086)	—	(1,044,086)
Other comprehensive loss:				
Exchange differences on foreign currency translation	—	—	(2,210,247)	(2,210,247)
Total comprehensive loss for the period	—	(1,044,086)	(2,210,247)	(3,254,333)
Balance at 30.6.2017	62,102,608	(6,957,969)	(1,842,081)	53,302,558

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	30 June 2017	30 June 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,116,165	354,925
Government subsidy received	471,613	207,477
Payments to suppliers and employees	(3,027,383)	(2,207,475)
Finance costs	(3,289)	(2,282)
Interest received	6,136	20,517
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(1,436,758)	(1,626,838)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(42,671)	(184,579)
Payment for intangible assets	(6,279)	(51,905)
Payments of construction costs for investment property	—	(8,970,833)
	<u> </u>	<u> </u>
Net cash outflow from investing activities	(48,950)	(9,207,317)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from/(advance to) contractor	(569,608)	1,266,624
Proceeds from borrowings	1,631,986	436,131
Repayment of borrowings	(458,462)	(5,230,327)
	<u> </u>	<u> </u>
Net cash inflow/(outflow) from financing activities	603,916	(3,527,572)
	<u> </u>	<u> </u>
Net decrease in cash and cash equivalents	(881,792)	(14,361,727)
Cash and cash equivalents at the beginning of the period	1,497,816	18,347,477
Effects of exchange rate changes on cash and cash equivalents	56,856	(365,680)
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the period	672,880	3,620,070
	<u><u> </u></u>	<u><u> </u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

1. Corporate Information

CAQ Holdings Limited (the “**Company**”) is a public company listed on the Australian Securities Exchange (trading under the code: CAQ), incorporated in Australia and operating the business in China. The Company’s registered office is at Level 24, 44 St George’s Terrace, Perth, WA 6000.

The Group’s principal activity is property development and jewellery trading.

2. (a) Basis of Preparation of Half-Year Financial Statements

These consolidated interim financial statements for the half-year reporting period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

The historical cost basis has been used, except for investment properties, which have been measured at fair value.

These consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2016.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements except for the treatment of the investment property at fair value as detailed in note 12.

The Group’s accounting policy for investment property is as follows:

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interest in land and building (including leasehold interest under and operating lease for a property which would otherwise meet the definitions of an investment property) held to earn rental income and/or capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes (“owner-occupied property”). Such investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Investment properties under construction or development for future use as investment properties are classified as investment properties under construction. Such investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties under construction are carried at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

2. (a) Basis of Preparation of Half-Year Financial Statements (Continued)

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(b) Going Concern

The consolidated financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the half-year ended 30 June 2017, the Group incurred a loss after tax of \$1,044,086 (2016: \$3,681,922) and a net cash outflow from operations of \$1,436,758 (2016: \$1,626,838). At 30 June 2017, the Group had current assets of \$4,894,424 (31 Dec 2016: \$3,866,383), current liabilities of \$4,607,641 (31 December 2016: \$2,881,559) and cash and cash equivalents of \$672,880 (31 December 2016: \$1,497,816). As disclosed in note 12, on 24 August 2017, the Group completed a capital raising of A\$12,570,710.25 (US\$10,000,000) (before costs) with unrelated sophisticated investors.

The directors have reviewed the business outlook and cash flow forecasts and are of the opinion that the use of going concern basis of accounting is appropriate in preparing the financial statements for the half-year ended 30 June 2017.

(c) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities at 30 June 2017 approximated its carrying value.

3. Segment Information

The Group has two lines of business being property development and jewellery trading. However, due to the size of the Group's operations, the chief operating decision maker being the board of directors, reviews the operating results at the consolidated group level. Hence, the operations of the Group represent one operating segment.

4. Directors fees and salary

During the period, the directors fees incurred by the Company amounted to \$168,000 and the salary incurred by the subsidiaries of the Company amounted to \$518,585.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

5. Investment Property

	30 June 2017	31 December 2016 (restated)
	\$	\$
Balance as at beginning of period	55,174,157	46,442,896
Construction costs incurred during the period	–	11,148,552
Fair value adjustment	–	–
Foreign exchange adjustment	(2,319,038)	(2,417,291)
Closing balance as at end of period	<u>52,855,119</u>	<u>55,174,157</u>

Leasing Arrangements

The Group leases its investment property under operating lease arrangements, with the leases negotiated for terms ranging from 10 to 30 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the tenancy agreements or further negotiation.

