

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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

Results for announcement to market	Up/Down	% Change	31 December 2020
			\$
Revenue from ordinary activities	Up	50%	2,055,712
Loss after tax from ordinary activities attributable to members	Down	15%	(2,182,677)
Loss attributable to members	Down	15%	(2,182,677)
		Amount per share	Franked Amount per share
Dividend Information			
Dividend – current reporting period		Nil	Nil
Dividend – previous reporting period		Nil	Nil
Net Tangible Asset Backing per Ordinary Share			cents
Net tangible asset backing per ordinary share – current reporting period			8.39
Net tangible asset backing per ordinary share – previous reporting period			9.69

Commentary on the Results for the Period

The loss after tax for the year ended 31 December 2020 was incurred in the ordinary course of business.

The decrease in loss after tax compared to the prior year is mainly attributable to the increase the revenue, increase in change in fair value of investment properties, decrease in director fee and salary, travel costs, administration expenses, purchase and changes in trading stock offset by the increase in expected credit loss and share of loss in an joint venture and associate. Refer to further analysis in the review of operations and changes in state of affairs in the following page.

Audit

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



Michael Siu
Director

Dated at Hong Kong this 28 day of February 2021.

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REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS
FOR THE YEAR ENDED 31 DECEMBER 2020

Review of Operations and Changes in State of Affairs

Operations

During the year ended 31 December 2020, revenues earned from the Company's leasing business (net of business tax) amounted to \$2,041,952 (2019: \$1,256,918). This can be mainly attributed to increases in occupancy rates, which climbed to 57% at the end of the year. The Group expects the occupancy rate to maintain an upward trend in year 2021.

During the year, Haikou Peace Base Industry Development Co. Ltd ("HPB"), a wholly owned subsidiary of the Company, entered into an investment agreement with Hainan Tourism Investment Development Company Limited ("HTID") in relation to the formation of a Company in Hainan Province, the PRC. The Company is owned 45% and 55% by HPB and HTID, respectively.

During the year, there was an initial impact on emerging retail operations from COVID19 during the March Quarter. That impact appears to have been only limited and temporary with trading operations having now recovered. On the other hand, HPB's core leasing operations in Hainan Island have been largely unaffected with the business generating a constant cash revenue during the year. The Company is continuing on searching new tenants for all areas with a number of contracts under negotiation and expected to convert within the current year. Redevelopment work is continuing on the Exhibition Centre and scheduled to income starting from the second quarter of 2021. The total floor area of the Exhibition Centre is 22,441.96 sqm. After the opening the Exhibition Centre, diamond and jewellery retailers are expected to open outlets which will result in an increase in demand of office areas and warehouse space, thereby benefiting the Group's associated infrastructure assets.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	Consolidated Year ended 31 December 2020 \$	Consolidated Year ended 31 December 2019 \$
Rental income		2,041,952	1,256,918
Revenue from contracts with customers		<u>13,760</u>	<u>112,796</u>
Revenue		<u>2,055,712</u>	<u>1,369,714</u>
Other income		<u>29,746</u>	<u>100,673</u>
Purchase and changes in trading stock		(10,830)	(65,773)
Foreign currency gain/(loss)		(2,826)	(66,689)
Legal expenses		(93,728)	(69,324)
Accounting, auditing fees and consultancy expenses		(294,373)	(337,836)
Directors fees and salary		(1,527,815)	(1,591,834)
Insurance expenses		(50,552)	(51,935)
Occupancy costs		(45,328)	(49,737)
Travel costs		(350,148)	(412,723)
Finance costs		(3,108)	(13,603)
Administration expenses		(388,833)	(458,024)
Other expenses		(95,670)	(162,936)
Depreciation		(125,883)	(192,983)
Amortisation		(11,566)	(24,492)
Expected credit loss	10	(742,315)	–
Change in fair value of investment properties	2	383,779	–
Share of losses of a joint venture	3	(402,444)	(161,781)
Share of losses of associate	4	<u>(18,710)</u>	<u>–</u>
Loss from continuing operations before Income Tax		(1,694,891)	(2,189,283)
Income tax expense		<u>(487,786)</u>	<u>(388,539)</u>
Loss after income tax for the year		<u>(2,182,677)</u>	<u>(2,577,822)</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	Consolidated Year ended 31 December 2020	Consolidated Year ended 31 December 2019
		\$	\$
Other comprehensive profit/(loss)			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(1,605,480)</u>	<u>(524,888)</u>
Total comprehensive profit/(loss) for the year		<u>(3,788,157)</u>	<u>(3,102,710)</u>
Loss is attributable to:			
Owners of CAQ Holdings Limited		(2,182,677)	(2,577,822)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of CAQ Holdings Limited		(3,788,157)	(3,102,710)
Loss per share attributable to the members of CAQ Holdings Limited			
Basic and diluted loss per share	7	<u><u>(0.30)</u></u>	<u><u>(0.36)</u></u>

