

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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Results for announcement to market	Up/Down	% Change	31 December 2017 \$
Revenue from ordinary activities	Up	213%	1,190,458
Loss after tax from ordinary activities attributable to members	Down	12%	(2,379,817)
Loss attributable to members	Down	12%	(2,379,817)
			Franked Amount per share
			Amount per share
Dividend Information			
Dividend – current reporting period		Nil	Nil
Dividend – previous reporting period		Nil	Nil
Net Tangible Asset Backing per Ordinary Share			cents
Net tangible asset backing per ordinary share – current reporting period		717,786,281	9.22
Net tangible asset backing per ordinary share – previous reporting period		654,932,730	8.64

Commentary on the Results for the Period

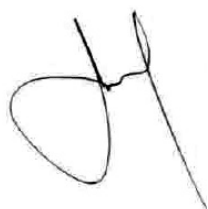
The loss for the year ended 31 December 2017 was incurred in the ordinary course of business.

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.

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

Audit

This Preliminary Final Report is based on the Consolidated Annual Financial Report which is in the process of being audited.



Michael Siu
Director

Dated at Perth this 28 day of February 2018.

CAQ Holdings Limited and its Controlled Entities
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REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS
FOR THE YEAR ENDED 31 DECEMBER 2017

Review of Operations and Changes in State of Affairs

Operations

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.

Corporate

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

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

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

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

	Consolidated	Restated
	Year ended	Consolidated
	31 December	Year ended
<i>Note</i>	2017	31 December
	\$	2016
		\$
Revenue from continuing operations		
Sales	1,190,458	380,482
Other revenue	838,686	272,907
	2,029,144	653,389
Cost of sales	(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	(99,817)	(11,668)
Administration expenses	(200,068)	(151,934)
Other expenses	(456,911)	(371,106)
Depreciation	(324,907)	(234,857)
	(1,975,888)	(2,704,539)
Loss from continuing operations		
before Income Tax	(1,975,888)	(2,704,539)
Income tax expense	(403,929)	-
	(2,379,817)	(2,704,539)
Loss after income tax for the year		

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

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

		Consolidated	Restated
		Year ended	Consolidated
		31 December	Year ended
	<i>Note</i>	2017	31 December
		\$	2016
			\$
Other comprehensive loss			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		(516,694)	(2,816,083)
		<u>(516,694)</u>	<u>(2,816,083)</u>
Total comprehensive loss for the year		(2,896,511)	(5,520,622)
		<u>(2,896,511)</u>	<u>(5,520,622)</u>
Loss is attributable to:			
Owners of CAQ Holdings Limited		(2,379,817)	(2,704,539)
Non-controlling interests		—	—
		<u>—</u>	<u>—</u>
		(2,379,817)	(2,704,539)
		<u>(2,379,817)</u>	<u>(2,704,539)</u>
Total comprehensive loss for the year is attributable to:			
Owners of CAQ Holdings Limited		(2,896,511)	(5,520,622)
Non-controlling interests		—	—
		<u>—</u>	<u>—</u>
		(2,896,511)	(5,520,622)
		<u>(2,896,511)</u>	<u>(5,520,622)</u>
Loss per share attributable to the members of CAQ			
Holdings Limited			
		Cents Per Share	Cents Per Share
Basic and diluted loss per share	6	<u>(0.35)</u>	<u>(0.41)</u>

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>	Consolidated 31 December 2017	Restated Consolidated 31 December 2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		7,295,576	1,497,816
Trade and other receivables		4,002,510	1,008,395
Inventory		1,350,180	1,255,247
Prepayments		102,820	104,925
TOTAL CURRENT ASSETS		12,751,086	3,866,383
NON-CURRENT ASSETS			
Property, plant & equipment		425,562	661,426
Investment property	2	54,175,623	55,174,157
Intangibles		63,472	122,565
TOTAL NON-CURRENT ASSETS		54,664,657	55,958,148
TOTAL ASSETS		67,415,743	59,824,531
CURRENT LIABILITIES			
Trade and other payables		356,217	1,103,039
Tax payable		5,696	4,564
Accruals		38,204	1,075
Borrowings	3	–	1,772,881
TOTAL CURRENT LIABILITIES		400,117	2,881,559

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>	Consolidated 31 December 2017	Restated Consolidated 31 December 2016
		\$	\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities		808,806	386,081
TOTAL NON-CURRENT LIABILITIES		808,806	386,081
TOTAL LIABILITIES		1,208,923	3,267,640
NET ASSETS		66,206,820	56,556,891
EQUITY			
Contributed equity	4	74,649,048	62,102,608
Accumulated losses		(8,293,700)	(5,913,883)
Reserves	5	(148,528)	368,166
TOTAL EQUITY		66,206,820	56,556,891