Fair value measurements

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial assets and liabilities into the three levels under the fair value hierarchy in accordance with AASB 13: *Fair Value Measurement*.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

5. Investment Property (Continued)
Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset of liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated based on unobservable market data.

The following table sets out the Group's assets that are measured and recognised at fair value in the financial statements.

31 December 2016

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Investment property	—	—	55,174,157	55,174,157
Total non-financial assets	<u>—</u>	<u>—</u>	<u>55,174,157</u>	<u>55,174,157</u>

30 June 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Investment property	—	—	52,855,119	52,855,119
Total non-financial assets	<u>—</u>	<u>—</u>	<u>52,855,119</u>	<u>52,855,119</u>

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

5 Investment Property (Continued)
Fair value measurements (Continued)

(ii) Valuation techniques

The Group obtains independent valuations for its investment property at least annually and for its leasehold land and buildings. At the end of each reporting period, the directors update their assessment of the fair value of the property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;
- discounted cash flow projections based on reliable estimates of future cash flows; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

All resulting fair value estimates for properties are included in level 3.

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2016	Range of inputs used at 30 June 2017	Relationship Between Unobservable Inputs and Fair Value
Investment property	Income approach based on estimated rental value of the property. Market rent (based on estimated market rent) and capitalisation rate are estimated by an external valuer or management based on comparable transactions and industry data.	Market rent	RMB18 to 24 per sqm per month	RMB18 to 25 per sqm per month	The higher the market rent, the higher the fair value.
		Capitalisation rate	7.5%	7.5%	The higher the capitalisation rate, the lower the fair value.

The valuation was performed by Crowe Horwath First Trust Appraisal Pte Ltd on the Haikou project. This valuation was undertaken using the income approach based on the estimated rental value of the property less costs to complete.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

5. Investment Property (Continued)

There are lease agreements in place for some of the investment properties with tenants under long-term operating leases with rental payable monthly. Minimum lease payments under the lease agreements not recognised in the financial statements, are receivable as follows:

	30 June 2017	31 December 2016
	\$	\$
Within one year	82,380	28,839
Later than one year but not later than 5 years	68,567	8,896
	<u>150,947</u>	<u>37,735</u>

6. Borrowings

	30 June 2017	31 December 2016
	\$	\$
Loan payable – Hainan Baina Investment Limited ¹	2,473,972	1,372,677
Loan payable – Other ²	575,995	–
Loan payable – China Citic Bank ³	–	400,204
Total Borrowings	<u>3,049,967</u>	<u>1,772,881</u>

¹ The loan payable to Hainan Baina Investment Limited has been advanced to the Company under various loan agreements. The loans received by the Group from Hainan Baina Investment Limited accrues interest at 6% and are unsecured and have no fixed repayment terms. The loans provided by Haina Baina Investment Limited was used for general working capital purposes.

² In 22 January 2017, HPB was advanced an unsecured loan \$575,995 with no interest payable from an unrelated third party. The loan received has no fixed repayment terms.

³ On 30 March 2017, the loan was repaid in full to China Citic Bank

⁴ The borrowings will be settled in September 2017.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

7. Contributed Equity

	30 June 2017	31 December 2016
	\$	\$
(a) Ordinary shares	62,102,608	62,102,608
Total contributed equity	62,102,608	62,102,608
(b) Movements in ordinary share capital		
	<i>Number of shares</i>	\$
Balance as at 1 January 2016	654,932,730	62,102,608
No movement	—	—
Closing balance as at 30 June 2016	654,932,730	62,102,608
Balance as at 1 July 2016	654,932,730	62,102,608
No movement	—	—
Closing balance as at 31 December 2016	654,932,730	62,102,608
Balance as at 1 January 2017	654,932,730	62,102,608
No movement	—	—
Closing balance as at 30 June 2017	654,932,730	62,102,608
(c) Share Options		
There are no unissued ordinary shares of the Company under option as at 30 June 2017. (2016: Nil)		

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

8. Contingent Liabilities

The Directors of the Company are not aware of any contingent liabilities which require disclosure in the half-year financial statements.