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Notes</i>	Consolidated 31 December 2020	Consolidated 31 December 2019
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		567,233	2,424,738
Trade and other receivables		178,095	1,059,311
Inventory		1,205,326	1,250,370
Other current assets		178,799	195,491
Due from a joint venture		298,629	–
TOTAL CURRENT ASSETS		<u>2,428,082</u>	<u>4,929,910</u>
NON-CURRENT ASSETS			
Property, plant & equipment		189,348	296,957
Investment property	2	61,716,745	59,715,430
Intangibles		42,975	42,913
Other receivables		1,062,195	807,636
Investment in a joint venture	3	459,095	863,636
Investment in an associate	4	878,145	–
TOTAL NON-CURRENT ASSETS		<u>64,348,503</u>	<u>61,726,572</u>
TOTAL ASSETS		<u>66,776,585</u>	<u>66,656,482</u>
CURRENT LIABILITIES			
Trade and other payables		536,772	240,582
Tax payable		128,304	65,430
Accruals		467,157	103,166
Other loan		796,345	–
Bank loan	12	74,856	–
TOTAL CURRENT LIABILITIES		<u>2,003,434</u>	<u>409,178</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Notes</i>	Consolidated 31 December 2020	Consolidated 31 December 2019
		\$	\$
NON-CURRENT LIABILITIES			
Other payable		445,048	462,125
Bank loan	12	1,915,011	–
Deferred tax liabilities		2,171,870	1,755,800
		<u>4,531,929</u>	<u>2,217,925</u>
TOTAL NON-CURRENT LIABILITIES		4,531,929	2,217,925
TOTAL LIABILITIES		<u>6,535,363</u>	<u>2,627,103</u>
NET ASSETS		<u>60,241,222</u>	<u>64,029,379</u>
EQUITY			
Contributed equity	5	74,649,048	74,649,048
Accumulated losses		(14,906,588)	(12,723,911)
Reserves	6	498,762	2,104,242
		<u>60,241,222</u>	<u>64,029,379</u>
TOTAL EQUITY		<u>60,241,222</u>	<u>64,029,379</u>

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2020	74,649,048	(12,723,911)	2,104,242	64,029,379
Loss for the year	–	(2,182,677)	–	(2,182,677)
Exchange differences on foreign currency translation	–	–	(1,605,480)	(1,605,480)
Total comprehensive loss for the period	–	(2,182,677)	(1,605,480)	(3,788,157)
Balance at 31.12.2020 (Consolidated)	74,649,048	(14,906,588)	498,762	60,241,222

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2019	74,649,048	(10,146,089)	2,629,130	67,132,089
Loss for the year	–	(2,577,822)	–	(2,577,822)
Exchange differences on foreign currency translation	–	–	(524,888)	(524,888)
Total comprehensive loss for the period	–	(2,577,822)	(524,888)	(3,102,710)
Balance at 31.12.2019 (Consolidated)	74,649,048	(12,723,911)	2,104,242	64,029,379

