

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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Results for announcement to market	Up/Down	% Change	31 December 2021 \$
Revenue from ordinary activities	Up	26%	2,580,988
Loss after tax from ordinary activities attributable to members	Down	42%	(1,269,731)
Loss attributable to members	Down	42%	(1,269,731)

Dividend Information	Amount per share	Franked Amount per share
Dividend – current reporting period	Nil	Nil
Dividend – previous reporting period	Nil	Nil

Net Tangible Asset Backing per Ordinary Share	cents
Net tangible asset backing per ordinary share – current reporting period	8.94
Net tangible asset backing per ordinary share – previous reporting period	8.39


Commentary on the Results for the Period

The loss after tax for the year ended 31 December 2021 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, administration expenses, purchase and changes in trading stock, expected credit loss offset by the increase in share of losses of a 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 25 day of February 2022.

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REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS
FOR THE YEAR ENDED 31 DECEMBER 2021

Review of Operations and Changes in State of Affairs

Operations

During the year ended 31 December 2021, revenues earned from the Company's leasing business (net of business tax) amounted to \$2,580,988 (2020: \$2,041,952). This can be mainly attributed to maintaining a stable occupancy rates above 50% throughout the year. The Group expects the occupancy rate to maintain an upward trend in year 2022.

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. The overall refurbishment of the exhibition centre was completed in December 2021 with all approval certificates and licences obtained. The total floor area of the Exhibition Centre is 22,441.96 sqm. After the opening the Exhibition Centre scheduled in the first quarter 2022, 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 2021

	<i>Note</i>	Consolidated Year ended 31 December 2021 \$	Consolidated Year ended 31 December 2020 \$
Rental income		2,580,988	2,041,952
Revenue from contracts with customers		<u>—</u>	<u>13,760</u>
Revenue		<u>2,580,988</u>	<u>2,055,712</u>
Other income		<u>219,708</u>	<u>29,746</u>
Purchase and changes in trading stock		—	(10,830)
Foreign currency loss		(3,648)	(2,825)
Legal expenses		(69,652)	(93,728)
Accounting, auditing fees and consultancy expenses		(239,554)	(294,373)
Directors fees and salary		(1,488,385)	(1,527,815)
Insurance expenses		(54,189)	(50,552)
Occupancy costs		(44,955)	(45,328)
Travel costs		(430,639)	(350,148)
Finance costs		(3,749)	(3,108)
Administration expenses		(353,759)	(378,770)
Other expenses		(230,470)	(95,670)
Depreciation		(97,269)	(125,883)
Amortisation		(24,374)	(21,629)
Expected credit loss	10	(309,380)	(742,315)
Change in fair value of investment properties	2	638,444	383,779
Share of losses of a joint venture	3	(433,523)	(402,444)
Share of losses of an associate	4	<u>(380,734)</u>	<u>(18,710)</u>
Loss from continuing operations before Income Tax		(725,140)	(1,694,891)
Income tax expense		<u>(544,591)</u>	<u>(487,786)</u>
Loss after income tax for the year		<u>(1,269,731)</u>	<u>(2,182,677)</u>

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Note</i>	Consolidated Year ended 31 December 2021 \$	Consolidated Year ended 31 December 2020 \$
Other comprehensive profit/(loss)			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		<u>5,236,946</u>	<u>(1,605,480)</u>
Total comprehensive profit/(loss) for the year		<u>3,967,215</u>	<u>(3,788,157)</u>
Loss is attributable to:			
Owners of CAQ Holdings Limited		(1,269,731)	(2,182,677)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of CAQ Holdings Limited		3,967,215	(3,788,157)
Loss per share attributable to the members of CAQ Holdings Limited		Cents Per Share	Cents Per Share
Basic and diluted loss per share	7	<u>(0.18)</u>	<u>(0.30)</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 2021

