

**CAQ Holdings Limited and its controlled entities**

**ABN 86 091 687 740**

**Consolidated Annual Financial Report  
for the Year Ended 31 December 2017**

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

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

**DIRECTORS' REPORT**

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The Directors present their report of the consolidated entity consisting of CAQ Holdings Limited and the entities it controlled (“**the Group**”) at the end of, or during the financial year ended 31 December 2017.

**Directors**

The names of the Directors in office at any time during or since the end of the financial year

Paul Price  
KC Ong  
Soo Tuck Yoon  
Michael Siu  
Qian Xu  
Ching Chung  
Yuk Cheung Chan (appointed on 27 November 2017)  
Ivan Cheng (appointed on 27 November 2017)  
Kwan Chan (appointed on 27 November 2017)

Directors were in office for this entire period unless otherwise stated.

**Mr Paul Price**

***Chairman and Non-Executive Director***

Mr Price has extensive experience in corporate and commercial matters and has advised national and international clients on capital raising and structuring issues including Corporations Act and ASX Listing Rule compliance and governance issues. Mr Price’s clients span numerous industry sectors, including resources and energy, manufacturing, professional services, industrial and technology. Mr Price has served as a director of a number of ASX listed companies and is a co-founder of corporate advisory firm Trident Capital. Mr Price is a member of the Australian Institute of Company Directors, AMPLA (the Resources and Energy Law Association) and the Association of Mining and Exploration Companies. Mr Price has a Bachelor of Jurisprudence, a Bachelor of Laws and a Masters of Business Administration, all from the University of Western Australia.

Other directorships in Australian listed companies during the past three financial years are as follows:

- Titanium Sands Limited – Director – appointed on 30 July 2012 and resigned on 16 April 2015
- 333D Limited – Director – appointed on 19 June 2014 and resigned on 25 March 2015
- Northern Manganese Limited – Director – appointed on 7 July 2016.

**Mr KC Ong**

***Non-Executive Director***

Mr Ong has over 25 years of extensive and diverse experience in financial management and business advisory to corporations in Australia and East Asia. Mr Ong is an alumni from Deakin University, Victoria, holding a Bachelor of Commerce degree and is a Certified Practicing Accountant. Mr Ong is a Director of Trident Management Services Pty Ltd.

Other directorships in Australian listed companies during the past three financial years are as follows:

- Rision Limited – Director – appointed on 13 March 2012 and resigned on 2 February 2016
- Iwebgate Limited – Director – appointed on 23 July 2012 and resigned on 9 December 2014
- Titanium Sands Limited – Director – appointed on 30 July 2012 and resigned on 21 January 2015

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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**Mr Richard Soo (Soo Tuck Yoon)**

***Non-Executive Director***

Mr Soo has over 35 years of working experience in Hospitality, Gaming and the Trading and Mining Industry. Mr Soo is currently a Director of Leisurematics SdnBhd and also Director of Sinomines (Hong Kong) Limited. Mr Soo has a Bachelor of Arts Degree from the National University of Malaysia.

Mr Soo has not held directorships in any other Australian listed companies during the past three financial years.

**Mr Michael Siu (Mr Siu Kin Wai)**

***Non-Executive Director***

Mr Siu has extensive experience in corporate management in Asia. Mr Siu is an Executive Director and the Chief Executive Officer of Beijing Properties (Holdings) Limited (SEHK stock code: 925), an Executive Director of MillenMin Ventures Inc. (TSX stock code: MVM) and an Executive Director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK stock code: 2389). Mr Siu is also an independent Non-Executive Director of Agritrade Resources Limited (SEHK stock code: 1131) and Oriental Securities International Holdings Limited (SEHK stock code: 8001). In addition to this, Mr Siu is a Director of Brilliant Bright Holdings Limited, who is a controlling shareholder of Beijing Properties (Holdings) Limited.

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

Mr Siu has not held directorships in any other Australian listed company during the past three financial years.

**Mr Qian Xu**

***Non-Executive Director***

Mr Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management in Asia. Mr Qian is an Executive Director and the Chairman of Beijing Properties (Holdings) Limited (SEHK stock code: 925), and a Director and the Chairman of the Beijing Enterprises Group Real-Estate Co. Ltd. Mr Qian is also an Executive Director of MillenMin Ventures Inc. (TSX stock code: MVM) and an Executive Director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK stock code: 2389). In addition to this, Mr Qian is a Director of Brilliant Bright Holdings Limited, who is a controlling shareholder of Beijing Properties (Holdings) Limited.

Mr Qian has a Bachelor's degree in Economics from the Economics and Management Faculty of the Beijing Industrial University and has an Executive Master of Business Administration degree from Tsinghua University.

Mr Qian has not held directorships in any other Australian listed company during the past three financial years.

**Mr Ching Chung**

***Executive Director and Deputy Chairman***

Mr Ching has over 30 years of experience investing, operating and managing companies in Hong Kong and China. The industries which he has been involved with include gambling, mining and property development. Mr Ching has established relationships with the China Government and various other Chinese associations.

Mr Ching has not held directorships in any other Australian listed company during the past three financial years.

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**DIRECTORS' REPORT**

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**Mr Yuk Cheung Chan**

***Non-Executive Director***

Mr Yuk Cheung Chan has extensive experience in management and corporate affairs. Mr Chan is the President of the International Friends of the Chamber of Commerce, the Chairman of the Belt and Road ASEAN Financial Development Committee of China and the Chairman of the Sino-Cambodian Phnom Penh Economic Zone Management Committee. Mr Chan was also a former Director of Beijing Properties (Holdings) Limited (SEHK stock code: 925).

Mr Chan has not held directorships in any other Australian listed company during the past three financial years.

**Mr Ivan Cheng**

***Non-Executive Director***

Mr Cheng has extensive experience in accounting, financial management and company secretarial roles. Mr Cheng is the Company Secretary, Chief Financial Officer and an Executive Director of Beijing Properties (Holdings) Limited (SEHK stock code: 925). In addition to this, Mr Cheng is also the Director of both China Logistics Infrastructures (Holdings) Limited and China Industrial Properties (Holdings) Limited.

Mr Cheng has a Bachelor's degree in Commerce (majoring in Accounting and Finance) from Curtin University, a Masters of Business Administration from the University of South Australia and a Masters of Corporate Governance from the Hong Kong Polytechnic University.

Mr Cheng is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia, an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators.

Mr Cheng has not held directorships in any other Australian listed company during the past three financial years.

**Mr Kwan Chan**

***Non-Executive Director***

Mr Kwan Chan has extensive experience in asset management and commercial acquisitions. In September 2016, Mr Chan received his Diamond Graduate Diploma from the Gemological Institute of America, which brings unique knowledge to the Board. Mr Chan also has a Bachelor's degree in Law from the University of Leicester and a Bachelor's degree in Biomedical Sciences from the University of Essex.

Mr Chan has not held directorships in any other Australian listed company during the past three financial years.

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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**Ms Deborah Ho**

***Company Secretary***

Ms Ho was appointed as Company Secretary on 2 May 2013. Ms Ho holds a Bachelor of Commerce from Curtin University and is a member of Chartered Secretaries Australia. Ms Ho has over 4 years of experience in company secretarial matters and financial accounting, including preparation of financial statements. Ms Ho also has over 3 years of experience in public practice including auditing of listed and unlisted companies.

**Principal Activities**

The Group's principal activity is property development.

**Dividends Paid or Recommended**

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

**Commentary on the Results for the Year**

The net loss for the year ended 31 December 2017 was \$2,379,817 compared with a net loss of \$2,704,539 for the previous December 2016 period. The decrease in the loss compared to the prior year is mainly attributable to the commencement of the Group's leasing business during the year and increased sales from the Group's jewellery business.

**Review of operations and changes in State of Affairs**

***Operational***

During the year ended 31 December 2017, the Group continued with its jewellery business and commenced its leasing business. The Company's subsidiary Haikou Peace Base Development Co. Limited's ("HPB") physical jewellery stores and e-commerce platforms remained in operation throughout the year. 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 Jing Dong Mall e-commerce platform.

The rental income earned amounted to \$181,166 and the jewellery sales revenue earned (before business tax) amounted to \$1,009,292.

***Corporate***

On 29 August 2017, the Company successfully completed a sophisticated investor placement raising of US\$10,000,000 (equivalent to AUD\$12,570,710). The Company issued 62,853,551 fully paid ordinary shares at \$0.20 per share.

On 27 November 2017, Mr Yuk Cheung Chan, Mr Ivan Cheng and Mr Kwan Chan were appointed as Non-Executive Directors of the Company.

**Likely Developments and Expected Results of Operations**

Likely developments in the operations of the Group and then expected results of those operations in future financial years have not been included in this report as the directors believe on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

**Environmental Regulations**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory. Based on the Group's current operations, they are not required to register, nor are they required to report emissions data to the Greenhouse and Energy Data Officer under the National Greenhouse and Energy Reporting Act 2007.

