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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Results for announcement to market	Up/Down	% Change	31 December 2016 $
Revenue from ordinary activities	Up	778%	380,482
Loss after tax from ordinary activities attributable to members	Down	205%	(2,704,539)
Loss attributable to members	Down	205%	(2,704,539)

Dividend Information	Amount per share	Franked Amount per share
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	654,932,730	8.64
Net tangible asset backing per ordinary share – previous reporting period	654,932,730	9.48

Commentary on the Results for the Period

During the year, the construction of the Haikou Project was completed and Haikou Peace Base Industry Co. Limited ("HPB") continued to arrange for relevant government agencies to carry out the required completion inspections of the Haikou Project, in order to obtain the Official Inspection and Acceptance Certificate ("Certificate"). Due to delays in obtaining the Certificate, the handover to the respective lessees for Factory B and C had not occurred and has impacted on potential rental income.

The loss for the year is also attributable to increase in employee costs and no movement due to a revaluation of the investment property.

Audit

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

P. D. Price

Paul Price
Chairman
Dated at Perth this 28 day of February 2017.

REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS FOR THE YEAR ENDED 31 DECEMBER 2016

Review of operations and changes in State of Affairs

During the year ended 31 December 2016, the construction of the Haikou Project was completed and the final inspections of the elevator systems, fire protection systems, lightning protection systems, security systems, power supply systems, water systems, energy saving systems, civil air defence compliance and termite protection systems in all the buildings had been completed. Subsequent to this, HPB obtained the Official Inspection and Acceptance Certificate.

In addition to this, HPB had opened two physical stores under its own brand name Zuanxihui. One store is located in Haikou Meilan Airport Duty-Free Mall and the other in Mission Hills Centreville, Haikou. HPB also has an e-commerce platform and an e-store on the JingDong Mall e-commerce platform.

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated Year ended 31 December 2016	Consolidated Year ended 31 December 2015
		$	*$*
Revenue from continuing operations			
Sales		380,482	43,333
Other revenue		272,907	164,625
Total revenue from continuing operations		**653,389**	**207,958**
Cost of sales		(307,775)	(33,769)
Foreign currency gain/(loss)		(24,987)	145,773
Legal expenses		(54,835)	(118,751)
Accounting and auditing fees		(107,050)	(128,884)
Directors fees, salary and consultancy expenses		(1,684,280)	(963,951)
Insurance expenses		(35,443)	(50,751)
Occupancy costs		(22,000)	(22,000)
Travel costs		(351,993)	(337,211)
Finance costs		(11,668)	(2,816)
Administration expenses		(151,934)	(308,058)
Other expenses		(605,963)	(433,431)
Movement due to revaluation of investment properties		–	1,544,326
Profit/loss from continuing operations before Income Tax Benefit		**(2,704,539)**	**(501,565)**
Income tax benefit/(expense)		–	(386,082)
Profit/(loss) after income tax for the year		**(2,704,539)**	**(887,647)**

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**Consolidated Year ended 31 December 2016**	**Consolidated Year ended 31 December 2015**
		$	*$*
Other comprehensive gain			
Items that may be reclassified to the profit or loss			
Exchange differences on foreign currency translation		(2,816,083)	3,184,249
Total comprehensive profit/(loss) for the year		**(5,520,622)**	**2,296,602**
Profit/(loss) is attributable to:			
Owners of CAQ Holdings Limited		(2,704,539)	**(887,647)**
Non-controlling interests		–	–
		(2,704,539)	**(887,647)**
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of CAQ Holdings Limited		(5,520,622)	**2,296,602**
Non-controlling interests		–	–
		(5,520,622)	**2,296,602**
Earnings/(loss) per share attributable to the members of CAQ Holdings Limited		**Cents Per Share**	**Cents Per Share**
Basic and diluted earnings/(loss) per share	*6*	(0.41)	(0.14)

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
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
CURRENT ASSETS			
Cash and cash equivalents		1,497,816	18,347,477
Trade and other receivables		1,008,395	2,415,112
Inventory		1,255,247	293,451
Prepayments		104,925	93,260
TOTAL CURRENT ASSETS		**3,866,383**	**21,149,300**
NON-CURRENT ASSETS			
Property, plant & equipment		661,426	586,536
Investment property	*2*	55,174,157	46,442,896
Intangibles		122,565	84,745
TOTAL NON-CURRENT ASSETS		**55,958,148**	**47,114,177**
TOTAL ASSETS		**59,824,531**	**68,263,477**
CURRENT LIABILITIES			
Trade and other payables		1,103,039	307,277
Provisions		5,639	39,495
Loans payable	*3*	1,372,677	5,453,111
Bank loan		400,204	–
TOTAL CURRENT LIABILITIES		**2,881,559**	**5,799,883**

