

CAQ Holdings Limited and its Controlled Entities
Consolidated interim financial report for the period ending 30 June 2018

RULE 4.2A

APPENDIX 4D

Consolidated interim financial report for the period ending 30 June 2018

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 2018	Half-year ended 30 June 2017

2. Results for Announcement to the Market

Financial Results	30 June 2018			
Revenues from ordinary activities (<i>item 2.1</i>)	Down	83%	to	172,268
Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	44%	to	(1,498,697)
Net loss for the period attributable to members (<i>item 2.3</i>)	Up	44%	to	(1,498,697)
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 2018 amounts to \$1,498,697 (2017: \$1,044,086). The current period loss was incurred in the ordinary course of business. There is a significant drop in revenue of jewellery trading due to change in cooperation model with one of the major customer, it is yet to generate revenue for current period. The increase in loss was mainly due to decrease in government subsidy received.			

3. NTA Backing

	Current Period	Previous Corresponding Period
Net tangible assets per ordinary share (<i>Item 3</i>)	9.3 cents	8.1 cents

CAQ Holdings Limited and its Controlled Entities
Consolidated interim financial report for the period ending 30 June 2018

4. Control gained over entities

Details of entities over which control has been gained or lost (<i>item 4</i>)	N/A.
---	------

5. Dividends paid and payable

Details of dividends or distribution payments (<i>item 5</i>)	No dividends or distributions are payable.
---	--

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
--	---

7. Details of associates

Details of associates and joint venture entities (<i>item 7</i>)	N/A
--	-----

8. Foreign entities

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

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 2018**

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

CONTENTS

Directors' Report	2
Independent Auditor's Declaration	3
Independent Auditor's Review Report	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11
Directors' Declaration	21

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 2018.

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*
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*
Richard Soo, *Non-Executive Director* (resigned on 17 May 2018)

Company Secretary

Mark Maine (appointed on 14 May 2018)
Deborah Ho (resigned on 10 May 2018)

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 (2017: Nil)

Operating and Financial Review

The loss for the half-year ended 30 June 2018 amounts to \$1,498,697 (2017: \$1,044,086). The losses for both period was incurred in the ordinary course of business. The increase in loss was mainly due to decrease in government subsidy received.

Review of Operations and Changes in State of Affairs

During the half-year ended 30 June 2018, revenues earned from the Company's leasing business (net of business tax) amounted to \$102,510 (2017: \$106,654). In addition to this, revenues earned (before business tax) from the Company's jewellery business amounted to \$69,758 (2017: \$933,764). 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.

Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2018 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 31 day of August 2018

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

As lead auditor for the review of CAQ Holdings Ltd for the half-year ended 30 June 2018, 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 Ltd and the entities it controlled during the half-year ended 30 June 2018.



Ernst & Young



V L Hoang
Partner
31 August 2018

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 statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and 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 2018 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 2018 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*.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'V L Hoang', written over a faint horizontal line.

V L Hoang
Partner
Perth

31 August 2018

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	\$	\$
Sales	172,268	1,040,418
Other revenue	217,376	511,236
Total revenue	389,644	1,551,654
Purchase and changes in trading stock	(55,672)	(911,589)
Foreign currency difference	158,621	(2,416)
Legal expenses	(30,004)	(1,693)
Accounting, auditing fees and consultancy expenses	(99,525)	(98,236)
Directors fees and salary	(889,243)	(686,585)
Insurance	(20,354)	(17,931)
Occupancy costs	(34,451)	(21,658)
Travel costs	(185,329)	(137,833)
Finance costs	(4,418)	(61,548)
Administration expenses	(223,720)	(294,189)
Advertising and promotion	–	(29,020)
Depreciation	(170,793)	(131,125)
Other expenses	(143,738)	(201,917)
Loss before income tax	(1,308,982)	(1,044,086)
Income tax expense	(189,715)	–
Loss after income tax	(1,498,697)	(1,044,086)

