CAQ Holdings Limited and its controlled entities

ABN 86 091 687 740

Consolidated Annual Financial Report for the Year Ended 31 December 2022

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

CONTENTS

DIRECTORS' REPORT

The Directors present their report of the consolidated entity consisting of CAQ Holdings Limited ("**the Company**") and the entities it controlled ("**the Group**") at the end of, or during the financial year ended 31 December 2022.

Directors

The names of the Directors in office at any time during or since the end of the financial year;

KC Ong
Michael Siu
Qian Xu
Ching Chung
Yuk Cheung Chan
Ivan Cheng
Kwan Chan
Chen Po Chung
Xiao Huan Wei

Directors were in office for this entire period unless otherwise stated.

Mr KC Ong

Non-Executive Director

Mr Ong is an independent corporate adviser and has extensive experience in corporate advice and financial management, specialising in assisting from small/medium sized businesses and public clients, both international and domestic clients on strategic planning and transactions structuring. KC has assisted startup companies on arranging funding and advisory role. KC is one of the founding director of Symmetry Capital Partners. Mr Ong has a Bachelor of Commerce from Deakin University.

Mr. Ong did not hold any other directorships in Australian listed companies during the past three financial years.

DIRECTORS' REPORT

Mr Michael Siu (Mr Siu Kin Wai)
Non-Executive Director
Mr Siu has extensive experience in corporate management in Asia. Mr Siu is an Executive Director and the Chief Executive Officer of Beijing Properties (Holdings) Limited, an Executive Director of MillenMin Ventures Inc. and an Executive Director of Beijing Enterprises Medical and Health Industry Group Limited (SEHK stock code: 2389). Mr Siu is also an independent Non-Executive Director of Oriential Securities International Holdings Limited. In addition to this, Mr Siu is a Director of Brilliant Bright Holdings Limited, who is a controlling shareholder of Beijing Properties (Holdings) Limited.

Mr Siu has a Bachelor's Degree in Accounting from the City University of Hong Kong and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr Siu is also a member of the Institute of Chartered Accountants in England and Wales.

Mr Siu has not held directorships in any other Australian listed company during the past three financial years.

Mr Qian Xu
Non-Executive Director
Mr Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management in Asia. Mr Qian is an Executive Director and the Chairman of Beijing Properties (Holdings) Limited, and a Director, general manager and the Chairman of the Beijing Enterprises City Development Group Limited. Mr Qian is also an Executive Director of MillenMin Ventures Inc. (resigned on 26 September 2019) and an Executive Director of Beijing Enterprises Medical and Health Industry Group Limited (resigned on 27 February 2019). In addition to this, Mr Qian is a Director of Brilliant Bright Holdings Limited, who is a controlling shareholder of Beijing Properties (Holdings) Limited.

Mr Qian has a Bachelor's degree in Economics from the Economics and Management Faculty of the Beijing Industrial University and has an Executive Master of Business Administration degree from Tsinghua University.

Mr Qian has not held directorships in any other Australian listed company during the past three financial years.

Mr Ching Chung
Executive Director and Deputy Chairman
Mr Ching has over 30 years of experience investing, operating and managing companies in Hong Kong and China. The industries which he has been involved with include gambling, mining and property development. Mr Ching has established relationships with the China Government and various other Chinese associations.

Mr Ching has not held directorships in any other Australian listed company during the past three financial years.

DIRECTORS' REPORT

Mr Yuk Cheung Chan
Non-Executive Director
Mr Yuk Cheung Chan has extensive experience in management and corporate affairs. Mr Chan is the President of the International Friends of the Chamber of Commerce, the Chairman of the Belt and Road ASEAN Financial Development Committee of China and the Chairman of the Sino-Cambodian Phnom Penh Economic Zone Management Committee. Mr Chan was also a former Director of Beijing Properties (Holdings) Limited.

Mr Chan has not held directorships in any other Australian listed company during the past three financial years.

Mr Ivan Cheng
Non-Executive Director
Mr Cheng has extensive experience in accounting, financial management and company secretarial roles. Mr Cheng is the Company Secretary, Chief Financial Officer and an Executive Director of Beijing Properties (Holdings) Limited, an Executive Director of MillenMin Ventures Inc. In addition to this, Mr Cheng is also the Director of both China Logistics Infrastructures (Holdings) Limited and China Industrial Properties (Holdings) Limited.

Mr Cheng has a Bachelor's degree in Commerce (majoring in Accounting and Finance) from Curtin University, a Masters of Business Administration from the University of South Australia and a Masters of Corporate Governance from the Hong Kong Polytechnic University.

Mr Cheng is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia, a fellow member of The Hong Kong Institute of Chartered Secretaries and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr Cheng has not held directorships in any other Australian listed company during the past three financial years.

Mr Kwan Chan
Non-Executive Director
Mr Kwan Chan has extensive experience in asset management and commercial acquisitions. Mr. Chan is an Executive Director of Wan Kei Group Holdings Limited. In September 2016, Mr Chan received his Diamond Graduate Diploma from the Gemological Institute of America, which brings unique knowledge to the Board. Mr Chan also has a Bachelor's degree in Law from the University of Leicester and a Bachelor's degree in Biomedical Sciences from the University of Essex.

Mr Chan has not held directorships in any other Australian listed company during the past three financial years.

Mr Chen Po Chung
Non-Executive Director
Mr Chen is a venture capitalist with a background in the development of business turnaround strategies in Asia. His extensive experience covers the industries of general manufacturing, information technology, finance & banking, and retail & branding. Mr Chen has more than 25 Years of investment experience and was previously a Director with HSBC Private Equity Limited in Hong Kong, managing the investment activities throughout the Greater China Region.

Mr Chen has an MBA degree from National Sun Yat-sen University.

Mr Chen has not held directorships in any other Australian listed company during the past three financial years.