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

**Meetings of Directors**

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2017, and the numbers of meetings attended by each Director were:

	Directors Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
P Price	5	5	3	3	*	*	*	*
K C Ong	5	5	3	3	*	*	*	*
R Soo	5	4	*	*	—	—	—	—
M Siu	5	4	3	3	*	*	*	*
Q Xu	5	1	*	*	—	—	—	—
C Chung	5	1	*	*	—	—	—	—
YC Chan	1	—	*	*	*	*	*	*
I Cheng	1	1	—	—	*	*	*	*
K Chan	1	1	*	*	*	*	*	*

*Notes*

A – Number of meetings held during the time the Director held office during the year.

B – Number of meetings attended.

\* – Not a member of the relevant committee

The Board of Directors also approved 4 circular resolutions during the year ended 31 December 2017 which were signed by all Directors of the Company.

**Share Options**

***Shares under Option***

There are no unissued ordinary shares of CAQ Holdings Limited under option at the date of this report (31 December 2016: nil).

***Directors' Share and Option Holdings***

As at the date of this report the interests of the Directors in the shares and options of the Company were:

Director	Options over	
	Ordinary Shares <sup>1</sup>	Ordinary Shares
P Price	5,270,666	—
K C Ong	1,487,500	—
R Soo	1,000,000	—
M Siu	114,538,500	—
Q Xu	108,628,000	—
C Chung	1,150,000	—
YC Chan	—	—
I Cheng	108,628,000	—
K Chan	72,853,551	—

<sup>1</sup> refer to page 9.

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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**Remuneration Report (Audited)**

***Key Management Personnel***

The following persons were key management personnel and specified executives of CAQ Holdings Limited during the financial year:

Paul Price – Non-Executive Director and Chairman (appointed 2 May 2013)  
KC Ong – Non-Executive Director (appointed 2 May 2013)  
Soo Tuck Yoon – Non-Executive Director (appointed 2 May 2013)  
Michael Siu – Non-Executive Director (appointed 20 April 2015)  
Qian Xu – Non-Executive Director (appointed 20 April 2015)  
Ching Chung – Executive Director and Deputy Chairman (appointed 19 May 2015)  
Yuk Cheung Chan – Non-Executive Director (appointed 27 November 2017)  
Ivan Cheng – Non-Executive Director (appointed 27 November 2017)  
Kwan Chan– Non-Executive Director (appointed 27 November 2017)

***Remuneration Philosophy***

The performance of the Company depends on the quality of its Directors and other Key Management Personnel and therefore the Company must attract, motivate and retain appropriately qualified industry personnel. The Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre Directors and other Key Management Personnel;
- link executive rewards to shareholder value (by the granting of share options);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

***Remuneration Governance***

The Company has a remuneration committee. The Committee has not used remuneration consultants in determining the remuneration of Key Management Personnel. The compensation of Directors and Key Management Personnel are to be reviewed by the Committee annually. During the year, the members engaged in informal discussions.

The Committee assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality Directors and other Key Management Personnel. External advice on remuneration matters is sought whenever the Committee deems it necessary but has not been sought during the reporting period. The remuneration of the Directors and other Key Management Personnel is not dependent on the satisfaction of a performance condition.

The following table shows the gross revenue, results and the share price of the Company at the end of the respective financial years.

	30 June 2014	30 June 2015	31 December <sup>1</sup> 2015	31 December 2016	31 December 2017
	\$	\$	\$	\$	\$
Revenue	50,814	138,646	81,665	653,389	2,029,144
Net(loss)/profit	(601,908)	293,090	(1,323,450)	(2,704,539)	(2,379,817)
Share price	10.5 cent	16 cents	19 cents	14 cents	8 cents

1) the company changed its financial year end from 30 June to 31 December in 2015.



**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

***Non-Executive Director Remuneration***

The Board seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's operations.

The Directors have resolved that Non-Executive Directors' fees are \$48,000 (31 December 2016: \$48,000) per annum for each Non-Executive Director and \$72,000 (31 December 2016: \$72,000) per annum for the Non-Executive Chairman. In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

The maximum annual aggregate directors' fee pool limit is \$500,000, as approved by Shareholders at the 2017 Annual General Meeting.

***Executive Remuneration***

Mr Ching Chung is entitled to a remuneration of \$210,945 per annum with no other benefits. The Board is in the process of determining an executive remuneration policy. At the date of this report, there is currently no element in that remuneration that is performance based.

The table below disclose the remuneration expense recognised for the group's executive Key Management Personnel.

**(A) Summary of amounts paid to Key Management Personnel**

The table below discloses the compensation of the Key Management Personnel of the Group during the period.

Year							Remuneration consisting of	
31 December 2017	Short-Term		Post employment		Share-Based Payments		Total	options %
	Salary & Fees	Consulting	Termination payments	Super- annuation	Options	Shares		
Executive								
Directors								
C Chung	210,945	–	–	–	–	–	210,945	–
Non-Executive								
Directors								
P Price	72,000	–	–	–	–	–	72,000	–
KC Ong	48,000	–	–	–	–	–	48,000	–
R Soo	48,000	–	–	–	–	–	48,000	–
M Siu	48,000	–	–	–	–	–	48,000	–
Q Xu	48,000	–	–	–	–	–	48,000	–
YC Chan <sup>(1)</sup>	4,000	–	–	–	–	–	4,000	–
I Cheng <sup>(1)</sup>	4,000	–	–	–	–	–	4,000	–
K Chan <sup>(1)</sup>	4,000	–	–	–	–	–	4,000	–
	486,945	–	–	–	–	–	486,945	–

<sup>(1)</sup> Appointed 27 November 2017

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

**Remuneration Report (Audited) (Continued)**

**(A) Summary of amounts paid to Key Management Personnel (Continued)**

Period 31 December 2016	Short-Term		Post employment		Share-Based Payments		Total	Remuneration consisting of options %
	Salary & Fees	Consulting	Termination payments	Super- annuation	Options	Shares		
<b>Executive Directors</b>								
C Chung	218,020	–	–	–	–	–	218,020	–
<b>Non-Executive Directors</b>								
P Price	72,000	–	–	–	–	–	72,000	–
KC Ong	48,000	–	–	–	–	–	48,000	–
R Soo	48,000	–	–	–	–	–	48,000	–
M Siu	48,000	–	–	–	–	–	48,000	–
Q Xu	48,000	–	–	–	–	–	48,000	–
	<u>482,020</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>482,020</u>	<u>–</u>

**(B) Service agreements**

There are service agreements in place in relation for all Directors.

**(C) Options holdings of key management personnel**

During the year ended 31 December 2017 and to the date of this report, there are no options on issue and therefore no options held by Key Management Personnel.

**(D) Shareholdings of key management personnel**

The movement during the reporting year in the number of ordinary shares of CAQ Holdings Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

**31 December 2017**

	Balance 1 January 2017	Other	Net Purchased/ (Sold)	Balance 31 December 2017
<b>Directors</b>				
P Price <sup>1</sup>	5,270,666	–	–	5,270,666
KC Ong <sup>2</sup>	1,487,500	–	–	1,487,500
R Soo <sup>3</sup>	1,000,000	–	–	1,000,000
M Siu <sup>4</sup>	114,538,500	–	–	114,538,500
Q Xu <sup>5</sup>	108,628,000	–	–	108,628,000
C Chung <sup>6</sup>	1,150,000	–	–	1,150,000
YC Chan	–	–	–	–
I Cheng <sup>7</sup>	–	–	108,628,000	108,628,000
K Chan <sup>8</sup>	–	–	72,853,551	72,853,551
	<u>232,074,666</u>	<u>–</u>	<u>181,481,551</u>	<u>413,556,217</u>

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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**Remuneration Report (Audited) (Continued)**

**(D) Shareholdings of key management personnel (Continued)**

<sup>1</sup> As at 31 December 2017, 3,586,666 shares were held by Trident Capital Pty Ltd, a company which Mr Price is a Director and Shareholder. 1,487,500 shares were held by Milwal Pty Ltd <Price Superannuation Fund>, a company which Mr Price is a Director and Shareholder. 126,500 shares were held by Joshua Price, Mr Price's son. 10,000 shares were held by Madeline Price, Mr Price's daughter. 60,000 shares were held by Elizabeth Price, Mr Price's wife.

<sup>2</sup> As at 31 December 2017, 1,487,500 fully paid ordinary shares were held by Mr Ong.

<sup>3</sup> As at 31 December 2017, 1,000,000 fully paid ordinary shares were held by Mr Soo.

<sup>4</sup> As at 31 December 2017, 108,628,000 shares were held by Beijing Properties (Holdings) Limited, a company which Mr Siu is a Director. 5,000,000 shares were held by JP Morgan Australia Limited, Mr Siu's wife; custodian, and 910,500 shares were held by Pershing Australia Nominees Pty Ltd (Phillip Securities (HK) A/C), Mr Siu's custodian.

<sup>5</sup> As at 31 December 2017, 108,628,000 shares were held by Beijing Properties (Holdings) Limited, a company which Mr Qian is a Director.