	<i>Notes</i>	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		541,129	567,233
Trade and other receivables		209,366	178,095
Inventory		1,309,803	1,205,326
Other current assets		204,459	178,799
Investment held for sale	13	555,484	–
Due from a joint venture		–	298,629
TOTAL CURRENT ASSETS		2,820,241	2,428,082
NON-CURRENT ASSETS			
Property, plant & equipment		121,077	189,348
Investment property	2	68,652,528	61,716,745
Intangibles		21,156	42,975
Other receivables		1,257,841	1,062,195
Investment in a joint venture	3	–	459,095
Investment in an associate	4	–	878,145
TOTAL NON-CURRENT ASSETS		70,052,602	64,348,503
TOTAL ASSETS		72,872,843	66,776,585
CURRENT LIABILITIES			
Trade and other payables		1,107,800	596,432
Tax payable		91,080	68,644
Accruals		678,593	467,157
Borrowings	12	1,002,544	871,201
TOTAL CURRENT LIABILITIES		2,880,017	2,003,434

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
NON-CURRENT LIABILITIES			
Other payable		163,460	445,048
Borrowings	12	2,686,501	1,915,011
Deferred tax liabilities		2,934,428	2,171,870
TOTAL NON-CURRENT LIABILITIES		5,784,389	4,531,929
TOTAL LIABILITIES		8,664,406	6,535,363
NET ASSETS		64,208,437	60,241,222
EQUITY			
Contributed equity	5	74,649,048	74,649,048
Accumulated losses		(16,176,319)	(14,906,588)
Reserves	6	5,735,708	498,762
TOTAL EQUITY		64,208,437	60,241,222

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 2021

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2021	74,649,048	(14,906,588)	498,762	60,241,222
Loss for the year	–	(1,269,731)	–	(1,269,731)
Exchange differences on foreign currency translation	–	–	5,236,946	5,236,946
Total comprehensive loss for the period	–	(1,269,731)	5,236,946	3,967,215
Balance at 31.12.2021 (Consolidated)	<u>74,649,048</u>	<u>(16,176,319)</u>	<u>5,735,708</u>	<u>64,208,437</u>

	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)	<u>74,649,048</u>	<u>(14,906,588)</u>	<u>498,762</u>	<u>60,241,222</u>

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 2021

	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,731,114	2,483,723
Payments to suppliers and employees	(2,600,483)	(2,605,010)
Finance costs	(3,236)	(2,792)
Interest received	1,381	5,413
Net cash inflow/(outflow) from operating activities	128,776	(118,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(16,414)	(20,710)
Payment for intangible assets	–	(23,565)
Investments in associate	–	(895,888)
Advance to a joint venture	–	(326,518)
Payment for construction	(805,327)	(3,351,572)
Net cash outflow from investing activities	(821,741)	(4,618,253)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other loan	412,506	796,345
Repayment of other loan	(412,506)	–
Proceeds from a bank borrowing	663,310	2,098,241
Repayment of a bank borrowing	(36,507)	–
Net cash inflow from financing activities	626,803	2,894,586
Net decrease in cash and cash equivalents	(66,162)	(1,842,333)
Cash and cash equivalents at the beginning of the financial year	567,233	2,424,738
Effects of exchange rate changes on cash and cash equivalents	40,058	(15,172)
Cash and cash equivalents at end of year	541,129	567,233

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 2021	31 December 2020
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 2021	Consolidated 2020
	\$	\$
Balance as at 1 January	61,716,745	59,715,430
Addition for the year	805,327	3,394,943
Fair value adjustment	638,444	383,780
Foreign exchange adjustment	5,492,012	(1,777,408)
Closing balance as at 31 December	68,652,528	61,716,745

Note

31 December 2021 investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Range of inputs used at 31 December 2021
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	RMB0.81 per sqm per day
		Capitalisation rate	7.5%

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NOTES TO THE APPENDIX 4E

Note 3: Interest in a Joint Venture

	2021	2020
	\$	\$
Investment in Hainan Kingmall International Trading Co., Ltd	—	459,095
Total interest in a joint venture	—	459,095

	2021	2020
	\$	\$
Reconciliation of carrying value		
Opening balance	459,095	863,636
Share of loss	(433,523)	(402,444)
Impairment of joint venture	(4,115)	—
Translation difference	(21,457)	(2,097)
Closing balance	—	459,095

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

	2021	2020
	\$	\$
Investment in Hainan Provincial Diamond & Jewelry Co., Ltd	—	878,145
Total interest in a joint venture	—	878,145

	2021	2020
	\$	\$
Opening balance	878,145	—
Investment during the period	—	895,888
Share of loss	(380,734)	(18,710)
Translation difference	58,073	966
Reclassification to investment held for sale (note 13)	(555,484)	—
Closing balance	—	878,145

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	\$6,497,085 (RMB30,000,000)*	45	45	45	Diamond and Jewelry retail

* Total registered capital is \$6,497,085 (RMB30,000,000) and paid up capital injection is \$4,547,959 (RMB21,000,000).