Mr Xiao Huan Wei (appointed on 13 December 2021)
Non-Executive Director
Mr Xiao has served as the CEO & President of Secret Garden (Zhangjiakou) Resort Co., Ltd. in China. This is a mountain tourism resort project with a total investment of RMB22 billion, in which 3,500 guest rooms have been built and put into operation. From December 2021 Mr. Xiao concurrently served as an Independent Director and Chairman of the remuneration committee of China Industrial Gas Holdings Group (stock code 1940 HK), a Hong Kong listed company.

Mr Xiao has not held directorships in any other Australian listed company during the past three financial years.

Mr. Mark Maine
Company Secretary
Mr Maine is an experienced company secretary who has previously been a director and a company secretary for a number of ASX listed companies over the past 19 years and the former Executive Chairman of ASX listed company, Peak Resources Limited. He is currently manages a consultancy business specialising in company secretarial practice, corporate strategy, governance and corporate administration. Mr Maine is a member of CPA Australia and holds a Master's degree in Commercial Law and a Bachelor's degree in Accounting from Curtin University, Western Australia.

Principal Activities
The Group's principal activity includes leasing of an investment property in the Haikou Free Trade Zone in People's Republic of China ("PRC") and jewellery trading. No significant change in the nature of these activities occurred during the year.

Dividends Paid or Recommended
No dividends were paid during the year and no recommendation is made as to dividends. (2021: Nil)

Commentary on the Results for the Year
The net loss for the year ended 31 December 2022 was $532,787 (2021: $1,269,731). The decrease in loss after tax compared to the prior year is mainly attributable to the increase the revenue, decrease in director fee and salary and share of losses of a joint venture and an associate. Refer to further analysis in the review of operations and changes in state of affairs below.

Material business risks
The Group's businesses depend heavily on customers' demands, which are in turn significantly affected by economic conditions in the PRC or globally.
The Group primarily leases its investment properties in the Haikou Free Trade Zone to customers including trading companies or companies with requirements on free trade policy. The Group's businesses and prospects depend heavily on the specific requirements of its customers, which are in turn affected by the activity levels of domestic consumption and cross border trading. China has experienced rapid growth in recent years, which has contributed to the strong demand for warehouse facilities. Any adverse economic development, in particular in China, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have a significant impact on the customers' businesses and affect the demand for warehouse facilities.

There is no assurance that there will continue to be growing demand for warehouse facilities in China. If the demand does not continue to grow or if it grows more slowly than expected, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

The Group may not be able to renew leases with its existing tenants on similar or better terms or at all, and the leases may be terminated early by its existing tenants.

A significant portion of the Group's revenue is derived from rental income from investment properties. The Group's leasing contracts are generally subject to fixed terms. Upon expiration of the contracts, the Group may not be able to renew the leases with the same tenants or secure replacement tenants in a timely manner, on similar or better terms, or at all. The Group's business, results of operations, financial condition and prospects could be materially and adversely affected in the event of a decline in rental or occupancy rates. The rental and occupancy rates may also be affected by reasons beyond the Group's control, such as changes in market conditions.

The Group recorded a tight net current asset as at 31 December 2022, and it may not generate sufficient cash flows in the future to finance its operations or satisfy its current liabilities.

As at 31 December 2022, the Group recorded net current assets of $22,870, The tight net current assets position exposes the Group to liquidity risk which could restrict its ability to obtain financing, make necessary capital expenditure or develop business opportunities, and could materially and adversely affect its business, results of operation, financial condition and prospects. There can be no assurance that the Group will maintain sufficient working capital, revenue or raise necessary funding to meet its capital commitments. If the Group is unable to generate sufficient cash flow for its operations or otherwise obtain sufficient funds to finance its operations or satisfy its current liabilities in a timely manner, or at all, the Group's business, results of operation, financial condition, prospects and liquidity may be materially and adversely affected.

The Group's business is subject to national or local policies and regulations in the PRC, and any non-compliance with these policies and regulations or changes in them may have a material adverse effect on the Group.

The Group's business is subject to the PRC government's policies and regulations, and the Group's business is therefore substantially affected by any changes in the national or local policies and regulations in the PRC. There is no assurance that the Group will be able to comply in all respects with all the existing or future regulations. If any PRC government authority decides that the Group (or any of the suppliers or subcontractors) is not in compliance with any PRC regulations, it may shut down or delay the Group's operations, or refuse to grant or renew necessary approvals or licenses. Any such action by a PRC government authority would have a material adverse effect on the Group's business.

In addition, there is no assurance that the PRC or local government will not impose any new policies and regulations. If there is a change in policies or regulations applicable to the Group's business and if the Group is unable to comply with such change, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

Review of operations and changes in State of Affairs

Operational

During the year ended 31 December 2022, revenues earned from the Group's leasing business (net of business tax) amounted to $3,716,039 (2021: $2,580,988). In addition to this, revenues earned (before business tax) from the Group's jewellery business amounted to $12,669 (2021: Nil). The Group expects the occupancy rate to maintain an upward trend in year 2023.

The opening of the Exhibition Centre was deferred as a result of COVID lockdowns. The Hainan local government recently terminated the lock down and allowed the decoration works of shops to be continued. It was expected the first and second floors will be opened shortly after the Chinese New Year 2023, the respective rental receivable in 2022 has been waived by the Group. The decoration works of Factory A has been completed and installation and testing works of machineries is in progress. It is expected the operation will be started in March 2023. The leasing receipts of Factory A will accrue from February 2023 according to the tenancy agreement.

DIRECTORS' REPORT

Likely Developments and Expected Results of Operations

Information relating to the likely developments in the operations of the Group and the expected results of those operations in future financial years is set out in the review of operations section above and elsewhere in this report. The Group intends to continue its principle activities of leasing of an investment property in the Haikou Free Trade Zone in PRC as well as seeking opportunities to develop its jewellery trading business.