<sup>6</sup> As at 31 December 2017, 1,150,000 fully paid ordinary shares were held by Mr Ching.

<sup>7</sup> As at 31 December 2017, 108,628,000 shares were held by Beijing Properties (Holdings) Limited, a company which Mr Cheng is a Director.

<sup>8</sup> As at 31 December 2017, 72,853,551 fully paid ordinary shares were held by Mr Chan.

**(E) Loans to or from key management personnel**

There were no loans to or from key management personnel during the year or as at 31 December 2017 (31 December 2016: Nil).

**(F) Other transactions with key management personnel**

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 year.

*CAQ Holdings Limited*

**Legal Fees:**

During the year, Price Sierakowski Pty Ltd ("Price Sierakowski") provided the Company with legal services. Mr Price is a Director and Shareholder of Price Sierakowski. For the year ended 31 December 2017 \$303 (incl GST) was paid to Price Sierakowski (31 December 2016: \$5,278 (incl GST)). As at 31 December 2017 \$nil (incl GST) was payable to Price Sierakowski (31 December 2016: \$nil).

**Rental Fees:**

During the year, Trident Capital Pty Ltd ("Trident Capital") provided the Company with office rental services. For the year ended 31 December 2017 \$26,400 (incl GST) was paid to Trident Capital (31 December 2016: \$26,400 (incl GST)). As at 31 December 2017 \$nil was payable to Trident Capital (31 December 2016: \$nil).

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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**Remuneration Report (Audited) (Continued)**

**(F) Other transactions with key management personnel (Continued)**

*CAQ Holdings Limited (Continued)*

Accounting and Company Secretarial Fees:

During the year, Trident Management Services provided the Company with accounting and company secretarial services. For the year ended 31 December 2017 \$71,685 (incl GST) was paid to Trident Management Services (31 December 2016: \$71,768 (incl GST)). As at 31 December 2017 \$4,400 (excl GST) was payable to Trident Management Services (31 December 2016: \$5,244 (excl GST)).

**(G) Share-based compensation**

The Company has not issued any performance bonus options during the financial year ended 31 December 2017 (31 December 2016: Nil).

**(H) Use of remuneration consultants**

The Company did not employ the services of remuneration consultants during the financial year.

**(I) Voting and comments made at the Company's 2017 Annual General Meeting**

The Company received more than 99% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration reports for the 2016 financial period. The Company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

**This is the end of the Audited Remuneration Report.**

**Indemnification of Officers**

During the financial year, the Company paid a premium in respect of a contract of insurance insuring the Directors and officers of the Group against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

**Indemnification of auditors**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

**Events occurring after the reporting date**

There have not been any events that have arisen in the interval between the end of the financial period and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to materially affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

**CAQ Holdings Limited and its Controlled Entities**  
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**DIRECTORS' REPORT**

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***Non-Audit Services***

The Directors are satisfied that the provision of non-audit services, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services are reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Annual Financial Report.

Non-audit services have not been provided by the entity's auditor, Ernst & Young for the year ended 31 December 2017 (31 December 2016, BDO: Nil).

***Proceedings on Behalf of the Company***

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the period.

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



**Michael Siu**  
*Director*

Dated at Hong Kong this 29th day of March, 2018.

## Auditor's Independence Declaration to the Directors of CAQ Holdings Limited

As lead auditor for the audit of CAQ Holdings Limited for the financial year ended 31 December 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CAQ Holdings Limited and the entities it controlled during the financial year.



Ernst & Young



V L Hoang  
Partner  
29 March 2018

## Independent auditor's report to the members of CAQ Holdings Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of CAQ Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 31 December 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Carrying value of investment property

Why significant	How our audit addressed the key audit matter
<p>The carrying value of investment property at 31 December 2017 comprised the Group's investment property located in Haikou Integrated Free Trade Zone in the People's Republic of China.</p> <p>As detailed in Note 5, the Group engaged an independent valuation expert to determine the fair value of the investment property at 31 December 2017. Based on the independent valuation expert's report, the Group was not required to recognise any fair value gain or loss for the year ended 31 December 2017.</p> <p>This was considered this to be a key audit matter as property valuations are based on a number of assumptions which are judgmental in nature</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Physical inspection of the investment property</li> <li>▶ Our real estate valuation specialists considered the valuation report provided by the Group's independent valuation expert including assessing: <ul style="list-style-type: none"> <li>(i) The competence, capability and objectivity of the valuation expert</li> <li>(ii) The appropriateness of the valuation expert's work by considering the methodology and valuation method adopted</li> <li>(iii) The assumptions used by the valuation expert in determining the fair value of the investment property at 31 December 2017.</li> </ul> </li> </ul> <p>We also considered the adequacy of the Group's disclosures with respect to the valuation methodology adopted and the degree of estimation involved in the determination of the fair value of the investment property.</p>

## 2. Changes in accounting policy related to the valuation of investment property

Why significant	How our audit addressed the key audit matter
<p>As detailed in Note 25, the Group adopted a voluntary change in accounting policy for investment property, changing from the fair value basis to the historical cost basis at 31 December 2016.</p> <p>This was contrary to the requirements of the Australian Accounting Standards. Accordingly, the Group reverted back to carrying the investment properties using the fair value basis in the current year.</p> <p>This was considered this to be a key audit matter given the significant judgment involved in the selection and application of accounting policies under Australian Accounting Standards.</p>	<p>Our audit procedures included an assessment as to whether:</p> <ul style="list-style-type: none"> <li>▶ The voluntary change in accounting policy for investment property adopted at 31 December 2016 was contrary to Australian Accounting Standards</li> <li>▶ Whether the Group's change in accounting policy back to fair value (from historical cost) in the current year was appropriate and consistent with the requirements of Australian Accounting Standards</li> <li>▶ The comparative financial information at 31 December 2016, presented in the 31 December 2017 financial report was properly restated</li> <li>▶ The adequacy of the Group's disclosures with in relation to the change in accounting policy.</li> </ul>

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the directors for the financial report**

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial report**

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the audit of the remuneration report**

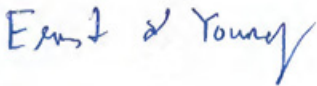
### **Opinion on the remuneration report**

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of CAQ Holdings Limited for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



V L Hoang  
Partner  
Perth  
29 March 2018

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

**DIRECTORS' DECLARATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Directors of the Group declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statements of Changes in Equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the Group.
2. In the Directors' opinion, there are reasonable grounds to believe CAQ Holdings Limited and its controlled entities will be able to pay its debts as and when they become due and payable.
3. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
4. The Directors have been given the declarations as required by Section 295A of the Corporations Act for the financial year ended 31 December 2017.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**Michael Siu**  
*Director*

Dated at Hong Kong this 29th day of March, 2018.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>Consolidated</b>	<b>Restated</b>
		<b>Year ended</b>	<b>Consolidated</b>
		<b>31 December</b>	<b>Year ended</b>
	<i><b>Note</b></i>	<b>2017</b>	<b>31 December</b>
		<b>\$</b>	<b>2016</b>
			<b>\$</b>
Revenue from continuing operations			
Sales	9	1,190,458	380,482
Other revenue	9	838,686	272,907
<b>Total revenue from continuing operations</b>		<b>2,029,144</b>	<b>653,389</b>
Purchase and changes in trading stock	9	(959,385)	(307,775)
Foreign currency gain/(loss)		28,848	(24,987)
Legal expenses		(48,441)	(54,835)
Accounting and auditing fees		(159,067)	(107,050)
Directors fees, salary and consultancy expenses		(1,379,182)	(1,684,280)
Insurance expenses		(31,794)	(35,443)
Occupancy costs		(24,000)	(22,000)
Travel costs		(350,308)	(351,993)
Finance costs	9	(99,817)	(11,668)
Administration expenses		(200,068)	(151,934)
Other expenses		(456,911)	(371,106)
Depreciation		(324,907)	(234,857)
<b>Loss from continuing operations</b>			
<b>before Income Tax</b>		<b>(1,975,888)</b>	<b>(2,704,539)</b>
Income tax expense	8	(403,929)	—
<b>Loss after income tax for the year</b>		<b>(2,379,817)</b>	<b>(2,704,539)</b>

The above Consolidated Statement of Profit or Loss and Other 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

		<b>Consolidated</b>	<b>Restated</b>
		<b>Year ended</b>	<b>Consolidated</b>
		<b>31 December</b>	<b>Year ended</b>
	<i>Note</i>	<b>2017</b>	<b>31 December</b>
		\$	2016
			\$
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		(516,694)	(2,816,083)
<b>Total comprehensive loss for the year</b>		<b>(2,896,511)</b>	<b>(5,520,622)</b>
Loss is attributable to:			
Owners of CAQ Holdings Limited		(2,379,817)	(2,704,539)
Non-controlling interests		—	—
		<b>(2,379,817)</b>	<b>(2,704,539)</b>
Total comprehensive loss for the year is attributable to:			
Owners of CAQ Holdings Limited		(2,896,511)	(5,520,622)
Non-controlling interests		—	—
		<b>(2,896,511)</b>	<b>(5,520,622)</b>
<b>Loss per share attributable to the members of</b>			
<b>CAQ Holdings Limited</b>		<b>Cents Per Share</b>	<b>Cents Per Share</b>
Basic and diluted loss per share	22	(0.35)	(0.41)