The above Consolidated Statement of 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 COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018(CONTINUED)

	Half-year ended 30 June 2018	Half-year ended 30 June 2017
	\$	\$
Other comprehensive income/(loss)		
<i>Items that may be reclassified to the profit or loss</i>		
Exchange differences on translation of foreign operations	<u>2,162,006</u>	<u>(2,210,247)</u>
Total comprehensive income/(loss) for the period	<u>663,309</u>	<u>(3,254,333)</u>
Loss is attributable to:		
Owners of CAQ Holdings Limited	(1,498,697)	(1,044,086)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>(1,498,697)</u>	<u>(1,044,086)</u>
Total comprehensive income/(loss) for the period is attributable to:		
Owners of CAQ Holdings Limited	663,309	(3,254,333)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>663,309</u>	<u>(3,254,333)</u>
Loss per share attributable to the members of CAQ Holdings Limited		
Basic and diluted loss per share (cents per share)	<u><u>(0.21)</u></u>	<u><u>(0.16)</u></u>

The above Consolidated Statement of 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 2018

	<i>Notes</i>	30 June 2018	31 December 2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		5,648,716	7,295,576
Trade and other receivables		1,709,268	1,244,479
Inventory		1,522,084	1,350,180
Prepayments		117,014	102,820
TOTAL CURRENT ASSETS		8,997,082	9,993,055
NON-CURRENT ASSETS			
Property, plant & equipment		433,629	425,562
Investment property	4	58,934,046	56,933,654
Intangibles		34,145	63,472
TOTAL NON-CURRENT ASSETS		59,401,820	57,422,688
TOTAL ASSETS		68,398,902	67,415,743
CURRENT LIABILITIES			
Trade and other payables		430,080	356,217
Tax payable		11,251	5,696
Accruals		60,149	38,204
TOTAL CURRENT LIABILITIES		501,480	400,117
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,027,293	808,806
TOTAL NON-CURRENT LIABILITIES		1,027,293	808,806
TOTAL LIABILITIES		1,528,773	1,208,923
NET ASSETS		66,870,129	66,206,820
EQUITY			
Contributed equity	5	74,649,048	74,649,048
Accumulated losses		(9,792,397)	(8,293,700)
Foreign currency translation reserves		2,013,478	(148,528)
TOTAL EQUITY		66,870,129	66,206,820

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 2018

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Total \$
Balance at 1.1.2017	62,102,608	(5,913,883)	368,166	56,556,891
Loss for the period	–	(1,044,086)	–	(1,044,086)
Exchange differences on foreign currency translation	–	–	(2,210,247)	(2,210,247)
Total comprehensive loss for the period	<u>–</u>	<u>(1,044,086)</u>	<u>(2,210,247)</u>	<u>(3,254,333)</u>
Balance at 30.6.2017	<u>62,102,608</u>	<u>(6,957,969)</u>	<u>(1,842,081)</u>	<u>53,302,558</u>
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 income for the period	<u>–</u>	<u>(1,498,697)</u>	<u>2,162,006</u>	<u>663,309</u>
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>

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 2018

	30 June 2018	30 June 2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	210,877	1,116,165
Government subsidy received	201,147	471,613
Payments to suppliers and employees	(2,330,068)	(3,027,383)
Finance costs	(4,418)	(3,289)
Interest received	2,887	6,136
Deposit refund	80,826	–
Net cash outflow from operating activities	(1,838,749)	(1,436,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(132,422)	(42,671)
Payment for intangible assets	–	(6,279)
Net cash outflow from investing activities	(132,422)	(48,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment from/(advance to) contractor	–	(569,608)
Proceeds from borrowings	–	1,631,986
Repayment of borrowings	–	(458,462)
Net cash inflow/(outflow) from financing activities	–	603,916
Net decrease in cash and cash equivalents	(1,971,171)	(881,792)
Cash and cash equivalents at the beginning of the period	7,295,576	1,497,816
Effects of exchange rate changes on cash and cash equivalents	324,311	56,856
Cash and cash equivalents at end of the period	5,648,716	672,880