Environmental Regulations

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a State or Territory. Based on the Group's current operations, they are not required to register, nor are they required to report emissions data to the Greenhouse and Energy Data Officer under the National Greenhouse and Energy Reporting Act 2007.

The Group's business operation is located in PRC, the Group does not carry out any activities that have a material influence on the environment, As such, the Directors are not aware of any material issues affecting the Group or its compliance with the relevant environmental protection agencies or related regulatory authorities.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2022, and the numbers of meetings attended by each Director were:

	Directors Meetings		Audit Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B	A	B
KC Ong	4	4	1	1	*	*	*	*
M Siu	4	4	1	1	*	*	*	*
Q Xu	4	0	*	*	–	–	–	–
C Chung	4	4	*	*	–	–	–	–
YC Chan	4	2	*	*	*	*	*	*
I Cheng	4	4	1	1	*	*	*	*
K Chan	4	2	*	*	*	*	*	*
PC Chen	4	4	*	*	*	*	*	*
XH Wei	4	0	*	*	*	*	*	*

Notes

A – Number of meetings held during the time the Director held office during the year.
B – Number of meetings attended.
* – Not a member of the relevant committee

The Board of Directors also approved 1 circular resolutions during the year ended 31 December 2022 which were signed by all Directors of the Company.

Share Options

Shares under Option

There are no unissued ordinary shares of CAQ Holdings Limited under option at the date of this report (31 December 2021: nil).

Directors' Share and Option Holdings

As at the date of this report the interests of the Directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over Ordinary Shares
K C Ong	1,487,500	–
M Siu	114,539,393	–
Q Xu	108,628,000	–
C Chung	1,150,000	–
YC Chan	–	–
I Cheng	108,628,000	–
K Chan	72,853,551	–
PC Chen	–	–
HW Xiao	7,255,475	–

Remuneration Report (Audited)

Key Management Personnel

The following persons were key management personnel and specified executives of CAQ Holdings Limited during the financial year:

KC Ong – Non-Executive Director (appointed 2 May 2013)
Michael Siu – Non-Executive Director (appointed 20 April 2015)
Qian Xu – Non-Executive Director (appointed 20 April 2015)
Ching Chung – Executive Director and Deputy Chairman (appointed 19 May 2015)
Yuk Cheung Chan – Non-Executive Director (appointed 27 November 2017)
Ivan Cheng – Non-Executive Director (appointed 27 November 2017)
Kwan Chan– Non-Executive Director (appointed 27 November 2017)
Chen Po Chung – Non-Executive Director (appointed 4 June 2019)
Xiao Huan Wei – Non-Executive Director (appointed on 13 December 2021)

Remuneration Philosophy

The performance of the Group depends on the quality of its Directors and other Key Management Personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre Directors and other Key Management Personnel;
- link executive rewards to shareholder value;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Remuneration Report (Audited) (Continued)

Remuneration Governance

The Company has a remuneration committee. The Committee has not used remuneration consultants in determining the remuneration of Key Management Personnel. The compensation of Directors and Key Management Personnel are to be reviewed by the Committee annually. During the year, the members engaged in informal discussions.

The Committee assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality Directors and other Key Management Personnel. External advice on remuneration matters is sought whenever the Committee deems it necessary but has not been sought during the reporting period. The remuneration of the Directors and other Key Management Personnel is not dependent on the satisfaction of a performance condition.

The following table shows the gross revenue, results and the share price of the Company at the end of the respective financial years.

	31 December[1] 2015	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020	31 December 2021	31 December 2022
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Revenue and other income	81,665	653,389	2,029,144	1,218,166	1,470,387	2,085,458	2,804,811	3,799,006
Net loss	(1,323,450)	(2,704,539)	(2,379,817)	(1,852,389)	(2,577,822)	(2,182,677)	(1,269,731)	(532,787)
Share price	19 cents	14 cents	8 cents	3.8 cents	0.9 cents	2.6 cents	2.2 cents	2.5 cents

1) the company changed its financial year end from 30 June to 31 December in 2015.

Non-Executive Director Remuneration

The Board seeks to set remuneration of Non-Executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's operations.

The Directors have resolved that Non-Executive Directors' fees are $Nil (31 December 2021: $48,000) per annum for each Non-Executive Director and $Nil (31 December 2021: $72,000) per annum for the Non-Executive Chairman. In addition, Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors.

The maximum annual aggregate non-executive directors' fee pool limit is $500,000, as approved by Shareholders at the 2017 Annual General Meeting.

Executive Remuneration

Mr Ching Chung is entitled to a remuneration of $128,581 (2021: $133,876) per annum with no other benefits. The Board is in the process of determining an executive remuneration policy. At the date of this report, there is currently no element in that remuneration that is performance based. The service agreement with Mr Ching Chung has a notice period of 1 month.

The table below disclose the remuneration expense recognised for the group's executive Key Management Personnel.

Remuneration Report (Audited) (Continued)

(A) Summary of amounts paid to Key Management Personnel

The table below discloses the compensation of the Key Management Personnel of the Group during the period.