The above Consolidated Statement of Profit or Loss and Other 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 31 DECEMBER 2017**

	<i>Notes</i>	<b>Consolidated 31 December 2017</b> \$	<b>Restated Consolidated 31 December 2016</b> \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	<i>10</i>	7,295,576	1,497,816
Trade and other receivables	<i>11</i>	1,244,479	1,008,395
Inventory	<i>7</i>	1,350,180	1,255,247
Prepayments		102,820	104,925
<b>TOTAL CURRENT ASSETS</b>		<b>9,993,055</b>	<b>3,866,383</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	<i>6</i>	425,562	661,426
Investment property	<i>5</i>	56,933,654	55,174,157
Intangible assets		63,472	122,565
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,422,688</b>	<b>55,958,148</b>
<b>TOTAL ASSETS</b>		<b>67,415,743</b>	<b>59,824,531</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>12</i>	356,217	1,103,039
Tax payable		5,696	4,564
Accruals		38,204	1,075
Borrowings	<i>13</i>	–	1,772,881
<b>TOTAL CURRENT LIABILITIES</b>		<b>400,117</b>	<b>2,881,559</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	<i>8</i>	808,806	386,081
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>808,806</b>	<b>386,081</b>
<b>TOTAL LIABILITIES</b>		<b>1,208,923</b>	<b>3,267,640</b>
<b>NET ASSETS</b>		<b>66,206,820</b>	<b>56,556,891</b>
<b>EQUITY</b>			
Contributed equity	<i>14</i>	74,649,048	62,102,608
Accumulated losses		(8,293,700)	(5,913,883)
Reserves	<i>15</i>	(148,528)	368,166
<b>TOTAL EQUITY</b>		<b>66,206,820</b>	<b>56,556,891</b>

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 YEAR ENDED 31 DECEMBER 2017**

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1.1.2017</b> (as previously stated)	<b>62,102,608</b>	<b>(7,072,128)</b>	<b>368,166</b>	<b>55,398,646</b>
Restatement of comparatives ( <i>Note 25</i> )	–	1,158,245	–	1,158,245
<b>Balance at 1.1.2017</b> (as restated)	<b>62,102,608</b>	<b>(5,913,883)</b>	<b>368,166</b>	<b>56,556,891</b>
Loss for the year	–	(2,379,817)	–	(2,379,817)
Exchange differences on translation of foreign operations	–	–	(516,694)	(516,694)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>(2,379,817)</b>	<b>(516,694)</b>	<b>(2,896,511)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares (net of issue costs)	12,546,440	–	–	12,546,440
<b>Balance at 31.12.2017 (Consolidated)</b>	<b>74,649,048</b>	<b>(8,293,700)</b>	<b>(148,528)</b>	<b>66,206,820</b>

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1.1.2016</b> (as previously stated)	<b>62,102,608</b>	<b>(4,367,589)</b>	<b>3,184,249</b>	<b>60,919,268</b>
Restatement of comparatives	–	1,158,245	–	1,158,245
<b>Balance at 1.1.2016</b> (as restated)	<b>62,102,608</b>	<b>(3,209,344)</b>	<b>3,184,249</b>	<b>62,077,513</b>
Loss for the year	–	(2,704,539)	–	(2,704,539)
Exchange differences on translation of foreign operations	–	–	(2,816,083)	(2,816,083)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>(2,704,539)</b>	<b>(2,816,083)</b>	<b>(5,520,622)</b>
<b>Balance at 31.12.2016 (Consolidated)</b>	<b>62,102,608</b>	<b>(5,913,883)</b>	<b>368,166</b>	<b>56,556,891</b>

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 YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,307,549	386,272
Receipt of government subsidy		778,093	202,179
Payments to suppliers and employees		(5,008,252)	(3,445,505)
Finance costs		(12,239)	(11,669)
Interest received		11,633	28,876
Deposit refund		—	400,204
<b>Net cash outflow from operating activities</b>	<b>21</b>	<b>(2,923,216)</b>	<b>(2,439,643)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipments		(44,599)	(341,410)
Payment for intangible assets		(3,277)	(90,832)
Payment of construction costs		(2,505,644)	(9,830,168)
<b>Net cash outflow from investing activities</b>		<b>(2,553,520)</b>	<b>(10,262,410)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		12,570,710	—
Cost of share issue		(24,270)	—
Proceeds from borrowings		2,066,949	1,706,968
Repayment of borrowings		(3,712,686)	(5,227,304)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>10,900,703</b>	<b>(3,520,336)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,423,967</b>	<b>(16,222,389)</b>
Cash and cash equivalents at the beginning of the financial year		1,497,816	18,347,477
Effects of exchange rate changes on cash and cash equivalents		373,793	(627,272)
<b>Cash and cash equivalents at end of year</b>	<b>10</b>	<b>7,295,576</b>	<b>1,497,816</b>

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 YEAR ENDED 31 DECEMBER 2017**

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**Note 1: Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the change in accounting policy for investment property as detailed at Note 5. The financial statements are for the consolidated entity consisting of CAQ Holdings Limited and its controlled entities. The consolidated entity is a for-profit entity. The consolidated financial statements of CAQ Holdings Ltd (“CAQ Holdings”, “the Parent”, “the Company”) and its subsidiaries (collectively, “the Group”) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 29th March 2018.

**(a) Basis of preparation**

This annual financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations used by the Australian Accounting Standards Board.

*Compliance with IFRS*

The annual financial report of the Group also complies with International Financial Reporting Standards (IFRS).

*Historical cost convention*

This annual financial report has also been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except for investment property which is measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

*Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The following key judgements and estimates were made in preparing these financial statements:

*Construction costs of investment properties*

The construction costs of the Haikou Project is based on a draft settlement which is subject to the review and approval of both the Company and the contractors. The Company has recorded all amounts due to the contractors based on its best estimate. Should the settlement result in a higher amount, the Company would have to settle this additional liability.

*Taxes*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing (including considering expiry of losses) and the level of future taxable profits, together with future tax planning strategies.

*Investment properties*

The fair value of investment properties is determined by using valuation techniques. For further details of the judgements and assumptions made, see Note 5.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Note 1: Summary of significant accounting policies (Continued)**

**(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Note 1: Summary of significant accounting policies (Continued)**

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of CAQ Holdings Limited.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**(d) Foreign currency translation**

**(i) Functional and presentation currency**

The financial statements are presented in Australian dollars, which is CAQ Holdings Limited's functional and presentation currency.

The function currency of the Company's subsidiaries is as follows:

<b>Name</b>	<b>Functional Currency</b>
CAQ Diamond Network Limited	Hong Kong dollars
CAQ Diamond Network (HK) Limited	Hong Kong dollars
CAQ Finance Limited	Hong Kong dollars
CAQ Finance (HK) Limited	Hong Kong dollars
Rayport Limited	Hong Kong dollars
Peace Base Holdings Limited	Hong Kong dollars
Actual Winner Limited	Hong Kong dollars
Express Linker Limited	Hong Kong dollars
Haikou Peace Base Industry Development Co. Ltd.	Chinese Renminbi

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Note 1: Summary of significant accounting policies (Continued)**

**(d) Foreign currency translation (Continued)**

**(iii) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable.

**(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**(i) Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered.

**(ii) Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

**(iii) Interest income**

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

**(f) Income tax**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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**Note 1: Summary of significant accounting policies (Continued)**

**(f) Income tax (Continued)**

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

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**Note 1: Summary of significant accounting policies (Continued)**

**(g) Goods and Services tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(h) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Group as a lessee*

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

*Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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**Note 1: Summary of significant accounting policies (Continued)**

**(i) Cash and cash equivalents**

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(j) Trade and other receivables**

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

**(k) Inventory**

Inventories are stated at the lower of cost and net realisable value. Purchase cost of inventory is on a weighted average basis, after deducting any settlement discounts, suppliers rebates and including logistics expenses incurred in bringing inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**(l) Loans and receivables**

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

**(m) Investment Properties**

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 an operating lease for a property which would otherwise meet the definition 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).

**(n) Plant and equipment**

Plant and equipment are brought to account at cost, less where applicable any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.



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**Note 1: Summary of significant accounting policies (Continued)**

**(n) Plant and equipment (Continued)**

The gain or loss on disposal of all plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in profit or loss for the year.

