

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

APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Results for announcement to market	Up/Down	% Change	31 December 2019
			\$
Revenue from ordinary activities	Up	156%	1,369,714
Loss after tax from ordinary activities attributable to members	Up	38%	(2,549,822)
Loss attributable to members	Up	38%	(2,549,822)
			Franked Amount per share
			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			9.69
Net tangible asset backing per ordinary share – previous reporting period			9.26

Commentary on the Results for the Period

The loss after tax for the year ended 31 December 2019 was incurred in the ordinary course of business.

The increase in loss after tax compared to the prior year is mainly attributable to the increase in the travel costs, increase in share of losses of a joint venture, increase in foreign currency loss and the decrease in staff costs. 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 2020.

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REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS
FOR THE YEAR ENDED 31 DECEMBER 2019

Review of Operations and Changes in State of Affairs

Operations

During the year ended 31 December 2019, revenues earned from the Company's leasing business (net of business tax) amounted to \$1,243,927 (2018: \$434,419). This can be mainly attributed to increases in occupancy rates, which climbed to 60% at the end of the year. The Group expects the occupancy rate to maintain an upward trend in year 2020. In addition to this, revenues earned (before business tax) from the Company's jewellery business amounted to \$125,787 (2018: \$101,349). The Company's subsidiary Haikou Peace Base Development Co Limited ("HPB") has physical jewellery stores in Haikou Meilan Airport Duty-Free Mall as well as a jewellery e-commerce platform and a jewellery e-store on the JingDong Mall e-commerce platform.

During the year, the Company established a joint venture company, Hainan Kingmall International Trading Co., Ltd, which will operate on a B2C model within the Haikou Integrated Free Trade Zone. All overseas goods will first be shipped to CAQ's warehousing and exhibition facilities for customs' records and will then be sold inside the exhibition centre and can be delivered freely to the retail experience outlets operated by the joint venture. On 18 December 2019, the first retail experience outlet with physical area of 372 square metres opened in the Haikou Wanda Shopping Mall. An online distribution network, Kingmall's online shop (link: <http://www.kingmall.shop>) has also been launched for test run since 12 December 2019.

The recent coronavirus may have effects on changes in economic circumstances that may impact impairment evaluations and fair-value measurements of financial and non-financial assets and liabilities, changes in credit risk of customers/tenants and covenant breaches, amendments, or waivers in lending agreements and the business operation of outlets under the joint venture company.

Corporate

On 4 June 2019, Mr Chen Po Chang were appointed as Non-Executive Directors of the Company.

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CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Note</i>	Consolidated Year ended 31 December 2019 \$	Consolidated Year ended 31 December 2018 \$
Rental income		1,243,927	434,419
Revenue from contracts with customers		<u>125,787</u>	<u>101,349</u>
Revenue		<u>1,369,714</u>	<u>535,768</u>
Other income		<u>213,138</u>	<u>682,398</u>
Purchase and changes in trading stock		(256,540)	(57,452)
Foreign currency gain/(loss)		(66,689)	424,740
Legal expenses		(69,324)	(102,789)
Accounting, auditing fees and consultancy expenses		(222,751)	(218,475)
Directors fees and salary		(1,563,834)	(1,769,362)
Insurance expenses		(51,935)	(39,259)
Occupancy costs		(49,737)	(61,865)
Travel costs		(412,723)	(328,024)
Finance costs		(13,603)	(1,582)
Administration expenses		(382,342)	(390,646)
Other expenses		(233,306)	(272,010)
Depreciation		(259,570)	(331,953)
Change in fair value of investment properties	2	–	607,346
Share of losses of a joint venture		<u>(161,781)</u>	<u>–</u>
Loss from continuing operations before Income Tax		(2,161,283)	(1,323,165)
Income tax expense		<u>(388,539)</u>	<u>(529,224)</u>
Loss after income tax for the year		<u>(2,549,822)</u>	<u>(1,852,389)</u>

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CONSOLIDATED STATEMENT PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Consolidated Year ended 31 December 2019 \$	Consolidated Year ended 31 December 2018 \$
Other comprehensive profit/(loss)			
<i>Items that may be reclassified to the profit or loss</i>			
Exchange differences on translation of foreign operations		(524,888)	2,777,658
Total comprehensive profit/(loss) for the year		(3,074,710)	925,269
Loss is attributable to:			
Owners of CAQ Holdings Limited		(2,549,822)	(1,852,389)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of CAQ Holdings Limited		(3,074,710)	925,269
Loss per share attributable to the members of CAQ Holdings Limited			
Basic and diluted loss per share	5	<u>(0.36)</u>	<u>(0.26)</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 2019