Year 31 December 2022	Short-Term	Post employment		Share-Based Payments		Total	Remuneration consisting of options %
	Salary & Fees	*Termination payments*	*Super-annuation*	*Options*	*Shares*		
	$	*$*	*$*	*$*	*$*	*$*	
Executive Directors							
C Chung	**128,581**	–	–	–	–	**128,581**	–
Non-Executive Directors							
KC Ong	**52,800**	–	–	–	–	**52,800**	–
M Siu	–	–	–	–	–	–	–
Q Xu	–	–	–	–	–	–	–
YC Chan	–	–	–	–	–	–	–
I Cheng	–	–	–	–	–	–	–
K Chan	–	–	–	–	–	–	–
PC Chen	–	–	–	–	–	–	–
HW Xiao	–	–	–	–	–	–	–
	181,381	–	–	–	–	**181,381**	–

Year 31 December 2021	Short-Term	Post employment		Share-Based Payments		Total	Remuneration consisting of options %
	Salary & Fees	*Termination payments*	*Super-annuation*	*Options*	*Shares*		
	$	*$*	*$*	*$*	*$*	*$*	
Executive Directors							
C Chung	133,876	–	–	–	–	133,876	–
Non-Executive Directors							
P Price [(1)]	70,000	–	–	–	–	70,000	–
KC Ong	48,000	–	–	–	–	48,000	–
M Siu	48,000	–	–	–	–	48,000	–
Q Xu	48,000	–	–	–	–	48,000	–
YC Chan	48,000	–	–	–	–	48,000	–
I Cheng	48,000	–	–	–	–	48,000	–
K Chan	48,000	–	–	–	–	48,000	–
PC Chen	48,000	–	–	–	–	48,000	–
HW Xiao [(2)]	–	–	–	–	–	–	–
	539,876	–	–	–	–	539,876	–

(1) Resigned on 20 December 2021

(2) Appointed on 13 December 2021

Remuneration Report (Audited) (Continued)

(B) Service agreements

There are service agreements in place in relation for all Directors.

(C) Options holdings of key management personnel

During the year ended 31 December 2022 and to the date of this report, there are no options on issue and therefore no options held by Key Management Personnel.

(D) Shareholdings of key management personnel

The movement during the reporting year in the number of ordinary shares of CAQ Holdings Limited held, directly, indirectly or beneficially, by each key management personnel, including their related parties is as follows:

31 December 2022

	Balance 1 January 2022	Other	Net Purchased/ (Sold)	Balance 31 December 2022
Directors				
KC Ong[1]	1,487,500	–	–	1,487,500
M Siu[2]	114,539,393	–	–	114,539,393
Q Xu[3]	108,628,000	–	–	108,628,000
C Chung[4]	1,150,000	–	–	1,150,000
I Cheng[5]	108,628,000	–	–	108,628,000
K Chan[6]	72,853,551	–	–	72,853,551
YC Chan	–	–	–	–
PC Chen	–	–	–	–
HW Xiao[7]	7,255,475	–	–	7,255,475
	414,541,919	**–**	**–**	**414,541,919**

[1] *As at 31 December 2022, 1,487,500 fully paid ordinary shares were held by Mr Ong (2021: 1,487,500).*

Remuneration Report (Audited) (Continued)

(D) Shareholdings of key management personnel (Continued)

[2] *As at 31 December 2022, 108,628,000 shares (2021: 108,628,000) were held by Beijing Properties (Holdings) Limited, a company which Mr Siu is a Director. 5,000,000 shares (2021: 5,000,000) were held by BNP Paribas Nominees Pty Ltd, Mr Siu's wife's custodian and 911,393 shares (2021: 911,393) were held by BNP Paribas Nominees Pty Ltd, Mr Siu's custodian.*

[3] *As at 31 December 2022, 108,628,000 shares were held by Beijing Properties (Holdings) Limited, a company which Mr Qian is a Director (2021: 108,628,000).*

[4] *As at 31 December 2022, 1,150,000 fully paid ordinary shares were held by Mr Ching (2021: 1,150,000).*

[5] *As at 31 December 2022, 108,628,000 shares were held by Beijing Properties (Holdings) Limited, a company which Mr Cheng is a Director (2021: 108,628,000).*

[6] *As at 31 December 2022, 72,853,551 fully paid ordinary shares were held by Mr Chan (2021: 72,853,551).*

[7] *As at 31 December 2022, 7,255,475 fully paid ordinary shares were held by Mr Xiao (2021: 7,255,475).*

(E) Other transactions with key management personnel

Certain 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. These entities transacted with the Company in the reporting year.

CAQ Holdings Limited

Consultant Fees:

KC Ong provided the Company with consultant services. For the year ended 31 December 2022, Total consultant fees incurred amounted to $52,800 (incl GST) (31 December 2021: $Nil), in which $39,600 (incl GST) was paid to KC Ong (31 December 2021: $nil (incl GST)). As at 31 December 2022, $13,200 (incl GST) was payable to KC Ong (31 December 2021: $nil).

(F) Share-based compensation

The Company has not issued any performance bonus options during the financial year ended 31 December 2022 (31 December 2021: Nil).

Remuneration Report (Audited) (Continued)

(G) Use of remuneration consultants

The Company did not employ the services of remuneration consultants during the financial year.

(H) Voting and comments made at the Company's 2022 Annual General Meeting

The Company received more than 99.8% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration reports for the 2021 financial period. The Company did not receive any specific feedback at the AGM or throughout the period on its remuneration practices.

This is the end of the Audited Remuneration Report.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract of insurance insuring the Directors and officers of the Group against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Events occurring after the reporting date

On February 2023, the Group has informed the tenant of the Exhibition Centre for the waiver of outstanding rent receivable.

Except for disclosure above, 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.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- All non-audit services are reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants.

Non-audit services have not been provided by the entity's auditor, Ernst & Young for the year ended 31 December 2022 (31 December 2021: Nil).

DIRECTORS' REPORT

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the period.

Auditors independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Annual Financial Report on page 15.

Signed in accordance with a resolution of the Board of Directors:

Michael Siu
Director

Dated at Hong Kong this 31st day of March, 2023.