The depreciable amount of plant and equipment are depreciated over their useful lives commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	5 – 40%

**(o) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

**(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

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**Note 1: Summary of significant accounting policies (Continued)**

**(q) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

*Borrowing costs*

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

**(r) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(s) Employee benefits**

**(i) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

**(ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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**Note 1: Summary of significant accounting policies (Continued)**

**(s) Employee benefits (Continued)**

**(iii) Share-based payments**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“**vesting date**”).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

**(t) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(u) Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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**Note 1: Summary of significant accounting policies (Continued)**

**(v) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

**(w) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

Standard	Application Date for Group	Detail
AASB 9 – Financial Instruments	1 January 2018	<p>A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and de-recognition.</p> <p>Based on an initial impact assessment, the new standard is not expected to significantly impact the recognition and measurement of financial instruments. Based on historical and expected losses, the expected loss impairment model has an immaterial impact on the Group.</p>
AASB 15 – Revenue from Contracts with Customers	1 January 2018	<p>AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p> <p>The company has two revenue streams being revenue from rental income and sale of diamonds. Revenue from rental income is not within the scope of AASB 15 whereas revenue recognised from sale of diamonds is not expected to be significantly impacted by adoption of AASB 15 based on the initial assessment performed by the Group.</p>

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**Note 1: Summary of significant accounting policies (Continued)**

**(w) New accounting standards and interpretations (Continued)**

Standard	Application Date for Group	Detail
AASB16 – Leases	1 January 2019	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees.

The Group has yet to fully assess the impact on the Group's financial results when it is first adopted for the year ending 31 December 2019.

**Note 2: Segment reporting**

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.

**Information about products and services**

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
Revenue from continuing operations		
– Sale of diamonds and goods	1,009,292	372,134
– Rental income	181,166	8,348
– Interest received	11,633	28,877
– Government grant	827,053	244,030
	<hr/>	<hr/>
Total revenue	<u><u>2,029,144</u></u>	<u><u>653,389</u></u>

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**Note 2: Segment reporting (Continued)**

***Information about geographical areas***

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets of the Group (other than financial instruments) are located in Mainland China.

***Information about major customers***

During the years ended 31 December 2017 and 2016, the Group had no single external customer which contributed over 10% of the Group's total revenue for each of these years.

**Note 3: Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. Further policies will evolve that are commensurate with the evolution and growth of the Company.

The carrying values of the Group's financial instruments are as follows:

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
<b>Financial assets</b>		
Cash and cash equivalents	7,295,576	1,497,816
Trade and other receivables	1,244,479	1,008,395
	<u><b>8,540,055</b></u>	<u><b>2,506,211</b></u>
<b>Financial liabilities</b>		
Trade and other payables	356,217	1,103,039
Loans payable	—	1,372,677
Bank loans	—	400,204
	<u><b>356,217</b></u>	<u><b>2,875,920</b></u>

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**Note 3: Financial risk management (Continued)**

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

**(a) Market risk**

**(i) Foreign exchange risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchanges rates. As a result of its significant investment operations in Mainland China, the Group's statement of financial position can be affected significantly by movements in the USD, RMB and HKD exchange rate.

The Group's exposure to foreign currency risk is as follows:

	<i>USD</i>	<i>RMB</i>	<i>HKD</i>
2017			
Cash and cash equivalents (in AUD)	16	52	2,966,480
<b>Net Exposure</b>	<b>16</b>	<b>52</b>	<b>2,966,480</b>
2016			
Cash and cash equivalents (in AUD)	17	53	113,197
<b>Net Exposure</b>	<b>17</b>	<b>53</b>	<b>113,197</b>

At 31 December 2017, foreign currency risk of the subsidiary with functional currency in RMB arose mainly from bank balances denominated in HKD. It is estimated that if RMB has strengthened/weakened against HKD by 5% at 31 December 2017, the Group's profit for the period would decrease/increase by approximately AUD148,863 (31 December 2016: AUD5,654).

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**Note 3: Financial risk management (Continued)**

**(a) Market risk (Continued)**

**(ii) Cash flow and interest rate risk**

The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts.

As at the end of the reporting period, the Group had the following interest-bearing financial instruments:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>Effective</b>	<b>Balance</b>	<b>Effective</b>	<b>Balance</b>
	<b>interest rate</b>	<b>\$</b>	<b>interest rate</b>	<b>\$</b>
<b>Financial Assets</b>				
Cash and cash equivalents	0.26%	7,295,576	0.29%	1,497,816
<b>Financial Liabilities</b>				
Loans payable	—	—	6%	1,372,677
Loans payable – China Citic Bank	—	—	5.655%	400,204
Net exposure to interest rate risk		<b><u>7,295,576</u></b>		<b><u>(275,065)</u></b>

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's net revenue would increase by \$36,478 and decrease by \$36,478 respectively (31 December 2016: decrease or increase by \$1,375).



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**Note 3: Financial risk management (Continued)**

**(b) Credit risk**

Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. There are no formal credit approval processes and risk management in place.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 3. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:

	<b>Consolidated</b> <b>31 December</b> <b>2017</b> \$	<b>Consolidated</b> <b>31 December</b> <b>2016</b> \$
Trade and other receivables	<u>1,244,479</u>	<u>1,008,395</u>

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Directors monitor the cash-burn rate of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The financial liabilities that the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

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**Note 3: Financial risk management (Continued)**

**(c) Liquidity risk (Continued)**

The following table sets out the carrying amount of the financial instruments by maturity:

**Year ended 31 December 2017**

	<b>&lt;1 year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total contractual cash flows</b>
	\$	\$	\$	\$
Financial Liabilities:				
Trade and other payables	356,217	–	–	356,217
	<u>356,217</u>	<u>–</u>	<u>–</u>	<u>356,217</u>

**Year ended 31 December 2016**

	<b>&lt;1 year</b>	<b>1 – 5 Years</b>	<b>Over 5 Years</b>	<b>Total contractual cash flows</b>
	\$	\$	\$	\$
Financial Liabilities:				
Trade and other payables	1,103,039	–	–	1,103,039
Bank loan	400,204	–	–	400,204
Loan payables	1,372,677	–	–	1,372,677
	<u>2,875,920</u>	<u>–</u>	<u>–</u>	<u>2,875,920</u>

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**Note 4: Investments**

The consolidated financial statements include the financial statements of CAQ Holdings Limited and the following wholly owned subsidiaries:

Name	Country of Incorporation	% Equity Interest	
		31 December 2017	31 December 2016
CAQ Diamond Network Limited	BVI	100%	100%
CAQ Diamond Network (HK) Limited	Hong Kong	100%	100%
CAQ Finance Limited	BVI	100%	100%
CAQ Finance (HK) Limited	Hong Kong	100%	100%
Rayport Limited	BVI	100%	100%
Peace Base Holdings Limited	Hong Kong	100%	100%
Actual Winner Limited	Hong Kong	100%	100%
Express Linker Limited	Hong Kong	100%	100%
Haikou Peace Base Industry Development Co. Ltd.	China	100%	100%

CAQ Holdings Limited is the ultimate Australian parent entity and ultimate parent of the Group.

**Note 5: Investment Properties**

	Consolidated 2017 \$	Restated Consolidated 2016 \$
Balance as at 1 January	55,174,157	46,442,896
Addition for the year	2,701,894	11,148,552
Foreign exchange adjustment	(942,397)	(2,417,291)
<b>Closing balance as at 31 December</b>	<b>56,933,654</b>	<b>55,174,157</b>

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**Note 5: Investment Properties (Continued)**

***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*.

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 2017**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Non-financial assets</b>				
Investment property	—	—	56,933,654	56,933,654
Total non-financial assets	—	—	56,933,654	56,933,654

**31 December 2016**

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

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**Note 5: Investment Properties (Continued)**

***Fair value measurements(Continued)***

*(i) Fair value hierarchy (Continued)*

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.

31 December 2017 investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2017	Relationship Between Unobservable Inputs and Fair Value
Investment property	Income approach based on estimated rental value of the property.	Market rent	RMB21 to 26 per sqm per month	The higher the market rent, the higher the fair value.
	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.	Capitalisation rate	7.5%	The higher the capitalisation rate, the lower the fair value.

A valuation of the investment property based on current replacement cost approach was also undertaken by the independent valuer to corroborate the fair value. The current replacement cost was estimated using construction cost of RMB2,500 - 3,000/sqm and land value of RMB390-690/sqm.

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**Note 5: Investment Properties (Continued)**

***Fair value measurements(Continued)***

*(i) Fair value hierarchy (Continued)*

31 December 2016 investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2016	Relationship Between Unobservable Inputs and Fair Value
Investment property	Income approach based on estimated rental value of the property.	Market rent	RMB18 to 24 per sqm per month	The higher the market rent, the higher the fair value.
	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.	Capitalisation rate	7.50%	The higher the capitalisation rate, the lower the fair value.