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2017 (as previously stated)	62,102,608	(7,072,128)	368,166	55,398,646
Restatement of comparatives (<i>Note 9</i>)	–	1,158,245	–	1,158,245
Balance at 1.1.2017 (as restated)	<u>62,102,608</u>	<u>(5,913,883)</u>	<u>368,166</u>	<u>56,556,891</u>
Loss for the year	–	(2,379,817)	–	(2,379,817)
Other comprehensive loss	–	–	(516,694)	(516,694)
Total comprehensive loss for the period	<u>–</u>	<u>(2,379,817)</u>	<u>(516,694)</u>	<u>(2,896,511)</u>
Transactions with owners in their capacity as owners:				
Issue of shares (net of issue costs)	12,546,440	–	–	12,546,440
Balance at 31.12.2017 (Consolidated)	<u>74,649,048</u>	<u>(8,293,700)</u>	<u>(148,528)</u>	<u>66,206,820</u>
	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2016 (as previously stated)	62,102,608	(4,367,589)	3,184,249	60,919,268
Restatement of comparatives	–	1,158,245	–	1,158,245
Balance at 1.1.2016 (as restated)	<u>62,102,608</u>	<u>(3,209,344)</u>	<u>3,184,249</u>	<u>62,077,513</u>
Loss for the year	–	(2,704,539)	–	(2,704,539)
Other comprehensive loss	–	–	(2,816,083)	(2,816,083)
Total comprehensive loss for the period	<u>–</u>	<u>(2,704,539)</u>	<u>(2,816,083)</u>	<u>(5,520,622)</u>
Balance at 31.12.2016 (Consolidated)	<u>62,102,608</u>	<u>(5,913,883)</u>	<u>368,166</u>	<u>56,556,891</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 YEAR ENDED 31 DECEMBER 2017

	Consolidated	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,307,549	386,272
Receipt of government subsidy	778,093	202,179
Payments to suppliers and employees	(5,064,389)	(3,445,505)
Finance costs	(12,239)	(11,669)
Interest received	11,633	28,876
Deposit refund	–	400,204
	(2,979,353)	(2,439,643)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(44,599)	(341,410)
Payment for intangible assets	(3,277)	(90,832)
Payment of construction costs	(929,626)	(10,795,454)
	(977,502)	(11,227,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	12,570,710	–
Cost of share issue	(24,270)	–
Advance to constructor	(1,576,018)	965,286
Proceeds from borrowings	2,066,949	1,706,968
Repayment of borrowings	(3,712,686)	(5,227,304)
	9,324,685	(2,555,050)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
Net increase/(decrease) in cash and cash equivalents	5,367,830	(16,222,389)
Cash and cash equivalents at the beginning of the financial year	<u>1,497,816</u>	<u>18,347,477</u>
Effects of exchange rate changes on cash and cash equivalents	<u>429,930</u>	<u>(627,272)</u>
Cash and cash equivalents at end of year	<u><u>7,295,576</u></u>	<u><u>1,497,816</u></u>

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

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

NOTES TO THE APPENDIX 4E

Note 1: 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 2: Investment Properties

	Consolidated	Restated
	2017	2016
	\$	\$
Balance as at 1 January	55,174,157	46,442,896
Addition for the year	–	11,148,552
Foreign exchange adjustment	(998,534)	(2,417,291)
Closing balance as at 31 December	54,175,623	55,174,157

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

NOTES TO THE APPENDIX 4E

Note 3: Borrowings

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

¹ *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.*

² *On 30 March 2017, the loan received from China Citic Bank was repaid in full.*

Note 4: Contributed equity

	Consolidated	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
	<u>74,649,048</u>	<u>62,102,608</u>
Total contributed equity	<u>74,649,048</u>	<u>62,102,608</u>

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

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

NOTES TO THE APPENDIX 4E

(b) Movements in ordinary share capital

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

¹ On 29 August 2017, the Company successfully completed a sophisticated investor placement raising US\$10,000,000 (equivalent to AUD\$12,570,710.25). The Company issued 62,853,551 fully paid ordinary shares at \$0.20 per share.

(c) Share Options

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

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

NOTES TO THE APPENDIX 4E

Note 5: Reserves

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

Note 6: 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:

	Consolidated 31 December 2017 \$	Consolidated 31 December 2016 \$
Loss attributable to ordinary equity holders	<u>(2,379,817)</u>	<u>(2,704,539)</u>
	Number	Number
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>
	Cents/share	Cents/share
Basic and diluted loss per share	<u>(0.35)</u>	<u>(0.41)</u>

Note 7: Operating Segment

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.

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

NOTES TO THE APPENDIX 4E

Note 8: Basis of Preparation

The preliminary financial statements and notes presented in this Appendix 4E 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.

The same accounting policies and methods of computation have generally been followed in this preliminary financial statements as compared with the most recent annual financial statements except for the treatment of the investment property at fair value as detailed in note 9.

The Group's accounting policy for investment property was as follows:

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

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

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

Note 9: 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.

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

NOTES TO THE APPENDIX 4E

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:

	31 December 2016	31 December 2016
	Restated (under fair value accounting policy for investment property)	As previously reported (Under historical cost accounting policy for investment property)
	\$	\$
Consolidated statement of financial position		
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

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

NOTES TO THE APPENDIX 4E

Consolidated statement of comprehensive income

	31 December 2016	31 December 2016
	Restated (under fair value accounting policy for investment property)	Under historical cost accounting policy for investment property
	\$	\$
Change in fair value of investment property	–	–
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.