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Auditor's independence declaration to the directors of CAQ Holdings Limited

As lead auditor for the audit of the financial report of CAQ Holdings Limited for the financial year ended 31 December 2022, 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 audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CAQ Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
31 March 2023

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Independent auditor's report to the members of CAQ Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of CAQ Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 31 December 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Building a better
working world

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Fair value of investment property

Why significant	How our audit addressed the key audit matter
As set out in Note 5 of the financial report, the investment property at 31 December 2022 comprised the Group's property located in Haikou Integrated Free Trade Zone in the People's Republic of China carried at a fair value of $68,283,842. The fair value of the investment property was determined by the Group at the end of the reporting period with reference to an external independent property valuation. The change in the fair value of the property from the prior year of $271,113 has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2022. We considered this to be a key audit matter as the property valuation is based on certain assumptions, including capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the property valuation.	Our audit procedures included the following: ► Physical inspection of the investment property by our component team ► Our real estate valuation specialists considered the valuation report provided by the Group's independent valuation expert including assessing: (i) The competence, capability and objectivity of the valuation expert (ii) The appropriateness of the valuation expert's work by considering the methodology and valuation method adopted (iii) The key assumptions used by the valuation expert including the capitalisation, discount or growth rates and future forecast rentals (including tenant occupancy risk from changes in the estimated lease renewals). ► Assessed the appropriateness of the fair value adjustment arising from the valuation and the disclosures included in Note 5 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of CAQ Holdings Limited for the year ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
Perth
31 March 2023

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

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors of the Group declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statements of Changes in Equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the year ended on that date of the Group.

2. In the Directors' opinion, subject to the matters set out in note 1(a), there are reasonable grounds to believe CAQ Holdings Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

3. Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

4. The Directors have been given the declarations as required by Section 295A of the Corporations Act for the financial year ended 31 December 2022.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Michael Siu
Director

Dated at Hong Kong this 31st day of March, 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated Year ended 31 December 2022 $	Consolidated Year ended 31 December 2021 $
Rental income		3,716,039	2,580,988
Revenue from contracts with customers		12,669	–
Revenue	*12*	**3,728,708**	**2,580,988**
Other income	*12*	70,298	223,823
Purchase and changes in trading stock	*10*	(11,914)	–
Foreign currency loss		(12,684)	(3,648)
Legal expenses		(142,250)	(69,652)
Accounting, auditing fees and consultancy expenses		(381,288)	(239,554)
Director fee		–	(478,000)
Salary expenses		(1,075,346)	(817,196)
Social security and other employee benefit expenses other than salaries		(228,258)	(193,189)
Insurance expenses		(98,532)	(54,189)
Occupancy costs		(49,732)	(44,955)
Travel costs		(408,887)	(430,639)
Finance costs		(87,063)	(3,749)
Administration expenses		(483,887)	(353,759)
Other expenses		(142,934)	(230,470)
Depreciation	*9*	(47,982)	(97,269)
Amortisation		(17,688)	(24,374)
Expected credit loss	*14*	(1,075,485)	–
Change in fair value of investment properties	*5*	271,113	638,444
Impairment of loan to joint venture	*6*	–	(309,380)
Impairment of investment in joint venture	*6*	–	(4,115)
Disposal gain on interests of an associate	*8*	128,804	–
Share of losses of a joint venture	*6*	–	(433,523)
Share of losses of an associate	*7*	–	(380,734)

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated Year ended 31 December 2022 $	Consolidated Year ended 31 December 2021 $
Loss from continuing operations before Income Tax		**(65,007)**	**(725,140)**
Income tax expense	*11*	(467,780)	(544,591)
Loss after income tax for the year		**(532,787)**	**(1,269,731)**
Other comprehensive profit/(loss)			
Items that may be reclassified to the profit or loss			
Exchange differences on translation of foreign operations		(1,121,636)	5,236,946
Total comprehensive profit/(loss) for the year		**(1,654,423)**	**3,967,215**
Loss is attributable to:			
Owners of CAQ Holdings Limited		(532,787)	(1,269,731)
Total comprehensive profit/(loss) for the year is attributable to:			
Owners of CAQ Holdings Limited		(1,654,423)	3,967,215
Loss per share attributable to the members of CAQ Holdings Limited		**Cents Per Share**	**Cents Per Share**
Basic and diluted loss per share	*25*	(0.07)	(0.18)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	**Consolidated 31 December 2022** *$*	**Consolidated 31 December 2021** *$*
CURRENT ASSETS			
Cash and cash equivalents	*13*	819,585	541,129
Trade and other receivables	*14*	339,841	209,366
Inventory	*10*	1,278,476	1,309,803
Other current assets		226,281	204,459
Investment held for sale	*7*	–	555,484
TOTAL CURRENT ASSETS		**2,664,183**	**2,820,241**
NON-CURRENT ASSETS			
Plant and equipment	*9*	103,094	121,077
Investment properties	*5*	68,283,842	68,652,528
Intangibles		3,222	21,156
Other receivables	*14*	–	1,257,841
Investment in a joint venture	*6*	–	–
Investment in an associate	*7*	–	–
TOTAL NON-CURRENT ASSETS		**68,390,158**	**70,052,602**
TOTAL ASSETS		**71,054,341**	**72,872,843**
CURRENT LIABILITIES			
Trade and other payables	*15*	1,206,026	1,107,800
Other taxes payable		70,088	91,080
Director fee payable		330,000	496,200
Accruals		184,650	182,393
Borrowings	*23*	850,549	1,002,544
TOTAL CURRENT LIABILITIES		**2,641,313**	**2,880,017**
NON-CURRENT LIABILITIES			
Other payable	*15*	149,803	163,460
Borrowings	*23*	2,362,578	2,686,501
Deferred tax liabilities	*11*	3,346,633	2,934,428
TOTAL NON-CURRENT LIABILITIES		**5,859,014**	**5,784,389**
TOTAL LIABILITIES		**8,500,327**	**8,664,406**
NET ASSETS		**62,554,014**	**64,208,437**
EQUITY			
Contributed equity	*16*	74,649,048	74,649,048
Accumulated losses		(16,709,106)	(16,176,319)
Reserves	*17*	4,614,072	5,735,708
TOTAL EQUITY		**62,554,014**	**64,208,437**