There are lease agreements in place 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:

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
Within one year	247,229	28,839
Later than one year but not later than 5 years	197,260	8,896
	<b>444,489</b>	<b>37,735</b>

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**Note 6: Property, Plant and Equipment**

**For the year ended 31 December 2017**

	<b>Motor vehicles</b>	<b>Equipments</b>	<b>Furniture fixtures</b>	<b>Total</b>
	\$	\$	\$	\$
Cost				
As at 1 January 2017	356,902	477,247	138,551	972,700
Additions	–	44,599	–	44,599
Disposal	–	(444)	–	(444)
Exchange differences	(5,529)	(6,475)	(2,146)	(14,150)
	<u>351,373</u>	<u>514,927</u>	<u>136,405</u>	<u>1,002,705</u>
As at 31 December 2017				
Accumulated Depreciation				
As at 1 January 2017	(141,261)	(154,619)	(15,394)	(311,274)
Charge for the year	(83,439)	(137,618)	(44,543)	(265,600)
Disposal	–	418	–	418
Exchange differences	453	(453)	(687)	(687)
	<u>(224,247)</u>	<u>(292,272)</u>	<u>(60,624)</u>	<u>(577,143)</u>
As at 31 December 2017				
Net book value				
Net book value at 31 December 2017	<u><u>127,126</u></u>	<u><u>222,655</u></u>	<u><u>75,781</u></u>	<u><u>425,562</u></u>

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**Note 6: Property, Plant and Equipment (Continued)**

**For the year ended 31 December 2016**

	<b>Motor vehicles</b>	<b>Equipments</b>	<b>Furniture fixtures</b>	<b>Total</b>
	\$	\$	\$	\$
Cost				
As at 1 January 2016	376,525	293,175	–	669,700
Additions	–	201,421	139,989	341,410
Exchange differences	(19,623)	(17,349)	(1,438)	(38,410)
	<u>356,902</u>	<u>477,247</u>	<u>138,551</u>	<u>972,700</u>
As at 31 December 2016				
Accumulated Depreciation				
As at 1 January 2016	(57,758)	(25,406)	–	(83,164)
Charge for the year	(87,411)	(131,892)	(15,554)	(234,857)
Exchange differences	3,908	2,679	160	6,747
	<u>(141,261)</u>	<u>(154,619)</u>	<u>(15,394)</u>	<u>(311,274)</u>
As at 31 December 2016				
Net book value				
Net book value at 31 December 2016	<u><u>215,641</u></u>	<u><u>322,628</u></u>	<u><u>123,157</u></u>	<u><u>661,426</u></u>

**Note 7: Inventory**

	<b>Consolidated 31 December 2017</b>	<b>Consolidated 31 December 2016</b>
	\$	\$
<b>CURRENT</b>		
At cost:		
– finished goods	<u>1,350,180</u>	<u>1,255,247</u>
	<u><u>1,350,180</u></u>	<u><u>1,255,247</u></u>

Inventory recognised as expense during the year ended 31 December 2017 and included in cost of sales amounted to \$959,385 (2016: \$307,775).



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**Note 8: Income Tax**

The prima facie income tax expense on the pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
Loss from continuing operations before Income Tax	(1,975,888)	(2,704,539)
	(1,975,888)	(2,704,539)
Income tax benefit at 30%	(592,767)	(811,362)
<b>Permanent Differences:</b>		
Non-deductible expenses – Other	–	3,967
Non-taxable income	(1,500)	–
Tax effect of lower overseas tax rate	64,340	104,213
	(529,927)	(703,182)
Movements in unrecognised temporary differences		
Tax effect of current period tax losses for which no deferred tax asset has been recognised	166,728	182,116
Tax effect of foreign losses for which no deferred tax asset has been recognised	767,128	521,066
Income tax benefit/(expense)	<b>403,929</b>	–
Unrecognised temporary differences:		

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$ (restated)</b>
<b>Deferred Tax Assets</b>		
<i>On income tax account</i>		
Carry forward tax losses	851,256	552,096
Foreign losses (i)	1,697,638	873,538
Other	158,554	–
Net deferred tax assets not recognised	<b>2,707,448</b>	1,425,634

(i) Tax losses in PRC are only available to be carried forward for 5 years.

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**Note 8: Income Tax (Continued)**

The taxation benefits of tax losses and timing not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$ (restated)</b>
<b>Deferred Tax Liabilities</b>		
Investment property	<u>808,806</u>	<u>386,081</u>

**Note 9: Revenue and Expenses**

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
(a) Revenue from continuing operations		
– Rental income	181,166	8,348
– Sale of diamonds and goods	1,009,292	372,134
– Interest received	11,633	28,877
– Government grant	<u>827,053</u>	<u>244,030</u>
Total revenue	<u><b>2,029,144</b></u>	<u><b>653,389</b></u>
(b) Expenses		
Cost of inventories sold	<u>(959,385)</u>	<u>(307,775)</u>
Finance costs		
Interest paid – Other	<u>(99,817)</u>	<u>(11,668)</u>
Total Finance Costs	<u><b>(99,817)</b></u>	<u><b>(11,668)</b></u>

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**Note 10: Current assets – Cash and cash equivalents**

**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position, as follows:

	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
<b>Current Assets</b>		
Cash at bank and in hand	7,295,576	1,497,816
Net Cash	<u><u>7,295,576</u></u>	<u><u>1,497,816</u></u>

**(b) Interest Rate Risk Exposure**

The Group's exposure to interest rate risk is discussed in note 3.

**Note 11: Current assets: Trade and other receivables**

	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
<b>Current</b>		
Other receivables	1,244,479	1,008,395
	<u><u>1,244,479</u></u>	<u><u>1,008,395</u></u>

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**Note 11: Current assets: Trade and other receivables (Continued)**

**(a) Fair value and credit risk**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period. Trade receivables are generally due for settlement within periods ranging from 30 days to 60 day.

	Effective interest rate %	Less than 1 year \$	1-5 years \$	5+ years \$
<b>Financial Assets</b>				
<b>At 31 December 2017</b>				
Non-interest bearing	–	1,244,479	–	–
Variable interest rate instruments	–	–	–	–
		<u>1,244,479</u>	–	–
<b>At 31 December 2016</b>				
Non-interest bearing	–	1,008,395	–	–
Variable interest rate instruments	–	–	–	–
		<u>1,008,395</u>	–	–

**Note 12: Current liabilities – Trade and other payables**

	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
Trade and other payables	<u>356,217</u>	<u>1,103,039</u>
	<u><b>356,217</b></u>	<u><b>1,103,039</b></u>

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. Their carrying value approximates their fair value.

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**Note 13: Borrowings**

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
Loan payable – Hainan Baina Investment Limited <sup>1</sup>	–	1,372,677
Loan payable – China Citic Bank <sup>2</sup>	–	400,204
	<b>–</b>	<b>1,772,881</b>

<sup>1</sup> The loan payable to Hainan Baina Investment Limited had been advanced to the Company under various loan agreements. The loans received by the Group from Hainan Baina Investment Limited accrued interest at 6% per annum and were unsecured and had no fixed repayment terms. The loans provided by Hainan Baina Investment Limited was used for general working capital purposes. The loans were settled in September 2017.

<sup>2</sup> On 30 March 2017, the loan received from China Citic Bank was repaid in full.

*Changes in liabilities arising from financing activities*

	<b>1 January 2017 \$</b>	<b>Cash flows \$</b>	<b>31 December 2017 \$</b>
Hainan Baina Investment Limited	1,372,677	(1,372,677)	–
China Citic Bank	400,204	(400,204)	–
	<b>1,772,881</b>	<b>(1,772,881)</b>	<b>–</b>

**Note 14: Contributed equity**

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
717,786,281 (2016: 654,932,730) Ordinary shares on issue	74,649,048	62,102,608
<b>Total contributed equity</b>	<b>74,649,048</b>	<b>62,102,608</b>

\* Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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**Note 14: Contributed equity (Continued)**

(b) Movements in ordinary share capital

	<i>No.</i>	<i>\$</i>
Balance as at 1 January 2016	654,932,730	62,102,608
No movement	—	—
<b>Closing balance as at 31 December 2016</b>	<b>654,932,730</b>	<b>62,102,608</b>
Balance as at 1 January 2017	654,932,730	62,102,608
Issue of shares <sup>1</sup> (net of issue costs)	62,853,551	12,546,440
<b>Closing balance as at 31 December 2017</b>	<b>717,786,281</b>	<b>74,649,048</b>

<sup>1</sup> On 29 August 2017, the Company successfully completed a sophisticated investor placement raising of US\$10,000,000 (equivalent to AUD\$12,570,710). The Company issued 62,853,551 fully paid ordinary shares at \$0.20 per share.

Capital management

In managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

Management consider that the total equity of the Group is what it manages as capital.

The Group is not subject to any externally imposed capital requirements.

(c) Share Options

There are no unissued ordinary shares of CAQ Holdings Limited under option as at 31 December 2017 (2016: Nil).

**Note 15: Reserves**

The foreign currency reserve is used to recognise exchange difference arising from translation of financial statements of foreign operations to Australian dollars.

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**Note 16: Related parties**

**(a) Compensation of Key Management Personnel**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
Short-term employee benefits	486,945	482,020
	<b>486,945</b>	<b>482,020</b>

**(b) Other transactions with Key Management Personnel**

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 Group in the reporting year.

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.

