

CAQ Holdings Limited and its Controlled Entities
Consolidated interim financial report for the period ended 30 June 2019

RULE 4.2A

APPENDIX 4D

Consolidated interim financial report for the period ended 30 June 2019

1. Name of entity

CAQ Holdings Limited and its Controlled Entities

ABN	Reporting Period	Previous Corresponding Period
86 091 687 740	Half-year ended 30 June 2019	Half-year ended 30 June 2018

2. Results for Announcement to the Market

Financial Results	30 June 2019			
Revenues from ordinary activities (<i>item 2.1</i>)	Up	430%	to	912,725
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	26%	to	(1,104,909)
Net loss for the period attributable to members (<i>item 2.3</i>)	Down	26%	to	(1,104,909)
Final and interim dividends (<i>item 2.4</i>)	It is not proposed that either a final or interim dividend be paid.			
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	N/A			
Brief explanation of any of the figures reported above (<i>item 2.6</i>):	The loss for the half-year ended 30 June 2019 amounts to \$1,104,909 (2018: \$1,498,697). The decrease in loss was mainly due to increase in revenue and decrease in directors fees and salary, travel costs and administration expenses, offset by increase in purchase and changes in trading stock and decrease in foreign currency differences.			

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share (<i>Item 3</i>)	9.2 cents	9.3 cents

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4. Control gained over entities

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

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

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

Details of associates and joint venture entities (<i>item 7</i>)	Hainan Kingmall International Trading Co., Ltd
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8. Foreign entities

Foreign entities to disclose which accounting standards are used in compiling the report (<i>item 8</i>)	N/A
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9. Review Opinion

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

CAQ Holdings Limited and its Controlled Entities

ABN 86 091 687 740

**Consolidated Interim Financial Report
Half-Year Ended 30 June 2019**

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

The Directors of CAQ Holdings Limited (the "Company") submit herewith the interim financial report of the Company and its controlled entities (collectively the "Group") during the half-year ended 30 June 2019.

Directors

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

Paul Price, *Chairman and Non-Executive Director*
KC Ong, *Non-Executive Director*
Michael Siu, *Non-Executive Director*
Qian Xu, *Non-Executive Director*
Ching Chung, *Deputy Chairman and Executive Director*
Yuk Cheung Chan, *Non-Executive Director*
Ivan Cheng, *Non-Executive Director*
Kwan Chan, *Non-Executive Director*
Po Chang Chen, *Non-Executive Director* (appointed on 4 June 2019)

Company Secretary

Mark Maine

Principal Activities

The Group's principal activity includes leasing of an investment property in the Haikou Free Trade Zone in Peoples Republic of China ("PRC") and jewellery trading.

Dividends Paid or Recommended

No dividends were paid and no recommendation is made as to dividends during the half-year (2018: Nil)

Operating and Financial Review

The loss for the half-year ended 30 June 2019 amounts to \$1,104,909 (2018: \$1,498,697). The decrease in loss was mainly due to increase in revenue and decrease in directors fees and salary, travel costs and administration expenses offset by increase in purchase and changes in trading stock and decrease in foreign currency differences.

Review of Operations and Changes in State of Affairs

During the half-year ended 30 June 2019, revenues earned from the Company's leasing business (net of business tax) amounted to \$737,783 (2018: \$102,510). In addition to this, revenues earned (before business tax) from the Company's jewellery business amounted to \$174,942 (2018: \$69,758). The Company's subsidiary Haikou Peace Base Development Co Limited ("HPB") has physical jewellery stores in Haikou Meilan Airport Duty-Free Mall and in Haikou Mingzhu Square as well as a jewellery e-commerce platform and a jewellery e-store on the JingDong Mall e-commerce platform.

During the period, the Company has setup a joint venture company, Hainan Kingmall International Trading Co., Ltd, which will operate on a B2C model within the Haikou Integrated Free Trade Zone. All overseas goods will first be shipped to CAQ's warehousing and exhibition facilities for customs' records and will then be sold inside the exhibition centre and can be delivered freely to the retail experience outlets operated by the joint venture.

Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's Independence Declaration

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

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



Michael Siu
Director

Signed in China this 30th day of August 2019

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

As lead auditor for the review of the half-year financial report of CAQ Holdings Limited for the half-year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



V L Hoang
Partner
30 August 2019

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of CAQ Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

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

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'V L Hoang'.