	<i>Notes</i>	Consolidated 31 December 2019	Consolidated 31 December 2018
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		2,424,738	4,318,791
Trade and other receivables		932,435	1,781,807
Inventory		1,250,370	1,400,446
Other current assets		195,491	223,391
		<u>4,803,034</u>	<u>7,724,435</u>
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment		296,957	373,283
Investment property	2	59,715,430	60,196,834
Intangibles		42,913	16,902
Other receivables		934,512	863,082
Investment in a joint venture		863,636	–
		<u>61,853,448</u>	<u>61,450,101</u>
TOTAL NON-CURRENT ASSETS			
TOTAL ASSETS			
		<u>66,656,482</u>	<u>69,174,536</u>
CURRENT LIABILITIES			
Trade and other payables		702,707	564,277
Tax payable		65,430	20,441
Accruals		75,166	72,443
		<u>843,303</u>	<u>657,161</u>
TOTAL CURRENT LIABILITIES			

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	<i>Notes</i>	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,755,800	1,385,286
TOTAL NON-CURRENT LIABILITIES		1,755,800	1,385,286
TOTAL LIABILITIES		2,599,103	2,042,447
NET ASSETS		64,057,379	67,132,089
EQUITY			
Contributed equity	3	74,649,048	74,649,048
Accumulated losses		(12,695,911)	(10,146,089)
Reserves	4	2,104,242	2,629,130
TOTAL EQUITY		64,057,379	67,132,089

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 2019

	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
Gain for the year	–	(2,549,822)	–	(2,549,822)
Exchange differences on foreign currency translation	–	–	(524,888)	(524,888)
Total comprehensive profit/(loss) for the period	–	(2,549,822)	(524,888)	(3,074,710)
Balance at 31.12.2019 (Consolidated)	74,649,048	(12,695,911)	2,104,242	64,057,379
	Contributed equity \$	Accumulated losses \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1.1.2018	74,649,048	(8,293,700)	(148,528)	66,206,820
Loss for the year	–	(1,852,389)	–	(1,852,389)
Exchange differences on foreign currency translation	–	–	2,777,658	2,777,658
Total comprehensive loss for the period	–	(1,852,389)	2,777,658	925,269
Balance at 31.12.2018 (Consolidated)	74,649,048	(10,146,089)	2,629,130	67,132,089

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 2019

	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,282,790	1,927,665
Receipt of government subsidy	11,471	600,267
Payments to suppliers and employees	(2,876,504)	(5,860,001)
Finance costs	(2,080)	(6,947)
Interest received	8,477	11,542
Net cash outflow from operating activities	(575,846)	(3,327,474)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property, plant and equipments	(118,307)	(212,572)
Payment for intangible assets	(51,114)	–
Investments in joint ventures	(1,036,755)	–
Net cash outflow from investing activities	(1,206,176)	(212,572)
Net increase/(decrease) in cash and cash equivalents	(1,782,022)	(3,540,046)
Cash and cash equivalents at the beginning of the financial year	4,318,791	7,295,576
Effects of exchange rate changes on cash and cash equivalents	(112,031)	563,261
Cash and cash equivalents at end of year	2,424,738	4,318,791

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 2019	31 December 2018
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 2019	Consolidated 2018
	\$	\$
Balance as at 1 January	60,196,834	56,933,654
Fair value adjustment	–	607,346
Foreign exchange adjustment	(481,404)	2,655,834
Closing balance as at 31 December	59,715,430	60,196,834

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NOTES TO THE APPENDIX 4E

Note 3: Interest in a Joint Venture

	2019 \$
Investment in a joint venture:	
Share of net assets	863,636
Total interest in a joint venture	863,636

Notes:

Particulars of the Group's sole joint venture, which is indirectly held by the Company, are as follows:

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

Note 4: Contributed equity

	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
(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.

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NOTES TO THE APPENDIX 4E

(b) Movements in ordinary share capital

	<i>No.</i>	\$
Balance as at 1 January 2018	<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 2018	<u>717,786,281</u>	<u>74,649,048</u>
Balance as at 1 January 2019	717,786,281	74,649,048
No movement	<u>—</u>	<u>—</u>
Closing balance as at 31 December 2019	<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 2019 (2018: Nil).

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.

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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 2019	Consolidated 31 December 2018
	\$	\$
Loss attributable to ordinary equity holders	<u>(2,549,822)</u>	<u>(1,852,389)</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>(0.36)</u>	<u>(0.26)</u>

Note 7: Operating Segment

The Group has two lines of business being property development 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.

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NOTES TO THE APPENDIX 4E

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

Leases

(i) *Right-of-use assets*

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

Measurement and classification

(ii) *Lease Liabilities*

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

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

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NOTES TO THE APPENDIX 4E

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

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

Note 9: Events occurring after the reporting date

The outbreak of a coronavirus (COVID-19) has led to substantial travel bans and lockdowns across China. Increased global travel restrictions amid virus infections locally and overseas, resulting in significant disruption to trade and threat to the global economy. It may have effects on changes in economic circumstances that may impact impairment evaluations and fair-value measurements of financial and non-financial assets and liabilities, changes in credit risk of customers/tenants, covenant breaches, amendments, or waivers in lending agreements and the business operation of outlets under the joint venture company.