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
NON-CURRENT LIABILITIES			
Deferred tax liabilities		386,081	386,081
TOTAL NON-CURRENT LIABILITIES		**386,081**	**386,081**
TOTAL LIABILITIES		**3,267,640**	**6,185,964**
NET ASSETS		**56,556,891**	**62,077,513**
EQUITY			
Contributed equity	*4*	62,102,608	62,102,608
Accumulated losses		(5,913,883)	(3,209,344)
Reserves	*5*	368,166	3,184,249
TOTAL EQUITY		**56,556,891**	**62,077,513**

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

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Contributed equity $	Accumulated losses $	Foreign Currency Translation Reserve $	Total $	Non-controlling Interest $	Total $
Balance at 1.1.2016 (Consolidated)	**62,102,608**	**(3,209,344)**	**3,184,249**	**62,077,513**	**–**	**62,077,513**
Profit for the year	–	(2,704,539)	–	(2,704,539)	–	(2,704,539)
Movement of foreign exchange reserve	–	–	(2,816,083)	(2,816,083)	–	(2,816,083)
Total comprehensive income/(loss) for the period	**–**	**(2,704,539)**	**(2,816,083)**	**(5,520,622)**	**–**	**(5,520,622)**
Transactions with owners in their capacity as owners:						
Balance at 31.12.2016 (Consolidated)	**62,102,608**	**(5,913,883)**	**368,166**	**56,556,891**	**–**	**56,556,891**

	Contributed equity $	Accumulated losses $	Foreign Currency Translation Reserve $	Total $	Non-controlling Interest $	Total $
Balance at 1.1.2015 (Consolidated)	**2,855,431**	**(2,321,697)**	**–**	**533,734**	**–**	**533,734**
Profit for the year	–	(887,647)	–	(887,647)	–	(887,647)
Movement of foreign exchange reserve	–	–	**3,184,249**	**3,184,249**	–	**3,184,249**
Total comprehensive income/(loss) for the period	**–**	**(887,647)**	**3,184,249**	**2,296,602**	**–**	**2,296,602**
Transactions with owners in their capacity as owners:						
Issue of Shares (net of issue costs)	59,247,177	–	–	59,247,177	–	59,247,177
Balance at 31.12.2015 (Consolidated)	**62,102,608**	**(3,209,344)**	**3,184,249**	**62,077,513**	**–**	**62,077,513**

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

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	386,272	29,750
Government subsidy	202,179	39,074
Payments to suppliers and employees	(3,334,873)	(2,177,489)
Finance costs	(122,301)	(2,117)
Interest received	28,876	12,838
Deposit refund	400,204	–
Net cash outflow from operating activities	**(2,439,643)**	**(2,097,944)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(341,410)	(538,789)
Payment for intangible assets	(90,832)	(100,718)
Payment of construction costs	(10,795,454)	(14,539,648)
Net cash outflow from investing activities	**(11,227,696)**	**(15,179,155)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposit refund	–	1,128,006
Advance to constructor	965,286	(1,266,624)
Proceeds from borrowings	1,706,968	4,448,919
Repayment of borrowings	(5,227,304)	(8,908,027)
Net cash inflow from financing activities	**(2,555,050)**	**(4,597,726)**

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Net increase in cash and cash equivalents	**(16,222,389)**	**(21,874,825)**
Cash and cash equivalents at the beginning of the financial year	18,347,477	37,947,068
Effects of exchange rate changes on cash and cash equivalents	(627,272)	2,275,234
Cash and cash equivalents at end of year	**1,497,816**	**18,347,477**

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

NOTES TO THE APPENDIX 4E

Note 1: Investments

The consolidated financial statements include the financial statements of CAQ Holdings Limited:

Name	Country of Incorporation	% Equity Interest 31/12/2016	% Equity Interest 31/12/2015
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

	$
Balance as at 1 January 2016	46,442,896
Construction costs incurred during the period	11,148,552
Foreign exchange adjustment	(2,417,291)
Closing balance as at 31 December 2016	**55,174,157**

NOTES TO THE APPENDIX 4E

Note 3: Loans Payable

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
Loan payable – Hainan Baina Investment Limited[1]	1,372,677	119,587
Loan payable – Beijing Yun Zhong Investment Consulting Co Ltd[2]	–	5,333,524
Total loans	**1,372,677**	**5,453,111**