V L Hoang
Partner
Perth
30 August 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Half-year ended 30 June 2019	Half-year ended 30 June 2018
	\$	\$
Sales	912,725	172,268
Other revenue	82,125	217,376
Total revenue	994,850	389,644
Purchase and changes in trading stock	(223,712)	(55,672)
Foreign currency difference	17,843	158,621
Legal expenses	(32,853)	(30,004)
Accounting, auditing fees and consultancy expenses	(70,797)	(99,525)
Directors fees and salary	(832,915)	(889,243)
Insurance	(21,248)	(20,354)
Occupancy costs	(28,692)	(34,451)
Travel costs	(140,958)	(185,329)
Finance costs	(6,194)	(4,418)
Administration expenses	(185,603)	(223,720)
Advertising and promotion	(6,878)	–
Depreciation	(134,942)	(170,793)
Other expenses	(238,216)	(143,738)
Loss before income tax	(910,315)	(1,308,982)
Income tax expense	(194,594)	(189,715)
Loss after income tax	(1,104,909)	(1,498,697)

The above Consolidated Statement of 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 COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2019(CONTINUED)

	Half-year ended	Half-year ended
	30 June 2019	30 June 2018
	\$	\$
Other comprehensive income/(loss)		
<i>Items that may be reclassified to the profit or loss</i>		
Exchange differences on translation of foreign operations	<u>391,262</u>	<u>2,162,006</u>
Total comprehensive income/(loss) for the period	<u>(713,647)</u>	<u>663,309</u>
Loss is attributable to:		
Owners of CAQ Holdings Limited	(1,104,909)	(1,498,697)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>(1,104,909)</u>	<u>(1,498,697)</u>
Total comprehensive income/(loss) for the period is attributable to:		
Owners of CAQ Holdings Limited	(713,647)	663,309
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>(713,647)</u>	<u>663,309</u>
Loss per share attributable to the members of		
CAQ Holdings Limited		
Basic and diluted loss per share (cents per share)	<u>(0.15)</u>	<u>(0.21)</u>

The above Consolidated Statement of 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 30 JUNE 2019

	<i>Notes</i>	30 June 2019	31 December 2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		4,250,366	4,318,791
Trade and other receivables	6	1,402,522	1,781,807
Inventory		1,276,608	1,400,446
Prepayments		159,043	223,391
TOTAL CURRENT ASSETS		7,088,539	7,724,435
NON-CURRENT ASSETS			
Property, plant & equipment		267,211	373,283
Investment property	4	60,559,492	60,196,834
Intangibles		31,794	16,902
Other receivables		649,419	863,082
TOTAL NON-CURRENT ASSETS		61,507,916	61,450,101
TOTAL ASSETS		68,596,455	69,174,536
CURRENT LIABILITIES			
Trade and other payables		553,568	564,277
Tax payable		13,490	20,441
Accruals		23,893	72,443
TOTAL CURRENT LIABILITIES		590,951	657,161
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,587,062	1,385,286
TOTAL NON-CURRENT LIABILITIES		1,587,062	1,385,286
TOTAL LIABILITIES		2,178,013	2,042,447
NET ASSETS		66,418,442	67,132,089
EQUITY			
Contributed equity	5	74,649,048	74,649,048
Accumulated losses		(11,250,998)	(10,146,089)
Foreign currency translation reserves		3,020,392	2,629,130
TOTAL EQUITY		66,418,442	67,132,089

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 HALF-YEAR ENDED 30 JUNE 2019

