

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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

Results for announcement to market	Up/Down	% Change	31 December 2023 \$
Revenue from ordinary activities	Down	30	2,621,240
Loss after tax from ordinary activities attributable to members	Up	489	3,138,531
Loss attributable to members	Up	489	3,138,531

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	8.04
Net tangible asset backing per ordinary share – previous reporting period	8.71

Commentary on the Results for the Period

The loss after tax for the year ended 31 December 2023 was incurred in the ordinary course of business.

The increase in loss after tax compared to the prior year is mainly attributable to the decrease in revenue and decrease in fair value of investment properties. 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 29 day of February 2024.

CAQ Holdings Limited and its Controlled Entities
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REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS
FOR THE YEAR ENDED 31 DECEMBER 2023

Review of Operations and Changes in State of Affairs

Operations

During the year ended 31 December 2023, revenues earned from the Company's leasing business (net of business tax) amounted to \$2,073,455 (2022: \$3,716,037). In addition to this, revenues earned (before business tax) from the Company's jewellery business amounted to \$547,785 (2022: 12,669). The Group expects the occupancy rate to maintain an upward trend in year 2024.

The system integration testing of the exhibition center was still not completed as the testing work was suspended to enable internal audit work to be performed on the Hainan Custom facility by the Chief Customs Office. The previous agreement signed with a tenant to underwrite the exhibition center was terminated due to non-payment of that party. Instead, several tenants were in negotiation for the lease of the exhibition center for majority of the total area of it. Inventories continued to be sold down during the fourth quarter of 2023 to improve the cash position. However, as a result of a significant deterioration in the market price of diamonds a loss on disposal is recognized in current year and resulted in a drop of gross profit.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	Consolidated Year ended 31 December 2023 \$	Consolidated Year ended 31 December 2022 \$
Rental income		2,073,455	3,716,039
Revenue from contracts with customers		547,785	12,669
Revenue		2,621,240	3,728,708
Other income		39,097	70,298
Purchase and changes in trading stock		(1,205,415)	(11,914)
Foreign currency gain/(loss)		5,415	(12,684)
Legal expenses		(27,426)	(142,250)
Accounting, auditing fees and consultancy expenses		(381,578)	(381,288)
Director fee		—	—
Salary expenses		(1,031,438)	(1,075,346)
Social security and other employee benefit expenses other than salaries		(227,615)	(228,258)
Insurance expenses		(107,442)	(98,532)
Occupancy costs		(52,040)	(49,732)
Travel costs		(286,773)	(408,887)
Finance costs		(143,807)	(87,063)
Administration expenses		(601,750)	(483,887)
Other expenses		(67,818)	(142,934)
Depreciation		(31,159)	(47,982)
Amortisation		(3,220)	(17,688)
Recover of loan to a joint venture impaired in prior year		34,020	—
Reversal of expected credit loss/(expected credit loss)		520,372	(1,075,485)
Change in fair value of investment properties	2	(2,338,861)	271,113
Disposal gain on interests of an associate		—	128,804
Loss from continuing operations before Income Tax		(3,286,198)	(65,007)
Income tax benefit/(expense)		147,667	(467,780)
Loss after income tax for the year		(3,138,531)	(532,787)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Note</i>	Consolidated Year ended 31 December 2023 \$	Consolidated Year ended 31 December 2022 \$
Other comprehensive loss			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		(1,679,633)	(1,121,636)
Total comprehensive loss for the year		(4,818,164)	(1,654,423)
Loss is attributable to:			
Owners of CAQ Holdings Limited		(3,138,531)	(532,787)
Total comprehensive loss for the year is attributable to:			
Owners of CAQ Holdings Limited		(4,818,164)	(1,654,423)
Loss per share attributable to the members of CAQ Holdings Limited		Cents Per Share	Cents Per Share
Basic and diluted loss per share	6	<u>(0.44)</u>	<u>(0.07)</u>