[1] *In November 2014, January 2015 and May 2015, Haikou Peace Base Industry Development Co Ltd entered into loan agreements with Hainan Baina Investment Limited and was advanced $4,263,966. Pursuant to the loan agreements, interest is charged at a rate of 6% per annum. As at 31 December 2015, the loans had incurred interest of $221,162 and additional loan amount of $93,983 for expenses paid on behalf of HPB. The loan provided funds used for the construction of the Haikou Project. As at 31 December 2015, $4,459,524 had been repaid to Hainan Baina Investment Limited.*

In June 2016 and December 2016, HPB entered into loan agreements with Hainan Baina Investment Limited and was advanced $1,314,164. Pursuant to the loan agreement, interest is charged at a rate of 6% per annum. During the year ended 31 December 2016, the additional loan amount of $40,015 was for expenses paid on behalf of HPB. The loan provided funds used for the general working capital for HPB. As at 31 December 2016, $101,089 has been repaid to Hainan Baina Investment Limited.

[2] *In January 2015, Haikou Peace Base Industry Development Co Ltd entered into a loan agreement with Beijing Yun Zhong Investment Consulting Co Ltd and was advanced $5,066,498. Pursuant to the loan agreement, interest is charged at a rate of between 4.35% to 6% per annum. As at 31 December 2015, the loan had incurred interest of $267,026. The loan provided funds used for the construction of the Haikou Project. On 1 February 2016, the loan had been fully repaid to Beijing Yun Zhong Investment Consulting Co Ltd.*

Note 4: Contributed equity

	Consolidated 31 December 2016 $	Consolidated 31 December 2015 $
	62,102,608	62,102,608
Total contributed equity	**62,102,608**	**62,102,608**

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

(b) Movements in ordinary share capital

	No.	*$*
Balance as at 1 July 2014	374,115,356	2,855,431
Capital consolidation[1]	(187,057,626)	–
Issue of shares under Vendor Offer[2]	207,500,000	11,732,875
Issue of shares under Facilitation Offer[3]	10,375,000	586,644
Issue of shares under Public Offer[4]	250,000,000	50,000,000
Costs of issue	–	(3,072,342)
Closing balance as at 30 June 2015	**654,932,730**	**62,102,608**
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 31 December 2016	**654,932,730**	**62,102,608**

1 *On 24 December 2014, the Company's securities were consolidated on a 1:2 basis.*

2 *On 17 April 2014, pursuant to the resolution approved at the shareholders meeting 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 (refer to note 1).*

3 *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.*

4 *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 $0.20 per share.*

(c) Share Options

There are no unissued ordinary shares of CAQ Holdings Limited under option as at 31 December 2016.

Note 5: Reserves

This is a foreign exchange translation reserve as the Company's subsidiaries trade in a functional currency of Chinese Renminbi and Hong Kong dollars.

Note 6: Earnings/(Loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing net earnings/(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 2016	Consolidated 31 December 2015
	$	*$*
Profit/(loss) attributable to ordinary equity holders	(2,704,539)	(887,647)
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	654,932,730	654,932,730
	Cents/share	**Cents/share**
Basic and diluted earnings/(loss) per share	(0.41)	(0.14)

* *The prior year calculation for Basic and diluted earnings/(loss) per share has been recalculated to reflect the impact of the share consolidation in the current period.*

Note 7: Operating Segment

The Consolidated Entity operates in the property investment industry. Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

NOTES TO THE APPENDIX 4E

Note 8: Parent Entity Information

The following detailed information is related to the parent entity, CAQ Holdings Limited, as at 31 December 2016 and 31 December 2015.

	31 December 2016 $	31 December 2015 $
Current assets	46,293,487	46,952,472
Non-current assets	12,319,521	12,319,521
Total assets	**58,613,008**	**59,271,993**
Current liabilities	23,320	62,029
Non-current liabilities	–	–
Total liabilities	**23,320**	**62,029**
Contributed equity	62,102,607	62,102,607
Accumulated losses	(3,650,469)	(3,030,193)
Reserves	137,550	137,550
Total equity	**58,589,688**	**59,209,964**
Loss for the year	(620,276)	(348,390)
Other comprehensive income for the year	–	–
Total comprehensive loss for the year	**(620,276)**	**(348,390)**

Note 10: Basis of Preparation

The consolidated financial statements and notes presented in this Appendix 4E are general purpose financial statements 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. CAQ Holdings Limited is a for profit entity for the purposes of preparing financial statements.

Compliance with IFRS

These consolidated financial statements also comply with International Financial Reporting Standards (IFRS).