*CAQ Holdings Limited*

**Legal Fees:**

During the year, Price Sierakowski Pty Ltd ("Price Sierakowski") provided the Company with legal services. Mr Price is a Director and Shareholder of Price Sierakowski. For the year ended 31 December 2017 \$303 (incl GST) was paid to Price Sierakowski (31 December 2016: \$5,278 (incl GST)). As at 31 December 2017 \$nil (incl GST) was payable to Price Sierakowski (31 December 2016: \$nil).

**Rental Fees:**

During the year, Trident Capital Pty Ltd ("Trident Capital") provided the Company with office rental services. Mr Price is a Director and Shareholder of Trident Capital. For the year ended 31 December 2017 \$26,400 (incl GST) was paid to Trident Capital (31 December 2016: \$26,400 (incl GST)). As at 31 December 2017 \$nil was payable to Trident Capital (31 December 2016: \$nil).

**Accounting and Company Secretarial Fees:**

During the year, Trident Management Services Pty Ltd ("Trident Management Services") provided the Company with accounting and company secretarial services. Mr. Ong is a Director and Shareholder of Trident Management Services. For the year ended 31 December 2017 \$71,685 (incl GST) was paid to Trident Management Services (31 December 2016: \$71,768 (incl GST)). As at 31 December 2017 \$4,400 (excl GST) was payable to Trident Management Services (31 December 2016: \$5,244 (excl GST)).

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**Note 17: Remuneration of auditors**

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.

	31 December 2017 \$	31 December 2016 \$
<b>Ernst &amp; Young Australia</b>		
<b>1. Audit and other assurance services</b>		
– auditing and reviewing the financial statements	50,000	–
<b>2. Other services</b>		
– other <sup>1</sup>	4,428	–
<b>Ernst &amp; Young Hong Kong</b>		
<b>1. Audit and other assurance services</b>		
– auditing and reviewing the financial statements	75,330	–
	<u>129,758</u>	<u>–</u>
<b>BDO Audit (WA)</b>		
<b>1. Audit and other assurance services</b>		
– auditing and reviewing the financial statements	–	60,350
<b>2. Other services</b>		
– other <sup>1</sup>	–	4,740
<b>BDO China Shu Lun Pan LLP</b>		
<b>1. Audit and other assurance services</b>		
– auditing and reviewing the financial statements	–	9,098
Total remuneration for audit and other assurance services	<u>–</u>	<u>74,188</u>

<sup>1</sup> fees and disbursements are in relation to a site visit to China.

**Note 18: Contingencies**

***Contingent liabilities***

The directors of the Group are not aware of any contingent liabilities which require disclosure in the financial statements for the year ended 31 December 2017.



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**Note 19: Commitments**

***Operating lease commitments***

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
Not later than 1 year	18,000	18,000
	<u>18,000</u>	<u>18,000</u>

**Note 20: Events occurring after the reporting date**

There have not been any events that have arisen in the interval between the end of the financial period and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to materially affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

**Note 21: Reconciliation of loss after income tax to net cash flow from operating activities**

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
Operating (loss) after income tax	(2,379,817)	(2,704,539)
Foreign currency (loss)/gain	(28,848)	24,987
Depreciation	324,907	234,857
Deferred tax expense	403,929	–
Finance cost	87,604	–
Other		
(Increase)/decrease in assets		
– Inventory	(94,933)	(961,796)
– Prepayments	2,105	294,262
– Trade and other receivables	(916,150)	(30,116)
Increase/(decrease) in liabilities		
– VAT Tax	(445,810)	(116,578)
– Current trade creditors and payables	123,797	819,280
Net cash used in operating activities	<u>(2,923,216)</u>	<u>(2,439,643)</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 22: Loss per share**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic loss per share computations:

	<b>Consolidated 31 December 2017 \$</b>	<b>Consolidated 31 December 2016 \$</b>
Loss attributable to ordinary equity holders	<u>(2,379,817)</u>	<u>(2,704,539)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	<u>676,457,919</u>	<u>654,932,730</u>
	<b>Cents/share</b>	<b>Cents/share</b>
Basic and diluted loss per share	<u>(0.35)</u>	<u>(0.41)</u>

There are no potential ordinary shares on issue at 31 December 2017 and 31 December 2016.

**Note 23: Dividends**

No dividends have been declared or paid during the year. (2016: Nil)

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**Note 24: Parent entity information**

The following detailed information is related to the parent entity, CAQ Holdings Limited, as at 31 December 2017 and 31 December 2016.

	<b>31 December 2017</b>	<b>31 December 2016</b>
	\$	\$
Current assets	3,844,440	589,570
Non-current assets	62,534,079	54,832,396
<b>Total assets</b>	<b>66,378,519</b>	<b>55,421,966</b>
Current liabilities	171,699	23,320
Non-current liabilities	—	—
<b>Total liabilities</b>	<b>171,699</b>	<b>23,320</b>
Contributed equity	74,649,048	62,102,607
Accumulated losses	(8,579,778)	(6,841,511)
Reserves	137,550	137,550
<b>Total equity</b>	<b>66,206,820</b>	<b>55,398,646</b>
Loss for the year	(1,738,267)	(3,811,318)
Other comprehensive income for the year	—	—
<b>Total comprehensive loss for the year</b>	<b>(1,738,267)</b>	<b>(3,811,318)</b>

***Guarantees entered into by the parent entity***

The parent entity did not have any guarantees at 31 December 2017 and 2016.

***Contingent liabilities***

The parent entity did not have contingent liabilities at 31 December 2017 and 2016.

***Capital commitments***

The parent entity did not have capital commitments at 31 December 2017 and 2016.

***Operating lease commitments***

The operating lease comments for the parent entity for the year ended 31 December 2017 and 2016 are the same as those disclosed in Note 19.

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**Note 25: 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 preliminary financial statements have been restated as follows:

	<b>31 December 2016</b>	<b>31 December 2016</b>
	<b>Restated</b>	<b>As previously</b>
	<b>(under fair value</b>	<b>reported (Under</b>
	<b>accounting policy</b>	<b>historical cost</b>
	<b>for investment</b>	<b>accounting policy</b>
	<b>property)</b>	<b>for investment</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated statement of financial position</b>		
Investment property	55,174,157	53,629,831
Total non-current assets	55,958,148	54,413,822
Total assets	59,824,531	58,280,205
Deferred tax liability	386,081	—
Total non-current liabilities	386,081	—
Total liabilities	3,267,640	2,881,559
Accumulated losses	(5,913,883)	(7,072,128)
Total equity	56,556,891	55,398,646

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Note 25: Restatement of Comparative Information (Continued)**

**Consolidated statement of comprehensive income**

	<b>31 December 2016</b> <b>Restated (under</b> <b>fair value</b> <b>accounting policy</b> <b>for investment</b> <b>property)</b> \$	<b>31 December 2016</b> <b>Under historical</b> <b>cost accounting</b> <b>policy for</b> <b>investment</b> <b>property</b> \$
<b>Change in fair value of investment property</b>	–	–
Loss before tax	(2,704,539)	(2,704,539)
Income tax benefit/(expense)	–	–
Loss after tax	(2,704,539)	(2,704,539)
Loss per share		
Basic and diluted loss/share (cents per share)	(0.41)	(0.41)

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**  
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**SHAREHOLDER INFORMATION**

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

**Shareholdings as at 19 March 2018**

***Substantial shareholders***

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of capital held</b>
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	126,420,672	17.61
CITICORP NOMINEES PTY LIMITED	116,326,503	16.21
BEIJING PROPERTIES (HOLDINGS) LIMITED	108,628,000	15.13
MR KWAN CHAN	72,853,551	10.15
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	65,600,919	9.14
LI HUI YUN	50,000,000	6.97
MASS TALENT FINANCIAL LTD	36,000,000	5.02
<b>TOTAL</b>	<b>575,829,645</b>	<b>80.23</b>

<b>Distribution of security holders Category</b>	<b>Number of Holders</b>
1 – 1,000	352
1,001 – 5,000	208
5,001 – 10,000	118
10,001 – 100,000	101
100,001 and over	65
	<b>884</b>

***Unmarketable parcels***

The number of shareholders holding less than a marketable parcel is 693.

There is only one class of share and all ordinary shareholders have equal voting rights.

***On-market buyback***

There is no current on-market buy-back.