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. On 25 October 2021, the Group decided to dispose of it entire in Hainan Provincial Diamond & Jewelry Co., Ltd. Accordingly, the interest in associate have been reclassified to asset held for sale (See note 13).

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NOTES TO THE APPENDIX 4E

Note 5: Contributed equity

	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
(a) Ordinary shares	74,649,048	74,649,048
Total contributed equity	74,649,048	74,649,048

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

(b) Movements in ordinary share capital

	No.	\$
Balance as at 1 January 2020	717,786,281	74,649,048
Issue of shares (net of issue costs)	—	—
Closing balance as at 31 December 2020	717,786,281	74,649,048
Balance as at 1 January 2021	717,786,281	74,649,048
No movement	—	—
Closing balance as at 31 December 2021	717,786,281	74,649,048

(c) Share Options

There are no unissued ordinary shares of CAQ Holdings Limited under option as at 31 December 2021 (2020: Nil).

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NOTES TO THE APPENDIX 4E

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.

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

	Consolidated 31 December 2021 \$	Consolidated 31 December 2020 \$
Loss attributable to ordinary equity holders	(1,269,731)	(2,182,677)
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	717,786,281	717,786,281
	Cents/share	Cents/share
Basic and diluted loss per share	(0.18)	(0.30)

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NOTES TO THE APPENDIX 4E

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.

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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

Going concern

The Group incurred a net loss after tax for the year ended 31 December 2021 of \$1,269,731 and experienced net cash inflows from operating activities of \$128,776.

The ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity as and when the need arises to continue to fund its planned operational activities and fund working capital.

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NOTES TO THE APPENDIX 4E

The financial statements have been prepared on the basis that the entity is a going concern, the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Group has proven history of successfully raising capital via equity or debt;
- The Directors believe that with the current business and working capital management plan, there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities;
- The Directors believe that they will be able to lease out the vacant factory floors and the recently refurbished exhibition centre to generate cash inflows; and
- Cash spending can be reduced or slowed below its current rate if required.

In the event that the Company is unable to obtain sufficient funding for ongoing operational requirements, there is material uncertainty whether the Company will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that may be necessary should the Company not be able to continue as a going concern.

Note 10: Expected credit loss

In 2020, the Group has advanced an amount of RMB1,500,000 to Hainan Kingmall International trading Co., Ltd. in which the Group has a 50% equity interest. The amount advanced is overdue and accordingly, an expected credit loss provision for the full amount has been provided for the year ended 31 December 2021.

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 accordingly, the amount receivable 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.

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NOTES TO THE APPENDIX 4E

Note 12 : Borrowings

	2021	2020
	\$	\$
Current borrowings		
Bank loan	136,266	74,856
Other loan	866,278	796,345
	<u>1,002,544</u>	<u>871,201</u>
Non-current borrowings		
Bank loan	<u>2,686,501</u>	<u>1,915,011</u>
Total borrowings	<u><u>3,689,045</u></u>	<u><u>2,786,212</u></u>

During the year 2020, HPB had entered into a loan agreement with other party \$866,278 (RMB4,000,000). Pursuant to the loan agreement the loan is interest free for one year. The facility is secured by the title over the fourth floor of the Warehouse B.

During the year 2020, 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 2021 HPB had drawn down RMB13,034,000 (equivalent to approximately \$2,822,767). 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.

Note 13 : Investment held for sale

	2021	2020
	\$	\$
Investment in Hainan Provincial Diamond & Jewelry Co., Ltd held for sale (<i>note 4</i>)	<u><u>555,484</u></u>	<u><u>—</u></u>

On 25 October 2021, the Group decided to dispose of its entire interest in Hainan Provincial Diamond & Jewelry Co., Ltd. Accordingly, the interest in associate has been reclassified to asset held for sale.