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

CAQ Holdings Limited and its Controlled Entities
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	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)	**74,649,048**	**(16,709,106)**	**4,614,072**	**62,554,014**

	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)	**74,649,048**	**(16,176,319)**	**5,735,708**	**64,208,437**

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 2022

	Notes	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,783,732	2,583,696
Payments to suppliers and employees		(3,389,859)	(2,600,483)
Bank charge		(3,664)	(3,236)
Interest received		9,593	1,381
Value-added tax refund/(paid)		1,141,451	(71,279)
Other tax paid/subsidy received		19,834	218,697
Net cash inflow from operating activities	*24*	**561,087**	**128,776**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(32,032)	(16,414)
Receipts from disposal of an associate		693,717	–
Payment for construction of investment properties		(333,042)	(642,065)
Net cash inflow/(outflow) from investing activities		**328,643**	**(658,479)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other loan		–	412,506
Repayment of other loan		(278,592)	(412,506)
Proceeds from a bank borrowing		–	663,310
Repayment of a bank borrowing		(134,838)	(36,507)
Interest payment of a bank borrowing		(181,167)	(163,262)
Net cash inflow/(outflow) from financing activities		**(594,597)**	**463,541**
Net increase/(decrease) in cash and cash equivalents		**295,133**	**(66,162)**
Cash and cash equivalents at the beginning of the financial year		541,129	567,233
Effects of exchange rate changes on cash and cash equivalents		(16,677)	40,058
Cash and cash equivalents at end of year	*13*	**819,585**	**541,129**

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

Note 1: Summary of significant accounting policies

The consolidated financial statements of CAQ Holdings Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 31 March 2023. CAQ Holdings Limited (the Company or the parent) is a limited company incorporated and domiciled in Australia and whose shares are publicly traded. The registered office is located at CAQ Holdings Limited, Suite 91, 262 Lord Street, Perth Western Australia, 6000.

The Group is principally engaged in the leasing of an investment property in the Haikou Free Trade Zone in People's Republic of China ("PRC") and jewellery trading.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the impact of adopting of new accounting standards (see below). The consolidated financial statements are for the consolidated entity consisting of CAQ Holdings Limited and its controlled entities. The consolidated entity is a for-profit entity.

(a) Basis of preparation

This consolidated financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations used by the Australian Accounting Standards Board ("AASB").

Compliance with IFRS

The consolidated financial statements of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Historical cost convention

These consolidated financial statements have also been prepared a on historical costs basis, except for the investment property that has been measured at fair value.

New Accounting Standards and Interpretations adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated) and has assessed that these do not have a material impact on the consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective and has assessed that these do not have a material impact on the consolidated financial statements.

Note 1: Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Going concern

The Group incurred a net loss after tax for the year ended 31 December 2022 of $532,787 and experienced net cash inflows from operating activities of $561,087. The Group had net assets of $62,554,014 and was in a net current asset position of $22,870 as at 31 December 2022.

Subsequent to 31 December 2022, the Group has provided COVID related rent relief to its principal tenant amounting to $1,075,485. 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.

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 1: Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The following key judgements and estimates were made in preparing these financial statements:

Construction costs of investment properties

The construction costs of the Haikou Project is based on a draft settlement which is subject to the review and approval of both the Company and the contractors. The Group has recorded all amounts due to the contractors based on its best estimate taking into account advise received from independent engineers and building consultants. Should the settlement result in a higher amount, the Group would have to settle this additional liability.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing (including considering expiry of losses) and the level of future taxable profits, together with future tax planning strategies.

Investment properties

The fair value of investment properties is determined by using valuation techniques. For further details of the judgements and assumptions made, see Note 5.

Provision for expected credit losses on receivables

The Group uses a provision matrix to calculate ECLs for receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. ECL expense of $1,075,485 was recognised in the profit or loss for the year ended 31 December 2022 (Note 14).

Determination of the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Note 1: Summary of significant accounting policies (Continued)

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of CAQ Holdings Limited.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

Note 1: Summary of significant accounting policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is CAQ Holdings Limited's functional and presentation currency.

The function currency of the Company's subsidiaries is as follows:

Name	**Functional Currency**
CAQ Diamond Network Limited	Hong Kong dollars
CAQ Diamond Network (HK) Limited	Hong Kong dollars
CAQ Finance Limited	Hong Kong dollars
CAQ Finance (HK) Limited	Hong Kong dollars
Rayport Limited	Hong Kong dollars
Peace Base Holdings Limited	Hong Kong dollars
Actual Winner Limited	Hong Kong dollars
Express Linker Limited	Hong Kong dollars
Haikou Peace Base Industry Development Co. Ltd.	Chinese Renminbi

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss, as part of the gain or loss on sale where applicable.

Note 1: Summary of significant accounting policies (Continued)

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered.

(f) Revenue from contracts with customers

In addition to rental income derived from the Group's investment property, the Group derives revenue from jewellery trading.

Revenue from contracts with customers is recognised when goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

Sale of diamonds and jewellery

For the sale of diamonds and Jewellery, the Group has concluded that it is the principal in the arrangement as it controls the diamonds before transferring them to the customer. Revenue is recognised at a point in time when control of the diamonds is transferred to the customer. The transaction price is agreed with the customer at the point of sale.

The normal credit term is 30 to 60 days upon delivery.

(g) Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(h) Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the full liability balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Note 1: Summary of significant accounting policies (Continued)

(h) Income tax (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Note 1: Summary of significant accounting policies (Continued)

(i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This is the only category of financial asset that the Group has, which includes trade receivables, deposits and other debtors, and long term other receivables.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Note 1: Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Note 1: Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise of only trade and other payables.