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,483,723	2,912,396
Receipt of government subsidy	–	11,471
Payments to suppliers and employees	(2,605,010)	(3,506,110)
Finance costs	(2,792)	(2,080)
Interest received	5,413	8,477
	(118,666)	(575,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(20,710)	(118,307)
Payment for intangible assets	(23,565)	(51,114)
Investments in joint ventures	–	(1,036,755)
Investments in associate	(895,888)	–
Advance to a joint venture	(326,518)	–
Payment for construction	(3,351,572)	–
Advances to trading partner	–	734,343
Repayment by director on behalf of trading partner	–	(734,343)
	(4,618,253)	(1,206,176)
CASH FLOWS FROM FINANCING ACTIVITIES		
Other loan	796,345	–
Proceeds from borrowing	2,098,241	–
	2,894,586	–
Net decrease in cash and cash equivalents	(1,842,333)	(1,782,022)
Cash and cash equivalents at the beginning of the financial year	2,424,738	4,318,791
Effects of exchange rate changes on cash and cash equivalents	(15,172)	(112,031)
Cash and cash equivalents at end of year	567,233	2,424,738

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

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NOTES TO THE APPENDIX 4E

Note 1: Investments

The consolidated financial statements include the financial statements of CAQ Holdings Limited and the following wholly owned subsidiaries:

Name	Country of Incorporation	% Equity Interest	
		31 December 2020	31 December 2019
CAQ Diamond Network Limited	BVI	100%	100%
CAQ Diamond Network (HK) Limited	Hong Kong	100%	100%
CAQ Finance Limited	BVI	100%	100%
CAQ Finance (HK) Limited	Hong Kong	100%	100%
Rayport Limited	BVI	100%	100%
Peace Base Holdings Limited	Hong Kong	100%	100%
Actual Winner Limited	Hong Kong	100%	100%
Express Linker Limited	Hong Kong	100%	100%
Haikou Peace Base Industry Development Co. Ltd.	China	100%	100%

CAQ Holdings Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Note 2: Investment Properties

	Consolidated 2020 \$	Consolidated 2019 \$
Balance as at 1 January	59,715,430	60,196,834
Addition for the year	3,394,943	–
Fair value adjustment	383,780	–
Foreign exchange adjustment	(1,777,408)	(481,404)
Closing balance as at 31 December	61,716,745	59,715,430

Note

31 December 2020 investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2020
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 Capitalisation rate	RMB0.79 per sqm per day 7.5%

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NOTES TO THE APPENDIX 4E

Note 3: Interest in a Joint Venture

	2020	2019
	\$	\$
Investment in Hainan Kingmall International Trading Co., Ltd	459,095	863,636
Total interest in a joint venture	459,095	863,636

	2020	2019
	\$	\$
Opening balance	863,636	–
Investment during the period	–	1,036,755
Share of loss	(402,444)	(161,781)
Translation difference	(2,097)	(11,338)
Closing balance	459,095	863,636

Reconciliation of carrying value

Notes:

Particulars of the Group's sole joint venture are as follows:

Company name	Place of Registration And business	Registered capital	Ownership interest attributable to the Group	Percentage of Voting Power	Profit sharing	Principal activities
Hainan Kingmall International trading Co., Ltd.	PRC/Mainland China	\$2,073,509 (RMB10,000,000)	50	50	50	Wholesale and retail

Interest in a joint venture

The Group has a 50% interest in Hainan Kingmall International Trading Co., Ltd, a joint venture involved in the operate on a B2C model within the Haikou Integrated Free Trade Zone. The Group's interest in Hainan Kingmall International Trading Co., Ltd is accounted for using the equity method in the consolidated financial statements.

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Note 4: Interest in an associate

	2020
	\$
Investment in Hainan Provincial Diamond & Jewelry Co., Ltd	878,145
	<u>878,145</u>

	2020
	\$

Reconciliation of carrying value

Opening balance	–
Investment during the period	895,888
Share of loss	(18,710)
Translation difference	966
	<u>966</u>
Closing balance	<u>878,145</u>

Notes:

Particulars of the Group's sole associate are as follows:

Company name	Place of Registration And business	Registered capital	Ownership interest attributable to the Group	Percentage of Voting Power	Profit sharing	Principal activities
Hainan Provincial Diamond & Jewelry Co., Ltd.	PRC/Mainland China	\$5,972,588 (RMB30,000,000)*	45	45	45	Diamond and Jewelry retail

* Total registered capital is \$5,972,588 (RMB30,000,000) and paid up capital injection is \$1,990,863 (RMB10,000,000).

