

## APPENDIX 4D

### Consolidated interim financial report for the period ending 30 June 2016

#### 1. Name of entity

<b>CAQ Holdings Limited and its Controlled Entities</b>
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ABN	Reporting Period	Previous Corresponding Period
86 091 687 740	Half-year ended 30 June 2016	Half-year ended 30 June 2015

#### 2. Results for Announcement to the Market

Financial Results	30 June 2016			
Revenues from ordinary activities ( <i>item 2.1</i> )	Up	2,651%	to	373,631
Loss from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	529.0%	to	(3,681,922)
Net loss for the period attributable to members ( <i>item 2.3</i> )	Down	529.0%	to	(3,681,922)
Final and interim dividends ( <i>item 2.4</i> )	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	N/A			
Brief explanation of any of the figures reported above ( <i>item 2.6</i> ):	The loss for the half-year period ended 30 June 2016 is mainly attributable to the increase in operational cost and the decrease in fair value of investment properties.  Refer attached Consolidated Interim Financial Report for additional details.			

#### 3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share ( <i>Item 3</i> )	8.6 cents	9.6 cents

#### 4. Control gained over entities

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

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

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

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

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

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

**CAQ Holdings Limited and its Controlled Entities**

**ABN 86 091 687 740**

**Consolidated Interim Financial Report  
Half-Year Ended 30 June 2016**

**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 of CAQ Holdings Limited (the "Company") submit herewith the interim financial report of the Company and its controlled entities during the half-year ended 30 June 2016.

**Directors**

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

Paul Price, *Chairman and Non-Executive Director*

KC Ong, *Non-Executive Director*

Richard Soo, *Non-Executive Director*

Michael Siu, *Non-Executive Director*

Qian Xu, *Non-Executive Director*

Ching Chung, *Deputy Chairman and Executive Director*

**Company Secretary**

Deborah Ho

**Principal Activities**

The Group's principal activity is property development.

**Dividends Paid or Recommended**

No dividends were paid and no recommendation is made as to dividends during the half-year

**Operating and Financial Review**

The loss for the half-year period from 1 January 2016 to 30 June 2016 is mainly attributable to the increase in operational cost and the decrease in fair value of investment properties.

**Review of Operations and Changes in State of Affairs**

As at 31 December 2015, the main construction of the buildings, being the Exhibition Centre, Factories B, C and D, Warehouses A, B and C and the Commercial and Administrative Centre had been completed. During the six months ended 30 June 2016, internal construction works to plaster the building walls, to waterproof the buildings and to install insulation in the buildings were completed. In addition to this, other internal works in relation to the installation of ventilation systems, elevator systems, insulation and lighting were also completed for all buildings. During the period, installation of low current systems in each building and construction of roads and landscaping were in progress.

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

**DIRECTORS' REPORT**

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**Events Subsequent to Reporting Date**

On 10 August 2016, HPB received a bank loan facility from China CITIC for RMB15,000,000 (equivalent to approximately \$2,942,000). HPB drew down the loan facility by RMB1,000,000 (equivalent to approximately \$200,000).

**Auditor's independence Declaration**

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

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

A handwritten signature in black ink, appearing to be 'Michael Siu', written in a cursive style.

**Michael Siu**

*Director*

Signed at China this 31st day of August 2016

## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF CAQ HOLDINGS LIMITED

As lead auditor for the review of CAQ Holdings Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



**Dean Just**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 31 August 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CAQ Holdings Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CAQ Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CAQ Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CAQ Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CAQ Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