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost using the EIR method, unless they meet certain criteria to be classified at fair value through profit or loss in accordance with AASB 9.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(j) Goods and Services tax ("GST") and Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST and VAT except:

- when the GST and VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST and VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST and VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the taxation authority.

Note 1: Summary of significant accounting policies (Continued)

(k) 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.

(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 an 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 of the lessee 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.

(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 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 US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Note 1: Summary of significant accounting policies (Continued)

(l) Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(m) Inventory

Inventories are stated at the lower of cost and net realisable value. Purchase cost of inventory is on a weighted average basis, after deducting any settlement discounts, suppliers rebates and including logistics expenses incurred in bringing inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(n) Investment Properties

Investment properties include both completed investment properties and investment properties under construction.

Completed investment properties are interests in land and building (including leasehold interest under an operating lease for a property which would other wise meet the definition of an investment property) held to earn rental income and/or capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes ("owner occupied property"). Such investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. External valuers are involved in determining fair value of investment properties at least annually. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which it arise.

Note 1: Summary of significant accounting policies (Continued)

(o) Plant and equipment

Plant and equipment are brought to account at cost, less where applicable any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.

The gain or loss on disposal of all plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in profit or loss for the year.

The depreciable amount of plant and equipment are depreciated over their useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Plant and Equipment	**Depreciation Rate (Straight line)**
Motor vehicles	24%
Equipment	10%-32%
Furniture & Fixtures	33%

(p) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

Note 1: Summary of significant accounting policies (Continued)

(p) Impairment of non-financial assets (Continued)

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(q) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

(r) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(s) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Note 1: Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Binomial option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the Directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to shareholders, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to shareholders, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Note 1: Summary of significant accounting policies (Continued)

(w) Fair value measurement

The Group measures investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either:

- In the principal market for the asset

- In the absence of a principal market, in the most advantageous market for the asset

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group obtains independent valuations (from an independent professional qualified valuers who hold a recognised relevant professional qualification and has recent experience in the location and segment of the investment properties valued) at least annually.

Fair-value related disclosures for investment property measured at fair value are disclosed in Note 5.

Note 1: Summary of significant accounting policies (Continued)

(x) Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or the joint venture since the acquisition date. Goodwill relating to the associate or the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the interest in the associate or the joint venture.

The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate of the joint venture.

The financial statements of the associate or the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or the joint venture and its carrying value, and then recognises the loss within 'Share of profit/(loss) of an associate or 'Share of profit/(loss) of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or the joint venture upon loss significant influence over the associate or joint control over the joint venture and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Note 1: Summary of significant accounting policies (Continued)

(y) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Note 2: Segment reporting

The Group has two lines of business being property development and retail 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.

Information about products and services

	2022	2021
	$	$
Revenue from contracts with customers (Sale of diamonds and goods)	12,669	–
Rental income	3,716,039	2,580,988
Revenue	3,728,708	2,580,988
Interest income	9,593	1,381
Tax refund	44,798	206,662
Others	15,907	15,780
Total other income	70,298	223,823

Information about geographical areas

Group's revenue from external customers (including revenue generated by the joint venture and associate) is generated in Mainland China and Group's non-current assets are all located in Mainland China

Information about major customers

Revenue from two customers from rental income amounted to $1,794,963 (2021: $1,300,512). The joint venture and associate do not have major customers.

Note 3: Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. Further policies will evolve that are commensurate with the evolution and growth of the Company.

The carrying values of the Group's financial instruments are as follows:

	2022	**2021**
	$	*$*
Financial assets		
Cash and cash equivalents:		
– International credit rating		
AAA to A-	36,712	150,155
A+ to BBB-	767,677	372,527
Cash on hand	15,196	18,447
Trade and other receivables	251,236	69,856
	1,070,821	**610,985**
Non-Current		
Deposits and other debtors	–	162,427
Financial liabilities		
Trade and other payables	1,271,824	1,185,153
Borrowings	3,213,127	3,689,045
	4,484,951	**4,874,198**

Note 3: Financial risk management (Continued)

The Group's policy is that no trading in financial instruments shall be undertaken. The main risks arising for the Group are commodity risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchanges rates. As a result of its significant investment operations in Mainland China, the Group's statement of financial position can be affected significantly by movements in the USD, RMB and HKD exchange rate.

The Group's exposure to foreign currency risk is as follows:

	USD	*RMB*	*HKD*
2022			
Cash and cash equivalents (in AUD)	88,619	114,952	62,762
Net Exposure	**88,619**	**114,952**	**62,762**
2021			
Cash and cash equivalents (in AUD)	139,247	2,028	2,575
Net Exposure	**139,247**	**2,028**	**2,575**

As 31 December 2022

Bank balance denominated in:	*HKD*	*RMB*	*USD*
It is estimated that if functional currency has strengthened/ weakened against by 5% and the Group's profit for the period would decrease/increase by approximately (in AUD)	4	5,746	4,431

Note 3: Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

As 31 December 2021

Bank balance denominated in:	*HKD*	*RMB*	*USD*
It is estimated that if functional currency has strengthened/ weakened against by 5% and the Group's profit for the period would decrease/increase by approximately (in AUD)	3	101	4,050

(ii) Cash flow and interest rate risk

The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts.

As at the end of the reporting period, the Group had the following interest-bearing financial instruments:

	31 December 2022		**31 December 2021**	
	Effective interest rate	**Balance**	**Effective interest rate**	**Balance**
		$		*$*
Financial Assets				
Cash and cash equivalents	1.41%	819,585	0.25%	541,129
Net exposure to interest rate risk		**819,585**		**541,129**

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 20 basis point increase or decrease is used when reporting interest rate risk internally to Directors and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 20 basis points higher or lower and all other variables were held constant, the Company's net loss after tax would decrease by $1,639 and increase by $1,639 respectively (31 December 2021: decrease or increase by $1,082).