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	Consolidated 31 December 2023 \$	Consolidated 31 December 2022 \$
CURRENT ASSETS			
Cash and cash equivalents		676,788	819,585
Trade and other receivables		125,249	339,841
Inventory		86,555	1,278,476
Other current assets		822,464	226,281
TOTAL CURRENT ASSETS		1,711,056	2,664,183
NON-CURRENT ASSETS			
Plant and equipment		136,620	103,094
Investment properties	2	64,096,903	68,283,842
Intangibles		–	3,222
Investment in a joint venture	3	–	–
TOTAL NON-CURRENT ASSETS		64,233,523	68,390,158
TOTAL ASSETS		65,944,579	71,054,341
CURRENT LIABILITIES			
Trade and other payables		916,160	1,206,026
Other taxes payable		61,355	70,088
Director fee payable		330,000	330,000
Accruals		180,544	184,650
Borrowings	11	1,485,807	850,549
TOTAL CURRENT LIABILITIES		2,973,866	2,641,313

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Notes</i>	Consolidated 31 December 2023 \$	Consolidated 31 December 2022 \$
NON-CURRENT LIABILITIES			
Other payable		177,761	149,803
Borrowings	<i>11</i>	1,947,801	2,362,578
Deferred tax liabilities		<u>3,109,301</u>	<u>3,346,633</u>
TOTAL NON-CURRENT LIABILITIES		<u>5,234,863</u>	<u>5,859,014</u>
TOTAL LIABILITIES		<u>8,208,729</u>	<u>8,500,327</u>
NET ASSETS		<u>57,735,850</u>	<u>62,554,014</u>
EQUITY			
Contributed equity	<i>4</i>	74,649,048	74,649,048
Accumulated losses		(19,847,637)	(16,709,106)
Reserves	<i>5</i>	<u>2,934,439</u>	<u>4,614,072</u>
TOTAL EQUITY		<u>57,735,850</u>	<u>62,554,014</u>

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 YEAR ENDED 31 DECEMBER 2023

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2023	74,649,048	(16,709,106)	4,614,072	62,554,014
Loss for the year	–	(3,138,531)	–	(3,138,531)
Exchange differences on foreign currency translation	–	–	(1,679,633)	(1,679,633)
Total comprehensive loss for the period	–	(3,138,531)	(1,679,633)	(4,818,164)
Balance at 31.12.2023 (Consolidated)	<u>74,649,048</u>	<u>(19,847,637)</u>	<u>2,934,439</u>	<u>57,735,850</u>

	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2022	74,649,048	(16,176,319)	5,735,708	64,208,437
Loss for the year	–	(532,787)	–	(532,787)
Exchange differences on foreign currency translation	–	–	(1,121,636)	(1,121,636)
Total comprehensive loss for the period	–	(532,787)	(1,121,636)	(1,654,423)
Balance at 31.12.2022 (Consolidated)	<u>74,649,048</u>	<u>(16,709,106)</u>	<u>4,614,072</u>	<u>62,554,014</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 YEAR ENDED 31 DECEMBER 2023

	Consolidated 31 December 2023 \$	Consolidated 31 December 2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,415,363	2,783,732
Payments to suppliers and employees	(2,805,363)	(3,389,859)
Bank charge	(3,977)	(3,664)
Interest received	3,986	9,593
Value-added tax refund/(paid)	–	1,141,451
Other tax subsidy received	11,823	19,834
Net cash (outflow)/inflow from operating activities	(378,168)	561,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipment	–	(32,032)
Receipts from disposal of motor vehicles	40,361	–
Receipts from disposal of an associate	–	693,717
Recover of loan to a joint venture impaired in prior year	34,020	–
Payment for construction of investment properties	–	(333,042)
Net cash inflow from investing activities	74,381	328,643
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other loan	(255,148)	(278,592)
Proceeds from a bank borrowing	850,495	–
Repayment of a bank borrowing	(276,071)	(134,838)
Interest payment of a bank borrowing	(139,056)	(181,167)
Net cash inflow/(outflow) from financing activities	180,220	(594,597)
Net (decrease)/increase in cash and cash equivalents	(123,567)	295,133
Cash and cash equivalents at the beginning of the financial year	819,585	541,129
Effects of exchange rate changes on cash and cash equivalents	(19,230)	(16,677)
Cash and cash equivalents at end of year	676,788	819,585