**BDO Audit (WA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Dean Just', written over a faint, larger 'BDO' logo.

**Dean Just**

**Director**

Perth, 31 August 2016

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	<i>Notes</i>	Half-year ended 30 June 2016 \$	Half-year ended 30 June 2015 \$
Sales		373,631	13,583
Other revenue		270,941	112,710
<b>Total revenue</b>		<b>644,572</b>	<b>126,293</b>
Cost of sales		(297,999)	(12,997)
Foreign currency loss		(42,050)	(105,487)
Legal expenses		(47,456)	(63,531)
Accounting and auditing fees		(47,874)	(70,873)
Directors fees, salary and consultancy expenses		(872,586)	(141,281)
Insurance		(22,630)	(31,695)
Occupancy costs		(12,000)	(10,000)
Travel costs		(207,421)	(35,675)
Finance costs		(2,282)	(699)
Administration expenses		(82,048)	(150,360)
Advertising and promotion		(41,622)	–
Depreciation		(109,037)	–
Other expenses		(142,968)	(226,137)
Change in fair value of Investment Properties	5	(2,784,602)	2,106,170
<b>Profit/(loss) before income tax</b>		<b>(4,068,003)</b>	<b>1,383,729</b>
Income tax benefit/(expenses)		386,081	(526,543)
<b>Profit/(loss) after income tax</b>		<b>(3,681,922)</b>	<b>857,186</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 HALF-YEAR ENDED 30 JUNE 2016**

<i>Notes</i>	<b>Half-year ended 30 June 2016</b>	<b>Half-year ended 30 June 2015</b>
	\$	\$
<b>Other comprehensive gain</b>		
<i>Items that may be reclassified to the profit or loss</i>		
Exchange differences on foreign currency translation	(2,133,418)	2,127,263
<b>Total comprehensive profit/(loss) for the period</b>	<b>(5,815,340)</b>	<b>2,984,449</b>
Profit/(loss) is attributable to:		
Owners of CAQ Holdings Limited	(3,681,922)	857,186
Non-controlling interests	—	—
	<b>(3,681,922)</b>	<b>857,186</b>
Total comprehensive profit/(loss) for the period is attributable to:		
Owners of CAQ Holdings Limited	(5,815,340)	2,984,449
Non-controlling interests	—	—
	<b>(5,815,340)</b>	<b>2,984,449</b>
<b>Earnings/(loss) per share attributable to the members of CAQ Holdings Limited</b>		
Basic and diluted earnings/(loss) per share (cents per share)	(0.56)	0.13

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 30 JUNE 2016**

	<i>Notes</i>	<b>30 June 2016</b> \$	<b>31 December 2015</b> \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,620,070	18,347,477
Trade and other receivables		1,218,257	2,415,112
Inventory		554,698	293,451
Prepayments		16,852	93,260
<b>TOTAL CURRENT ASSETS</b>		<b>5,409,877</b>	<b>21,149,300</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment		635,720	586,536
Investment property	5	50,876,811	46,442,896
Intangibles		109,431	84,745
<b>TOTAL NON-CURRENT ASSETS</b>		<b>51,621,962</b>	<b>47,114,177</b>
<b>TOTAL ASSETS</b>		<b>57,031,839</b>	<b>68,263,477</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		316,362	307,277
Accruals		5,039	39,495
Loans payable	6	448,265	5,453,111
<b>TOTAL CURRENT LIABILITIES</b>		<b>769,666</b>	<b>5,799,883</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		-	386,081
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>386,081</b>
<b>TOTAL LIABILITIES</b>		<b>769,666</b>	<b>6,185,964</b>
<b>NET ASSETS</b>		<b>56,262,173</b>	<b>62,077,513</b>
<b>EQUITY</b>			
Contributed equity	7	62,102,608	62,102,608
Accumulated losses		(6,891,266)	(3,209,344)
Reserves		1,050,831	3,184,249
<b>TOTAL EQUITY</b>		<b>56,262,173</b>	<b>62,077,513</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 HALF-YEAR ENDED 30 JUNE 2016**

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
<b>Balance at 1.1.2015</b>	<u>2,855,431</u>	<u>(2,321,697)</u>	<u>–</u>	<u>533,734</u>
Profit for the period	–	857,186	–	857,186
Movement of foreign exchange reserve	–	–	2,127,263	2,127,263
<b>Total comprehensive income for the period</b>	<u>–</u>	<u>857,186</u>	<u>2,127,263</u>	<u>2,984,449</u>
Issue of Shares (net of issue costs)	59,247,177	–	–	59,247,177
<b>Balance at 30.6.2015</b>	<u>62,102,608</u>	<u>(1,464,511)</u>	<u>2,127,263</u>	<u>62,765,360</u>
	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
<b>Balance at 1.1.2016</b>	<u>62,102,608</u>	<u>(3,209,344)</u>	<u>3,184,249</u>	<u>62,077,513</u>
Loss for the period	–	(3,681,922)	–	(3,681,922)
Movement of foreign exchange reserve	–	–	(2,133,418)	(2,133,418)
<b>Total comprehensive loss for the period</b>	<u>–</u>	<u>(3,681,922)</u>	<u>(2,133,418)</u>	<u>(5,815,340)</u>
<b>Balance at 30.6.2016</b>	<u>62,102,608</u>	<u>(6,891,266)</u>	<u>1,050,831</u>	<u>56,262,173</u>