9. Commitments

Operating lease commitments

	30 June 2017	31 December 2016
	\$	\$
Not later than 1 year	37,497	18,000
Later than one year but not later than 5 years	101,339	–
	<u>138,836</u>	<u>18,000</u>

10. Transactions with related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

CAQ Holdings Limited

Legal Fees:

During the period, Price Sierakowski Pty Ltd ("Price Sierakowski") provided the Company with legal services. Mr Price is a Director and Shareholder of Price Sierakowski. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. During the half-year ended 30 June 2017, \$503 (incl GST) was paid to Price Sierakowski (6 months ended 30 June 2016: \$5,601). During the half-year ended 30 June 2017, \$303 (incl GST) was payable to Price Sierakowski (31 December 2016: \$Nil).

Rental Fees:

During the period, Trident Capital provided the Company with office rental services. Mr Price is a Director and Shareholder of Trident Capital. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. During the half-year ended 30 June 2017, \$13,200 (incl GST) was paid to Trident Capital (6 months ended 30 June 2016: \$13,200). During the half-year ended 30 June 2017, \$nil was payable to Trident Capital (31 December 2016: \$Nil).

Accounting Fees:

During the period, Trident Management Services Pty Ltd ("Trident Management Services") provided the Company with accounting services. Mr Ong is a Director and Shareholder of Trident Management Services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. During the half-year ended at 30 June 2017, \$9,388 (incl GST) was paid to Trident Management Services (6 months ended 30 June 2016: \$8,340). During the half-year ended 30 June 2017, \$950 (excl GST) was payable to Trident Management Services (31 December 2016: \$844).

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

10. Transactions with related parties (Continued)

CAQ Holdings Limited (Continued)

Company Secretarial Fees:

During the period, Trident Management Services provided the Company with company secretarial services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. During the half-year ended 30 June 2017, \$26,400 (incl GST) was paid to Trident Management Services (6 months ended 30 June 2016: \$26,400). During the half-year ended 30 June 2017, \$4,000 (excl GST) was payable to Trident Management Services (31 December 2016: \$4,400).

11. Events occurring after the reporting date

On 29 August 2017, the Company successfully completed a sophisticated investor placement raising US\$10,000,000 (equivalent to AUD\$12,570,710.25). The Company issued 62,853,551 fully paid ordinary shares at \$0.20 per share.

12. Restatement of Comparative Information

In preparing the 30 June 2017 interim financial statements, it was noted that the voluntary change in accounting policy for investment property from fair value basis to cost basis at 31 December 2016 was considered to be inconsistent with the requirements of the accounting standards.

Accordingly, the Company has reverted back to carrying investment properties at fair value. Therefore, the comparative information in these 30 June 2017 interim financial statements have been restated as follows:

	31-Dec-16	31-Dec-16	30-Jun-16	30-Jun-16
	Restated (under	As previously	Restated (under	Under historical
	fair value	reported (Under	fair value	cost accounting
	accounting policy for	historical cost	accounting policy for	policy for
	investment property)	accounting policy for	investment property)	investment property
	\$	\$	\$	\$
Consolidated statement of financial position				
Investment property	55,174,157	53,629,831	50,876,811	52,117,087
Total non-current assets	55,958,148	54,413,822	51,621,962	52,862,238
Total assets	59,824,531	58,280,205	57,031,839	58,272,115
Deferred tax liability	386,081	—	—	—
Total non-current liabilities	386,081	—	—	—
Total liabilities	3,267,640	2,881,559	769,666	769,666
Accumulated losses	5,913,883	7,072,128	6,891,266	5,650,990
Total equity	56,556,891	55,398,646	56,262,173	55,021,897

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

Consolidated statement of comprehensive income

	6 months ended 30 June 2016 Restated (under fair value accounting policy for investment property) \$	6 months ended 30 June 2016 Under historical cost accounting policy for investment property \$
Change in fair value of investment property	(2,784,602)	–
Loss before tax	(4,068,003)	(1,283,401)
Income tax benefit/(expense)	386,081	–
Loss after tax	(3,681,922)	(1,283,401)
Loss per share		
Basic and diluted loss/share (cents per share)	(0.56)	(0.20)

The restatement did not have an impact on the statement of comprehensive income for the year ended 31 December 2016.

CAQ Holdings Limited and its Controlled Entities
ABN 86 091 687 740

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 JUNE 2017

The Directors of the Group declare that:

1. The financial statements and notes set out on pages 6 to 20 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date.
2. In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Michael Siu
Director

Signed in China this 31st day of August 2017