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

**SHAREHOLDER INFORMATION**

*Twenty largest shareholders – Ordinary Shares*

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of capital held</b>
PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	126,420,672	17.61
CITICORP NOMINEES PTY LIMITED	116,326,503	16.21
BEIJING PROPERTIES (HOLDINGS) LIMITED	108,628,000	15.13
MR KWAN CHAN	72,853,551	10.15
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	65,600,919	9.14
LI HUI YUN	50,000,000	6.97
MASS TALENT FINANCIAL LTD	36,000,000	5.02
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,587,088	3.56
ELITE MEDAL LIMITED	25,000,000	3.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,027,544	1.95
HOLLYVIEW INTERNATIONAL LTD	12,102,000	1.69
MR KEONG MING TEE	8,325,280	1.16
MR HUAN WEI XIAO	7,255,475	1.01
MS WAH LIH JIUN	6,225,000	0.87
TRIDENT CAPITAL PTY LTD	3,586,666	0.5
MR SHIWU HE	2,500,000	0.35
MR DASHUN TANG	2,500,000	0.35
MR FEI CHAN	2,100,000	0.29
MS JIN PENG	2,000,000	0.28
L & G TRADING CORPORATION PTY LTD	1,584,635	0.22
<b>TOTAL</b>	<b>688,623,333</b>	<b>93.99</b>

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

**CORPORATE GOVERNANCE STATEMENT**

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The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

In accordance with ASX Listing Rule 1.1 Condition 13, the corporate governance statement set out discloses the extent to which the Company intends to follow the recommendations as at the date of reinstatement of the Company's securities to quotation on ASX. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at [www.caqholdings.com](http://www.caqholdings.com), under the section marked "Corporate Governance":

- (a) Board Charter;
- (b) Board Performance Evaluation Policy;
- (c) Code of Conduct;
- (d) Audit Committee Charter;
- (e) Remuneration and Nomination Committee Charter;
- (f) Security Trading Policy;
- (g) Continuous Disclosure Policy;
- (h) Shareholder Communication and Investor Relations Policy;
- (i) Risk Committee Charter;
- (j) Risk Management Policy; and
- (k) Diversity Policy.

**Principle 1: Lay solid foundations for management and oversight**

***Recommendation 1.1***

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and have documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- (a) setting and reviewing strategic direction and planning;
- (b) reviewing financial and operational performance;
- (c) identifying principal risks and reviewing risk management strategies; and
- (d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer (or equivalent) and the management team. The management team, led by the Chief Executive Officer (or equivalent) is accountable to the Board.



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

**CORPORATE GOVERNANCE STATEMENT**

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***Recommendation 1.2***

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director. The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

***Recommendation 1.3***

The Company has a written agreement with all the Directors.

The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

***Recommendation 1.4***

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and Directors;
- (b) monitoring policies and procedures of the Board;
- (c) advising the Board through the Chairman of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

***Recommendation 1.5***

The Company has a Diversity Policy, the purpose of which is:

- (a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
- (b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity, which will be disclosed in the Company's corporate governance statement for the financial year ended 31 December 2018, and will review the effectiveness and relevance of these measurable objectives on an annual basis.

***Recommendation 1.6***

The Board will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's executive directors in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board. A general performance evaluation was undertaken in the reporting period.

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

**CORPORATE GOVERNANCE STATEMENT**

---

***Recommendation 1.7***

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

- (a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
- (b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
- (c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements. An assessment was performed during the financial year.

**Principle 2: Structure the board to add value**

***Recommendation 2.1***

The Company has a separate Nomination Committee comprising of Richard Soo, Qian Xu and Ching Chung. Ching Chung is an executive director. However, due to his experience, it was considered appropriate for Ching Chung to be on the committee. There were informal discussions held in relation to nomination matters during the year.

The duties of the nomination committee are set out in the Company's Nomination Committee Charter which is available on the Company's website.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

***Recommendation 2.2***

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

An evaluation was performed during the financial year.

***Recommendation 2.3***

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

**CAQ Holdings Limited and its Controlled Entities**  
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**CORPORATE GOVERNANCE STATEMENT**

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**Principle 2: Structure the board to add value (Continued)**

Currently the Board is structured as follows:

- (a) Paul Price (Non-Executive Director and Chairman);
- (b) KC Dennis Ong (Non-Executive Director);
- (c) Soo Tuck Yoon (Non-Executive Director);
- (d) Michael Siu (Non-Executive Director);
- (e) Qian Xu (Non-Executive Director);
- (f) Ching Chung (Executive Director and Deputy Chairman);
- (g) Yuk Cheung Chan (Non-Executive Director);
- (h) Ivan Cheng (Non-Executive Director); and
- (i) Kwan Chan (Non-Executive Director).

Paul Price is a director and shareholder of Trident Capital Pty Ltd, which is a shareholder of the Company and a provider of material professional services, and accordingly, is not considered independent.

KC Ong is a director of Trident Management Services Pty Ltd, which is a provider of material professional services, and accordingly, is not considered independent.

Michael Siu, Qian Xu and Ivan Cheng are directors of Beijing Properties (Holdings) Limited, which is a substantial shareholder of the Company, and accordingly, is not considered independent.

Ching Chung is an executive director, and accordingly, is not considered independent.

Kwan Chan is a substantial holder of the Company and accordingly, is not considered independent.

Yuk Cheung Chan is a relative of Kwan Chan and accordingly, is not considered independent.

***Recommendation 2.4***

Currently, the Board considers that membership weighted towards technical expertise is appropriate at this stage of the Company's operations. A majority of the Board is not independent.

***Recommendation 2.5***

As noted above, Paul Price is not an independent Chairman. However, Paul Price is considered to be the most appropriate person to Chair the Board because of his public company experience.

***Recommendation 2.6***

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

**CAQ Holdings Limited and its Controlled Entities**  
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**CORPORATE GOVERNANCE STATEMENT**

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**Principle 3: Act ethically and responsibly**

***Recommendation 3.1***

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (**Code**), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

**Principle 4: Safeguard integrity in corporate reporting**

***Recommendation 4.1***

The Company has a separate Audit Committee comprising of Paul Price, KC Ong, Michael Siu and Ivan Cheng.

The Audit Committee is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Audit Committee may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

***Recommendation 4.2***

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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

**CORPORATE GOVERNANCE STATEMENT**

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**Principle 4: Safeguard integrity in corporate reporting (Continued)**

***Recommendation 4.3***

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and if they cannot, they are to arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or their representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

**Principle 5: Make timely and balanced disclosure**

***Recommendation 5.1***

The Company is committed to:

- (a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- (b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- (c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Disclosure Policy, which is disclosed on the Company's website. The Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Company Secretary manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

**Principle 6: Respect the rights of security holders**

***Recommendation 6.1***

The Company provides information about itself and its governance to investors via its website at [www.cellaquaculture.com.au](http://www.cellaquaculture.com.au).

The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

- (a) relevant announcements made to the market via ASX;
- (b) media releases;
- (c) investment updates;
- (d) Company presentations and media briefings;
- (e) copies of press releases and announcements for the preceding three years; and
- (f) copies of annual and half yearly reports including financial statements for the preceding three years.

**CAQ Holdings Limited and its Controlled Entities**  
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**CORPORATE GOVERNANCE STATEMENT**

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**Principle 6: Respect the rights of security holders (Continued)**

***Recommendation 6.2***

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

- (a) reports to Shareholders;
- (b) ASX announcements;
- (c) annual general meetings; and
- (d) the Company website.

This Shareholder Communication and Investor Relations policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

***Recommendation 6.3***

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals. The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board and to otherwise participate in the meeting. The external auditor of the Company is invited attend each Annual General Meeting of the Company and be available to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

***Recommendation 6.4***

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

**Principle 7: Recognise and manage risk**

***Recommendation 7.1***

The Company does not have a separate Risk Committee. The Audit Committee is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed on the Company's website.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

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

**CORPORATE GOVERNANCE STATEMENT**

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**Principle 7: Recognise and manage risk (Continued)**

The risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance/regulations; and
- (d) system/IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

***Recommendation 7.2***

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

- (a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
- (b) quarterly rolling forecasts prepared;

***Recommendation 7.3***

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

***Recommendation 7.4***

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks. The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks in each of its corporate governance statements.

**Principle 8: Remunerate fairly and responsibly**

***Recommendation 8.1***

Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. There were informal discussions held in relation to remuneration matters during the year.

The duties of the Remuneration Committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

**CAQ Holdings Limited and its Controlled Entities**  
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**CORPORATE GOVERNANCE STATEMENT**

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**Principle 8: Remunerate fairly and responsibly (Continued)**

***Recommendation 8.2***

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

***Recommendation 8.3***

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Performance Rights Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Performance Rights Plan.

***Security Trading Policy***

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's trading policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.



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

**CORPORATE DIRECTORY**

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**Directors**

Paul Price  
KC Ong  
Soo Tuck Yoon  
Michael Siu  
Qian Xu  
Ching Chung  
Yuk Cheung Chan  
Ivan Cheng  
Kwan Chan

**Company Secretary**

Deborah Ho

**Registered Office**

CAQ Holdings Limited  
c/o Trident Management Services Pty Ltd  
Level 24  
44 ST George's Terrace  
Perth, WA 6000  
Telephone: (08) 6211 5099

**Principal Place of Business**

CAQ Holdings Limited  
c/o. Beijing Properties (Holdings) Limited  
66/F, Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
Telephone: (852) 2511 6016

**Share Registry**

Advanced Share Registry Services  
150 Stirling Hwy  
Nedlands WA 6009  
Telephone: (08) 9389 8033

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000  
Telephone: (08) 9429 2222

**Stock Exchange**

The Company is listed on the Australian Securities Exchange (Code: CAQ). The Home Exchange is Perth.

**Other Information**

CAQ Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

**Website**

[www.caqholdings.com](http://www.caqholdings.com)