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

	<i>Notes</i>	<b>30 June 2016</b>	<b>30 December 2015</b>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		354,925	29,750
Government subsidy		207,477	39,074
Payments to suppliers and employees		(2,207,475)	(2,177,489)
Finance costs		(2,282)	(2,117)
Interest received		20,517	12,838
		<u>                    </u>	<u>                    </u>
<b>Net cash outflow from operating activities</b>		<b>(1,626,838)</b>	<b>(2,097,944)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of items of property, plant and equipments		(184,579)	(538,789)
Payment for intangible assets		(51,905)	(100,718)
Payments of construction costs		(8,970,833)	(14,539,648)
		<u>                    </u>	<u>                    </u>
<b>Net cash outflow from investing activities</b>		<b>(9,207,317)</b>	<b>(15,179,155)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Deposit refund		–	1,128,006
Repayment/(advance) to constructor		1,266,624	(1,266,624)
Proceeds from borrowings		436,131	4,448,919
Repayment of borrowings		(5,230,327)	(8,908,027)
		<u>                    </u>	<u>                    </u>
<b>Net cash outflow from financing activities</b>		<b>(3,527,572)</b>	<b>(4,597,726)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(14,361,727)</b>	<b>(21,874,825)</b>
Cash and cash equivalents at the beginning of the period		18,347,477	37,947,068
		<u>                    </u>	<u>                    </u>
Effects of exchange rate changes on cash and cash equivalents		(365,680)	2,275,234
		<u>                    </u>	<u>                    </u>
<b>Cash and cash equivalents at end of the period</b>		<b><u>3,620,070</u></b>	<b><u>18,347,477</u></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 CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

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**1. Corporate Information**

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

The Group’s principal activity is property development.

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

These consolidated interim financial statements for the half-year reporting period ended 30 June 2016 have been prepared in accordance with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001.

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

These consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2015.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

**(b) Going Concern**

The consolidated interim financial report has been prepared on the basis that the Group is a going concern, which considers the realisation of assets and the settlement of liabilities in the normal course of business activities. As at 30 June 2016 the Group has a net current assets position of \$4,640,211 (31 December 2015: \$15,349,417). The Group incurred an operating loss of \$3,681,922 for the half-year period ended 30 June 2016 and a net cash outflow from operating activities amounting to \$1,626,838 (31 December 2015: 2,097,944). As at 30 June 2016 the Group has a commitment of \$2,202,848 (31 December 2015: \$9,403,664) in respect of the construction for the Haikou Project. The official Inspection and Acceptance Certificate is expected to be obtained in the fourth quarter of 2016. The Directors consider that the Group will have adequate funds to enable it to operate as a going concern, based on the Group’s cash flow forecast and the fact that subsequent to the year end HPB entered into a bank loan facility with CITIC which at the date of this report has unutilised banking facilities amounting to RMB14,000,000 (approximately \$2,832,200). The financial statements do not include any adjustments that might be necessary should the Company not be able to continue as a going concern.

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

**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**3. Segment Information**

The Group operates in one segment being the construction of the Haikou Project and associated e-commerce platform for the sale of diamond jewellery, loose diamonds and imported jewellery industry. Accordingly the financial information reported elsewhere in this condensed consolidated interim financial statements is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

**4. Dividends**

No dividends were declared or paid during the half-year.

**5. Investment Properties**

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Balance as at beginning of period	46,442,896	33,253,240
Construction costs incurred during the period	9,226,526	14,783,928
Fair value adjustment	(2,784,602)	(561,844)
Foreign exchange adjustment	(2,008,009)	(1,032,428)
	<b>50,876,811</b>	<b>46,442,896</b>
<b>Closing balance as at end of period</b>	<b>50,876,811</b>	<b>46,442,896</b>

***Leasing Arrangements***

The Group leases its investment properties under operating lease arrangements, with the leases negotiated for terms ranging from 10 to 30 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the tenancy agreements or further negotiation. Rental income cash flows are expected in 2017.