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1.1.2018	74,649,048	(8,293,700)	(148,528)	66,206,820
Loss for the period	–	(1,498,697)	–	(1,498,697)
Exchange differences on foreign currency translation	–	–	2,162,006	2,162,006
Total comprehensive loss for the period	–	(1,498,697)	2,162,006	663,309
Balance at 30.6.2018	<u>74,649,048</u>	<u>(9,792,397)</u>	<u>2,013,478</u>	<u>66,870,129</u>
Balance at 1.1.2019	74,649,048	(10,146,089)	2,629,130	67,132,089
Loss for the period	–	(1,104,909)	–	(1,104,909)
Exchange differences on foreign currency translation	–	–	391,262	391,262
Total comprehensive income for the period	–	(1,104,909)	391,262	(713,647)
Balance at 30.6.2019	<u>74,649,048</u>	<u>(11,250,998)</u>	<u>3,020,392</u>	<u>66,418,442</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
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	30 June 2019	30 June 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,168,418	210,877
Government subsidy received	10,836	201,147
Payments to suppliers and employees	(2,271,120)	(2,330,068)
Finance costs	(2,080)	(4,418)
Interest received	4,805	2,887
Deposit refund	—	80,826
	<hr/>	<hr/>
Net cash outflow from operating activities	(89,141)	(1,838,749)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(2,927)	(132,422)
Payment for intangible assets	(27,281)	—
	<hr/>	<hr/>
Net cash outflow from investing activities	(30,208)	(132,422)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from/(advance to) contractor	—	—
Proceeds from borrowings	—	—
Repayment of borrowings	—	—
	<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities	—	—
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(119,349)	(1,971,171)
Cash and cash equivalents at the beginning of the period	4,318,791	7,295,576
Effects of exchange rate changes on cash and cash equivalents	50,924	324,311
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	4,250,366	5,648,716
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The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

1. Corporate Information

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

The Group’s principal activities includes leasing of an investment property in the Haikou Free Trade Zone in the PRC and jewellery trading.

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

These consolidated interim financial statements for the half-year reporting period ended 30 June 2019 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 2018 and any public announcements made by the Group during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) New Accounting Standards and Interpretations adopted by the Group

The Group applied all new and amended Accounting Standards and Interpretations that were effective as at 1 January 2019, including:

AASB 16: Leases

The application date of AASB 16 for the Group was 1 January 2019. AASB 16 was issued in January 2016 and it replaces AASB 117 Leases (“AASB 117”), AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* (“AASB Interpretation 4”), AASB Interpretation-115 *Operating Leases-Incentives* (“AASB Interpretation 115”) and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* (“AASB Interpretation 127”). AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets and short-term leases (i.e., leases with a lease term of 12 months or less). The Group has elected to use these recognition exemption for the lease contracts. At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees is required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

CAQ Holdings Limited and its Controlled Entities
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

2 (b) New Accounting Standards and Interpretations adopted by the Group (Continued)

AASB 16: Leases (Continued)

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. At the transition date, the Group assessed all contracts which had assets embedded in it for leases under AASB 16. The Group elected to use the practical expedient for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”).

Adoption of AASB 16 did not have an impact as the Group’s significant lease has a lease term of 12 months. The Group has other leases of certain motor vehicles that are considered of low value.

AASB Interpretation 23

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes (“AASB 112”) and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. There was no impact on adopting AASB Interpretation 23.

(c) Adoption of new policies

The accounting policies adopted are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, other than the adoption of additional accounting policies set out below:

Leases

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (where the entity does not have a purchase option at the end of the lease term). Right-of-use assets are subject to impairment.

CAQ Holdings Limited and its Controlled Entities
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

2 (c) Adoption of new policies

Leases (Continued)

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption (i.e. below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. Segment Information

The Group has two lines of business being leasing of an investment property in the Haikou Free Trade Zone in the PRC 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

4. Investment Property

	30 June	31 December
	2019	2018
	\$	\$
Balance as at beginning of period	60,196,834	56,933,654
Fair value gain recognised in profit or loss	–	607,346
Foreign exchange adjustment	362,658	2,655,834
	60,559,492	60,196,834
Closing balance as at end of period	60,559,492	60,196,834

Leasing Arrangements

The Group leases its investment property under operating lease arrangements, with the leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the tenancy agreements or further negotiation.

Fair value measurements

(i) Fair value hierarchy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

4. Investment Property (Continued)

Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

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

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

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

31 December 2018

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Investment property	–	–	60,196,834	60,196,834
	<u>–</u>	<u>–</u>	<u>60,196,834</u>	<u>60,196,834</u>
Total non-financial assets	<u>–</u>	<u>–</u>	<u>60,196,834</u>	<u>60,196,834</u>

30 June 2019

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Investment property	–	–	60,559,492	60,559,492
	<u>–</u>	<u>–</u>	<u>60,559,492</u>	<u>60,559,492</u>
Total non-financial assets	<u>–</u>	<u>–</u>	<u>60,559,492</u>	<u>60,559,492</u>

CAQ Holdings Limited and its Controlled Entities
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

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

(ii) Valuation techniques

The Group obtains independent valuations (from an independent professional qualified valuer who hold a recognised relevant professional qualification and has recent experience in the location and segment of the investment properties valued) for its leasehold land and buildings at least annually or at each reporting. 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.