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 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 2023	31 December 2022
CAQ Diamond Network Limited	British Virgin Islands	100%	100%
CAQ Diamond Network (HK) Limited	Hong Kong	100%	100%
CAQ Finance Limited	British Virgin Islands	100%	100%
CAQ Finance (HK) Limited	Hong Kong	100%	100%
Rayport Limited	British Virgin Islands	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

Investment properties refer to an Industrial Complex located at No. 69 South First Ring Road, Chengmai County, Hainan Province, The People Republic of China which comprises a parcel of land on which an exhibition centre, a composite building, three workshops and four warehouses are erected.

	Consolidated 2023 \$	Consolidated 2022 \$
Balance as at 1 January	68,283,842	68,652,528
Expenditure for the year	–	404,925
Interest capitalization	–	181,167
Fair value adjustment	(2,338,861)	271,113
Foreign exchange adjustment	(1,848,078)	(1,225,891)
Closing balance as at 31 December	64,096,903	68,283,842

Investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Inputs used at 31 December 2023	Inputs used at 31 December 2022
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	RMB24.6 sqm per month	RMB24.9 sqm per month
		Capitalisation rate	7.5%	8%

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

NOTES TO THE APPENDIX 4E

Note 3: Interest in a Joint Venture

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

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.

The investment in joint venture has been impaired fully in 2021, there is no movement of carrying amount of the investment during the year (2022: Nil).

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

NOTES TO THE APPENDIX 4E

Note 4: Contributed equity

	Consolidated 31 December 2023 \$	Consolidated 31 December 2022 \$
(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 2022	717,786,281	74,649,048
Issue of shares (net of issue costs)	—	—
Closing balance as at 31 December 2022	717,786,281	74,649,048
Balance as at 1 January 2023	717,786,281	74,649,048
No movement	—	—
Closing balance as at 31 December 2023	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 2023 (2022: Nil).

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

NOTES TO THE APPENDIX 4E

Note 5: Reserves

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

Note 6: 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 2023 \$	Consolidated 31 December 2022 \$
Loss attributable to ordinary equity holders	(3,138,531)	(532,787)
	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	(0.44)	(0.07)

There are no potential ordinary shares on issue at 31 December 2023 and 31 December 2022.

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

NOTES TO THE APPENDIX 4E

Note 7: 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 recover of loan to a joint venture impaired in prior year and disposal gain on interests of an 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 disclosed in the statement of financial position, the balance of the net asset relate to the group's investment property segment.

Note 8: 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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an 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 2023 of \$3,138,531 and experienced net cash outflows from operating activities of \$378,168. The Group had net assets of \$57,735,850 and was in a net current liability position of \$1,262,810 as at 31 December 2023.

In the event that cash inflows from forecast rental income is not achieved, the ability of the Group to continue as a going concern may be dependent on securing additional funding through debt or equity as and when the need arises for it to continue to fund its working capital requirements.

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

NOTES TO THE APPENDIX 4E

The Directors have considered the funding and operational status of the business in arriving at their assessment of going concern and believe that the going concern basis of preparation is appropriate based upon the following considerations:

- Following the lifting of COVID restrictions, the Directors believe that under the current business model and working capital management plan, the Group will generate sufficient cashflows from rental income of its property to enable the Group to meet its debts as and when they fall due; and
- Should additional working capital be required the Group has a proven history of successfully raising capital via equity or debt.

If the Group is unable to achieve the above, there is material uncertainty whether the Group 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 do 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 Group not be able to continue as a going concern.