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 2018

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 2018 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 2017 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) 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 2017, other than the adoption of additional accounting policies set out below:

Trade and other receivables (new policy applied from 1 January 2018 due to adoption of AASB 9 – see 2C below for further details)

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group’s historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

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 2018

2. (b) **Adoption of new policies (Continued)**

Trade and other receivables (new policy applied from 1 January 2018 due to adoption of AASB 9 – see 2C below for further details) (Continued)

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Sale of goods (new policy applied form 1 January 2018 due to adoption of AASB 15 – See 2C below for further details)

The Group's contracts with customers for the sale of diamonds consists of one performance obligation. The Group has concluded that revenue from sale of diamonds should be recognised at the point in time when control of the asset is transferred to the customer, on delivery of the diamonds.

(c) **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 2018, including:

AASB 9 Financial Instruments (“AASB 9”)

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 39 Financial Instruments: Recognition and Measurement (“AASB 39”), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 January 2018 (see note 2b for details of the new accounting policy for receivables).

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

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 2018

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

AASB 9 Financial Instruments (“AASB 9”) (Continued)

Measurement and classification (Continued)

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 9 (i.e. prior to 1 January 2018)	New measurement category under AASB 9 (i.e. from 1 January 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Deposits	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 January 2018.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss (“ECL”) if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

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 2018

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

AASB 9 Financial Instruments (“AASB 9”) (Continued)

Impairment of financial assets (Continued)

As at 1 January 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the Group concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Items existing as at 1 January 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 January 2018 \$'000:
Cash and cash equivalents and deposits	All bank balances are considered to have low credit risk at each reporting and thus it was assessed to attract negligible ECL.	–
Trade receivables & deposits	The Group applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible and therefore no loss allowance was required at 1 January 2018. The Group’s exposure to credit risk is mainly related to one customer which operate on a 3 months credit term. The customer has historically met all obligations and accordingly, no loss allowance has been recognised at 31 December 2017 and 30 June 2018.	–

Hedge accounting

The Group has not applied not applied hedge accounting.

AASB 15 Revenue from Contracts with Customers (“AASB 15”)

The Group has adopted AASB 15 with the date of initial application being 1 January 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach. In this regard, the Group applied a practical expedient and did not restate any contracts that were completed at the beginning of the earliest period presented.

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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 2018

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

AASB 15 Revenue from Contracts with Customers (“AASB 15”) (Continued)

The Group’s principal sources of income comprise rental income, revenue from sale of diamonds and commission. Rental income (income from lease contracts) is scoped out of AASB 15 and revenue from sale of diamonds and commission is recognised when the diamonds are delivered – there are no multiple performance obligations in relation to revenue from sale of diamonds and commission. Accordingly, adoption of AASB 15 did not have a significant impact on the Group.

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.

4. Investment Property

	30 June 2018	31 December 2017
	\$	\$
Balance as at beginning of period	56,933,654	55,174,157
Construction costs incurred during the period	–	2,701,894
Foreign exchange adjustment	2,000,392	(942,397)
	58,934,046	56,933,654
Closing balance as at end of period	58,934,046	56,933,654

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 2018

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 2017

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

30 June 2018

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-financial assets				
Investment property	–	–	58,934,046	58,934,046
	<u>–</u>	<u>–</u>	<u>58,934,046</u>	<u>58,934,046</u>
Total non-financial assets	<u>–</u>	<u>–</u>	<u>58,934,046</u>	<u>58,934,046</u>

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 2018

4. Investment Property (Continued)

Fair value measurements (Continued)

(ii) Valuation techniques

The Group obtains an independent valuations for its investment property at least annually or at each reporting date if considered appropriate. An independent valuation for the investment property was obtained at 30 June 2018.