Investment property valuation assumptions

The investment property is located in a newly developed area with a few new industrial and residential development and accordingly, the independent external valuer has valued the investment property at 30 June 2019 by considering both the depreciated replacement cost method and the income approach. Valuation assumptions used by the independent external valuer are detailed in the table below

	Valuation approach	Unobservable Inputs	Range of inputs	Relationship Between Unobservable Inputs and Fair Value
Financial year ended 31 December 2018	Depreciated replacement cost approach	Construction cost	RMB2,000 to RMB3,200 per sqm	The higher construction cost, the higher the fair value.
		Land value	RMB511 per sqm	The higher land value, the higher the fair value.
	Income approach	Market rent	RMB23 per sqm per month	The higher rental income, the higher the fair value.
		Capitalisation rate	8%	
Financial year ended 30 June 2019	Depreciated replacement cost approach	Construction cost	RMB2,000 to RMB3,300 per sqm	The higher construction cost, the higher the fair value.
		Land value	RMB508 per sqm	The higher land value, the higher the fair value.
	Income approach	Market rent	RMB24 per sqm per month	The higher rental income, the higher the fair value.
		Capitalisation rate	8%	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

4. Investment Property (Continued)

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

	30 June 2019	31 December 2018
	\$	\$
Within one year	1,010,377	1,052,146
Later than one year but not later than 5 years	3,528,168	2,713,706
More than 5 year	1,655,831	1,186,936
	6,194,376	4,952,788
	6,194,376	4,952,788

5. Contributed Equity

	30 June 2019	31 December 2018
	\$	\$
(a) Ordinary shares	74,649,048	74,649,048
Total contributed equity	74,649,048	74,649,048
	74,649,048	74,649,048

(b) Movements in ordinary share capital

	<i>Number of shares</i>	<i>\$</i>
Balance as at 1 January 2018	717,786,281	74,649,048
No movement	—	—
Closing balance as at 31 December 2018	717,786,281	74,649,048
	717,786,281	74,649,048
Balance as at 1 January 2019	717,786,281	74,649,048
No movement	—	—
Closing balance as at 30 June 2019	717,786,281	74,649,048
	717,786,281	74,649,048

(c) Share Options

There are no unissued ordinary shares of the Company under option as at 30 June 2019. (2018: Nil)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

6. Trade and Other Receivables

	2019	2018
	\$	\$
Trade receivables	110,977	1,464,308
Deposits and other debtors	320,002	83,069
GST tax and VAT tax	237,200	234,430
Amount advanced to trading partner (i)	734,343	–
	<u>1,402,522</u>	<u>1,781,807</u>

- (i) On 20 April 2019, the Group entered into an agreement with one of its trading partners under which the Group advanced \$734,343 (RMB3,536,026) to the trading partner on 30 April 2019. In accordance with the agreement, the Group appointed Ching Chung, one of the Company's directors to collect the advance on behalf of the Group within 5 business days on the customer receiving the monies. At 30 June 2019, the amount advanced to the trading partner remains outstanding.

On 8 July 2019, 10 July 2019 and 21 August 2019, \$47,765 (RMB230,000), \$623,024 (RMB3,000,000) and \$63,554 (RMB306,026) were remitted to the Group respectively by the director towards the full settlement of the amount advanced by the Group to the trading partner.

7. Contingent Liabilities

The Group is in the process of finalising the construction cost of the investment property with the Constructor. At the date of this report, an amount of \$5.77 million (RMB27.8 million) in respect of variations to work undertaken during the construction of the investment property is under negotiation and the Group has made an advance of \$3.36 million (RMB16.2 million) to the Constructor in lieu of the variations claimed. The balance of the claim of \$2.41 million (RMB11.6 million) has not been accrued for in this interim financial statements as the Directors consider that payment for \$2.41 million (RMB11.6 million) is remote taking into consideration that work claimed to have been performed by the Constructor cannot be substantiated.

Other than the matters set put above, there are no other contingent liabilities that require disclosure in the financial statements.

8. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities at 30 June 2019 approximated its carrying value.

9. Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019

The Directors of the Group declare that:

1. The financial statements and notes set out on pages 6 to 18 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 2019 and of its performance as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date.
2. In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Michael Siu
Director

Signed in China this 30th day of August 2019