***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 prescribed under the accounting standards.

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

**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**5. Investment Properties (Continued)**

*(i) Fair value hierarchy (Continued)*

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

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

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

**Period ended 31 December 2015**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Non-financial assets</b>				
Investment property	–	–	46,442,896	46,442,896
Total non-financial assets	<u>–</u>	<u>–</u>	<u>46,442,896</u>	<u>46,442,896</u>

**Period ended 30 June 2016**

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Non-financial assets</b>				
Investment property	–	–	50,876,811	50,876,811
Total non-financial assets	<u>–</u>	<u>–</u>	<u>50,876,811</u>	<u>50,876,811</u>

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

**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**5. Investment Properties (Continued)**

*(ii) Valuation techniques*

The Group obtains independent valuations for its investment properties 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 each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

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

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

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

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2015	Range of inputs used at 30 June 2016	Relationship Between Unobservable Inputs and Fair Value
Investment property	Income approach based on estimated rental value of the property. Market rent and capitalisation rate are estimated by an external valuer or management based on comparable transactions and industry data.	Market rent	RMB18 to 24 per sqm per month	RMB18 to 24 per sqm per month	The higher the market rent, the higher the fair value.
		Capitalisation rate	7.25%	7.25%	The higher the capitalisation rate, the lower the fair value.

As disclosed in the Group's annual report a valuation was performed by Crowe Horwath (HK) Consulting & Valuation Limited on the Haikou project as at 31 December 2015. This valuation was undertaken using the income approach based on the estimated rental value of the property less costs to complete.

As at 30 June 2016 this valuation methodology has led to a fair value decrease of \$2,784,602 during the period due to higher than budgeted construction costs since the last formal valuation was undertaken. The directors consider all other assumptions used in the valuation to be reasonable.

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

**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**5. Investment Properties (Continued)**

The official Inspection and Acceptance certificate for the Haikou Project is expected to be obtained in the fourth quarter of 2016. There are lease agreements in place for some of the investment properties with tenants under long-term operating leases with rental payable monthly. Minimum lease payments under the lease agreements not recognised in the financial statements, are receivable as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Within one year	–	415,178
Later than one year but not later than 5 years	12,087,133	15,899,325
Later than 5 years	33,446,507	31,789,276
	<b>45,533,640</b>	<b>48,103,779</b>
	<b>45,533,640</b>	<b>48,103,779</b>

**6. Loan Payable**

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Loan payable – Hainan Baina Investment Limited <sup>1</sup>	448,265	119,587
Loan payable – Beijing Yun Zhong Investment Consulting Co. Ltd. <sup>2</sup>	–	5,333,524
	<b>448,265</b>	<b>5,453,111</b>
<b>Total loans</b>	<b>448,265</b>	<b>5,453,111</b>

<sup>1</sup> In June 2016, Haikou Peace Base Industry Development Co. Ltd (“HPB”) entered into a loan agreement with Hainan Baina Investment Limited and was advanced \$404,592. Pursuant to the loan agreement, interest is charged at a rate of 6% per annum. As at 30 June 2016, the principal loan amount of \$404,592 and additional loan amount of \$43,673 for expenses paid on behalf of HPB. The loan provided funds used for the general working capital for HPB.

<sup>2</sup> On 1 February 2016, the loan had been repaid in full to Beijing Yun Zhong Investment Consulting Co., Ltd.