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Interest in associate

The Group has a 45% interest in Hainan Provincial Diamond & Jewelry Co., Ltd, an associate was established in August 2020 and involved in the operate on a diamond & Jewelry retail activities. The Group's interest in Hainan Provincial Diamond & Jewelry Co., Ltd is accounted for using the equity method in the consolidated financial statements.

Note 5: Contributed equity

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
(a) Ordinary shares	<u>74,649,048</u>	<u>74,649,048</u>
Total contributed equity	<u><u>74,649,048</u></u>	<u><u>74,649,048</u></u>

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

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NOTES TO THE APPENDIX 4E

(b) Movements in ordinary share capital

	<i>No.</i>	\$
Balance as at 1 January 2019	<u>717,786,281</u>	<u>74,649,048</u>
Issue of shares (net of issue costs)	<u>—</u>	<u>—</u>
Closing balance as at 31 December 2019	<u>717,786,281</u>	<u>74,649,048</u>
Balance as at 1 January 2020	717,786,281	74,649,048
No movement	<u>—</u>	<u>—</u>
Closing balance as at 31 December 2020	<u>717,786,281</u>	<u>74,649,048</u>

(c) Share Options

There are no unissued ordinary shares of CAQ Holdings Limited under option as at 31 December 2020 (2019: Nil).

Note 6: Reserves

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

Note 7: Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

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NOTES TO THE APPENDIX 4E

The following reflects the income and share data used in the basic loss per share computations:

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
Loss attributable to ordinary equity holders	<u>(2,182,677)</u>	<u>(2,577,822)</u>
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic profit/(loss) per share	<u>717,786,281</u>	<u>717,786,281</u>
	Cents/share	Cents/share
Basic and diluted loss per share	<u>(0.30)</u>	<u>(0.36)</u>

Note 8: Operating Segment

The Group has two segments being investment property and investment in trading entities (through its investment in joint venture/associate). The Group's jewellery trading business is not significant and thus not considered a separate segment. The results of the Group's jewellery trading business are included in the investment property segment.

Other than the share of loss for the joint venture and associate separately disclosed in the statement of profit or loss, the balance of the results relate to the Group's investment property segment.

Other than the carrying value of the Group's investment in joint venture and associate separately disclosed in the statement of financial position, the balance of the net asset relate to the group's investment property segment.

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NOTES TO THE APPENDIX 4E

Note 9: Basis of Preparation

The accounting policies adopted in the preparation of this Appendix 4E are consistent with those applied by the Group in the preparation of the annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Amendments to AASB 3: Definition of a Business

The amendment to AASB 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

Amendments to AASB 7, AASB 9 and AASB 139: Interest Rate Benchmark Reform

The amendments to AASB 9 and AASB 139 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to AASB 101 and AASB 108: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

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The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

Going concern

The Group made a net loss of \$2,182,677 and had net cash outflow of \$1,842,333. At 31 December 2020, the Group had a cash balance of \$567,233. The financial information has been prepared on a going concern basis taking into account that the Group's forecast cashflows, which indicates that the Group will be able to settle its liabilities as and when they fall due assuming successful completion of on-going negotiations with certain creditor for payment deferrals. These creditor payment deferrals are continuing at the date of this report. The Group also has diamond stock with carrying value of \$1,205,326 that can be sold if required.

Note 10: Expected credit loss

On 5 July 2019, the group entered into an agreement with one of its trading partners, the agreement is valid for one year from 5 July 2019 to 4 July 2020 up to the date of the consolidated financial report, the amount is over due and a whole provision has been provided for the year ended 31 December 2020.

Note 11: Events occurring after the reporting date

There have not been any events that have arisen in the interval between the end of the financial period and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to materially affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Note 12 : Bank loan

During the year, HPB had been granted a banking facility of RMB20,000,000 by Bank of Hainan. The facility is secured by the title of the Administrative Building as at 31 December 2020, HPB had drawn down RMB9,995,000 (equivalent to approximately \$1,989,867). According to the loan agreement , the bank loan interest rate is 6.5% per annum, the bank loan has instalment repayments in May and November each year and interest will be repaid each month. The portion of the bank loan to be repaid in the next 12 months has been classified as current with the remaining balance as non-current.