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 2017	Range of inputs used at 30 June 2018	Relationship Between Unobservable Inputs and Fair Value
Investment property	Income approach based on estimated rental value of the property. Market rent (based on estimated market rent) and capitalisation rate are estimated by an external valuer or management based on comparable transactions and industry data.	Market rent	RMB21 to 26 per sqm per month	RMB19 to 26 per sqm per month	The higher the market rent, the higher the fair value.
		Capitalisation rate	7.5%	7.5%	The higher the capitalisation rate, the lower the fair value.

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

The valuation was performed by CHFT Advisory and Appraisal Ltd.

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 2018

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 2018	31 December 2017
	\$	\$
Within one year	720,310	247,229
Later than one year but not later than 5 years	956,780	197,260
More than 5 year	743,657	–
	2,420,747	444,489
	2,420,747	444,489

5. Contributed Equity

	30 June 2018	31 December 2017
	\$	\$
(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>	\$
Balance as at 1 January 2017	654,932,730	62,102,608
No movement	–	–
Closing balance as at 30 June 2017	654,932,730	62,102,608
Balance as at 1 July 2017	654,932,730	62,102,608
Issue of shares (net of issue costs)	62,853,551	12,546,440
Closing balance as at 31 December 2017	717,786,281	74,649,048
Balance as at 1 January 2018	717,786,281	74,649,048
No movement	–	–
Closing balance as at 30 June 2018	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 2018. (2017: Nil)

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 2018

6. 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 \$4.34 million (RMB21.3 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 \$2.89 million (RMB14.2 million) to the Constructor in lieu of the variations claimed. The balance of the claim of \$1.45 million (RMB7.1 million) has not been accrued for in this interim financial statements as the Directors consider that payment for \$1.45 million (RMB7.1 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.

7. Commitments

Operating lease commitments

	30 June 2018	31 December 2017
	\$	\$
Not later than 1 year	18,000	18,000
	18,000	18,000

8. 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. Mr Price is a Director and Shareholder of Price Sierakowski. During the half-year ended 30 June 2018, \$Nil (incl GST) was paid to Price Sierakowski (6 months ended 30 June 2017: \$503). During the half-year ended 30 June 2018, \$Nil (incl GST) was payable to Price Sierakowski (31 December 2017: \$Nil).

Rental Fees:

During the period, Trident Capital provided the Company with office rental services. Mr Price is a Director and Shareholder of Trident Capital. During the half-year ended 30 June 2018, \$13,200 (incl GST) was paid to Trident Capital (6 months ended 30 June 2017: \$13,200). During the half-year ended 30 June 2018, \$Nil was payable to Trident Capital (31 December 2017: \$Nil).

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 2018

8. Transactions with related parties (Continued)

CAQ Holdings Limited (Continued)

Accounting Fees:

During the period, Trident Management Services Pty Ltd (“Trident Management Services”) provided the Company with accounting services. Mr Ong is a Director and Shareholder of Trident Management Services. During the half-year ended at 30 June 2018, \$6,416 (incl GST) was paid to Trident Management Services (6 months ended 30 June 2017: \$9,388). During the half-year ended 30 June 2018, \$1,100 (incl GST) was payable to Trident Management Services (31 December 2017: \$844).

Company Secretarial Fees:

During the period, Trident Management Services provided the Company with company secretarial services. During the half-year ended 30 June 2018, \$26,400 (incl GST) was paid to Trident Management Services (6 months ended 30 June 2017: \$26,400). During the half-year ended 30 June 2018, \$4,400 (incl GST) was payable to Trident Management Services (31 December 2017: \$4,400).

9. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities at 30 June 2018 approximated its carrying value.

10. Events occurring after the reporting period

No matters or circumstances have arisen since 30 June 2018 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.

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

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 JUNE 2018

The Directors of the Group declare that:

1. The financial statements and notes set out on pages 6 to 20 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 2018 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 31st day of August 2018