Note 9: Expected credit loss

In 2022, the Group had entered into a lease agreement with a tenant which agreed to lease the 1st to 5th floor of the exhibition centre. A rent-free period of 3 months was granted to the tenant for its decoration work and the tenant shall start payment of rental from July 2022 onward. The decoration work has been delayed to the fourth quarter of 2022 due to lockdown of Haikou city and the tenant has failed to make the payment according to the lease agreement. In view of the delay due to forced closure during the pandemic and the possibility that the rental receivable might be waived, the Group recognised an expected credit loss provision of \$1,075,485 at 31 December 2022.

In 2023, the Group had received a return of an advance payment of \$637,871 from a supplier that the payment was fully impaired in 2020. On the other hands, the Group recognised an expected credit loss provision of \$117,499 at 31 December 2023 for a tenant that has signs of financial difficulty.

Note 10: Events occurring after the reporting date

There have not been any other 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.

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

NOTES TO THE APPENDIX 4E

Note 11 : Borrowings

	2023	2022
	\$	\$
Current borrowings		
Bank loan	1,175,661	276,199
Other loan	310,146	574,350
	<u>1,485,807</u>	<u>850,549</u>
Non-current borrowings		
Bank loan	1,947,801	2,362,578
	<u>1,947,801</u>	<u>2,362,578</u>
Total borrowings	<u><u>3,433,608</u></u>	<u><u>3,213,127</u></u>
Changes in liabilities arising from financing activities		
	Bank loan	Other loan
	\$	\$
At 1 January 2022	2,822,767	866,278
Change from financing cash flows	(134,838)	(278,592)
Exchange realignment	(49,152)	(13,336)
	<u>2,638,777</u>	<u>574,350</u>
At 31 December 2022 and 1 January 2023	2,638,777	574,350
Change from financing cash flows	574,424	(255,148)
Exchange realignment	(89,739)	(9,056)
	<u>3,123,462</u>	<u>310,146</u>
At 31 December 2023	<u><u>3,123,462</u></u>	<u><u>310,146</u></u>

During the year 2020, Haikou Peace Base Industry Development Co Ltd (“HPB”) entered into a loan agreement with a third party for RMB4,000,000. Pursuant to the loan agreement, the loan is interest free for one year and incurs an interest rate of 10% per annum for subsequent extensions. The loan repayment term has been extended for one year with a carrying value of \$310,146 equivalent to approximately RMB1,500,000 (2022: \$574,350 equivalent to approximately RMB2,700,000). The facility is secured by the title over the fourth floor of the Warehouse B.

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

NOTES TO THE APPENDIX 4E

During the year 2020, HPB had been granted a banking facility of RMB20,000,000 by Bank of Hainan. The facility, which is only available for capital expenditure related to investment property, is secured by the title of the Administrative Building. As at 31 December 2023 HPB had drawn down RMB11,106,400 (equivalent to approximately \$2,296,406). According to the loan agreement, the bank loan has a term of sixty months from withdrawal date and bears interest rate of 6.5% per annum and can only be used for construction works related the properties owned by HPB. 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.

During the year 2023, HPB had been granted a banking facility of RMB4,000,000 by Bank of Hainan. The facility, which is only available for repairment expenditure related to investment property and working capital of daily business, is secured by the title of the Administrative Building. As at 31 December 2023 HPB had drawn down RMB4,000,000 (equivalent to approximately \$827,056). According to the loan agreement, the bank loan has a term of thirty-six months from withdrawal date and bears interest rate of 5.3% per annum and can only be used for repairment expenditure related to investment property and working capital of daily business. The bank loan has instalment repayments in February and August 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.

	2023	2022
	\$	\$
Bank loan repayable:		
Within one year or on demand	1,175,661	276,199
In the second year	1,375,189	996,816
In the third year to fifth years, inclusive	572,612	1,365,762
	<u>3,123,462</u>	<u>2,638,777</u>
Other loan repayable:		
Within one year or on demand	<u>310,146</u>	<u>574,350</u>
	<u><u>3,433,608</u></u>	<u><u>3,213,127</u></u>