**CAQ Holdings Limited and its Controlled Entities**  
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**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**7. Contributed Equity**

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
(a) Ordinary shares	62,102,608	62,102,608
<b>Total contributed equity</b>	<b>62,102,608</b>	<b>62,102,608</b>
 (b) Movements in ordinary share capital		
	<i>Number of shares</i>	<i>\$</i>
Balance as at 1 July 2014	374,115,356	2,855,431
Capital consolidation <sup>1</sup>	(187,057,626)	–
Issue of shares under Vendor Offer <sup>2</sup>	207,500,000	11,732,875
Issue of shares under Facilitation Offer <sup>3</sup>	10,375,000	586,644
Issue of shares under Public Offer <sup>4</sup>	250,000,000	50,000,000
Costs of issue	–	(3,072,342)
<b>Closing balance as at 30 June 2015</b>	<b>654,932,730</b>	<b>62,102,608</b>
Balance as at 1 July 2015	654,932,730	62,102,608
No movement	–	–
Closing balance as at 31 December 2015	654,932,730	62,102,608
Balance as at 1 January 2016	654,932,730	62,102,608
No movement	–	–
Closing balance as at 30 June 2016	654,932,730	62,102,608

<sup>1</sup> On 24 December 2014, the Company's securities were consolidated on a 1:2 basis.

<sup>2</sup> On 17 April 2014, pursuant to the resolution approved at the shareholders meetings on 10 December 2014, the Company issued 207,500,000 shares to the Vendors of the acquisition. Following a valuation performed on the acquisition, the value of the consideration is deemed to be \$11,732,875.

<sup>3</sup> On 17 April 2014, pursuant to the resolution approved at the shareholders meeting on 10 December 2014, the Company issued 10,375,000 shares to the Facilitators of the acquisition. The value of the services is deemed to be 5% of the asset value.

<sup>4</sup> On 7 May 2015, pursuant to the resolution approved at the shareholders meeting on 10 December 2014, the Company issued 250,000,000 shares at \$0.2 per share.

(c) Share Options

There are no unissued ordinary shares of the Company under option as at 30 June 2016.

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

**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

**8. Contingent Liabilities**

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

**9. Commitments**

***Operating lease commitments***

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Not later than 1 year	6,000	18,000
	6,000	18,000

***Construction commitment***

	<b>30 June 2016</b>	<b>31 December 2015</b>
	\$	\$
Not later than 1 year	2,202,948	9,403,664
	2,202,948	9,403,664

The outstanding capital commitment to complete the Haikou Project is RMB11,043,369 (equivalent to approximately AUD2,202,948) as at 30 June 2016.

**10. Transactions with related parties**

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

***CAQ Holdings Limited***

***Legal Fees:***

During the period, Price Sierakowski Pty Ltd ("Price Sierakowski") provided the Company with legal services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. As at 30 June 2016, \$5,601 (incl GST) was paid to Price Sierakowski. As at 30 June 2016, \$557 (incl GST) was payable to Price Sierakowski.

**CAQ Holdings Limited and its Controlled Entities**  
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**NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

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*Rental Fees:*

During the period, Trident Capital provided the Company with office rental services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. As at 30 June 2016, \$13,200 (incl GST) was paid to Trident Capital. As at 30 June 2016, \$nil was payable to Trident Capital.

*Accounting Fees:*

During the period, Trident Management Services Pty Ltd (“Trident Management Services”) provided the Company with accounting services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. As at 30 June 2016, \$8,340 (incl GST) was paid to Trident Management Services. As at 30 June 2016, \$3,410 (incl GST) was payable to Trident Management Services.

*Company Secretarial Fees:*

During the period, Trident Management Services provided the Company with company secretarial services. These services provided were based upon normal commercial terms and conditions no more favourable than those available to other parties. As at 30 June 2016, \$26,400 (incl GST) was paid to Trident Management Services. As at 30 June 2016, \$4,400 (incl GST) was payable to Trident Management Services.

*Lease Agreement:*

HPB signed lease agreement with China Logistics Infrastructure (Holdings) Co. Ltd. which is a subsidiary of Beijing Properties (Holdings) Limited. The terms of the agreement are deemed to be on an arms length basis.

**11. Events occurring after the reporting date**

On 10 August 2016, HPB received a bank loan facility for RMB15,000,000 (equivalent to approximately \$2,942,000). HPB drew down the loan facility by RMB1,000,000 (equivalent to approximately \$200,000).

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

**DIRECTORS' DECLARATION**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2016**

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The Directors of the Group declare that:

1. The financial statements and notes set out on pages 7 to 19 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date.
2. In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



**Michael Siu**  
*Director*

Signed at China this 31st day of August 2016