There is no exposure to cash flow from interest rate risk in relation to the bank loan as the the interest rate on the bank loan is fixed at 6.5% per annum. The borrowing from other loan is charged at a interest rate of 10% per annum (Refer to Note 23).

Note 3: Financial risk management (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Credit risk is managed by the Board.

All cash balances held at banks are recognised financial institutions. There are no formal credit approval processes and risk management in place.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure the group's financial assets (net of ECL provided) and expected credit losses ("ECLs") approach applied for these assets by the Group

At 31 December 2022

		Lifetime ECLs			
	12-months ECLs	**not credit-impaired**	**credit-impaired**	**Simplified approach**	**Total**
	$	*$*	*$*	*$*	*$*
Cash and cash equivalents	819,585	–	–	–	819,585
Trade receivables	–	–	–	7,952	7,952
Deposits and other receivables	243,284	–	–	–	243,284
	1,062,869	–	–	7,952	1,070,821

Note 3: Financial risk management (Continued)

(b) Credit risk (Continued)

At 31 December 2021

	12-months ECLs	Lifetime ECLs not credit-impaired	Lifetime ECLs credit-impaired	Lifetime ECLs Simplified approach	Total
	$	*$*	*$*	*$*	*$*
Cash and cash equivalents	541,129	–	–	–	541,129
Trade receivables	–	–	–	8,096	8,096
Deposits and other receivables	224,187	–	–	–	224,187
	765,316	–	–	8,096	773,412

For the financial year ended 31 December 2022, financial assets that were neither past due and not impaired amounted to $251,236 (2021: $232,283). Past due for more than 3 months and provision for expected credit losses amounted to $1,819,752 (2021: $729,316), refer to note 14 for details regarding impairment of receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Directors monitor the cash-burn rate of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The financial liabilities that the Group had at reporting date were trade payables incurred in the normal course of the business. Trade payables were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. In addition to trade payables, the Group has rental deposits (included in other payables) which are due to be returned to tenants at the end of the lease term. Refer to table on the following page for details.

Note 3: Financial risk management (Continued)

(c) Liquidity risk (Continued)

The following table sets out the carrying amount of the financial instruments by maturity:

Year ended 31 December 2022

	less than 3 months $	3 – 6 months $	6 – 12 months $	over 1 years $	Total contractual cash flows $
Financial Liabilities:					
Borrowings	48,331	168,901	228,932	3,246,049	3,692,213
Trade and other payable	481,064	98,284	151,842	624,639	1,355,829
	529,395	**267,185**	**380,774**	**3,870,688**	**5,048,042**

Year ended 31 December 2021

	less than 3 months $	3 – 6 months $	6 – 12 months $	over 1 years $	Total contractual cash flows $
Financial Liabilities:					
Borrowings	50,482	104,603	1,118,820	3,089,970	4,363,875
Trade and other payable	400,736	8,099	698,965	163,460	1,271,260
	451,218	**112,702**	**1,817,785**	**3,253,430**	**5,635,135**

Note 4: Controlled entities

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 2022	% Equity Interest 31 December 2021
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 5: 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 2022 $	Consolidated 2021 $
Balance as at 1 January	68,652,528	61,716,745
Expenditure for the year	404,925	642,065
Interest capitalization	181,167	163,262
Fair value adjustment	271,113	638,444
Foreign exchange adjustment	(1,225,891)	5,492,012
Closing balance as at 31 December	**68,283,842**	**68,652,528**

Investment property valuation assumptions

Description	Valuation Approach	Unobservable Inputs	Inputs used at 31 December 2022	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	RMB24.9 sqm per month	RMB24.3 sqm per month
		Capitalisation rate	8%	7.5%

The administration block and fourth floor of Warehouse B has been provided as security for Group's borrowing. Refer to note 23 for further details.

Note 5: Investment Properties (Continued)

	2022 $	2021 $
Rental income derived from investment properties (after deduction of business tax and surcharges)	3,716,039	2,580,988
Expected credit loss	(1,075,485)	–
Direct operating expenses generating rental income	(54,673)	(301,191)
Direct operating expenses that did not generate rental income	(685)	(22,693)
Profit arising from investment properties carried at fair value	2,585,196	2,257,104

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 financial assets and liabilities into the three levels under the fair value hierarchy in accordance with AASB 13: *Fair Value Measurement.*

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.

Note 5: Investment Properties (Continued)

Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

The following table sets out the Group's assets that are measured and recognised at fair value in the financial statements.

31 December 2022

	Level 1	Level 2	Level 3	Total
	$	*$*	*$*	*$*
Non-financial assets				
Investment property	–	–	68,283,842	68,283,842
Total non-financial assets	–	–	68,283,842	68,283,842

31 December 2021

	Level 1	Level 2	Level 3	Total
	$	*$*	*$*	*$*
Non-financial assets				
Investment property	–	–	68,652,528	68,652,528
Total non-financial assets	–	–	68,652,528	68,652,528

Note 5: Investment Properties (Continued)

Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

The Group obtains independent valuations (from an independent professional qualified valuers who hold a recognised relevant professional qualification and has recent experience in the location and segment of the investment properties valued) at least annually.

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.

Investment properties valuation assumptions (including impact of the COVID-19 pandemic)

The investment properties are located in a newly developed area with a few new industrial and residential development and accordingly, the independent external valuer has valued the investment properties at 31 December 2022 by considering both the depreciated replacement cost method and the income approach. This uncertainty affects the ability to reliably determine the key judgements and assumptions used in the property valuation. The key assumptions and estimates used have been impacted by COVID-19 include:

– forecast future income supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;

– lease assumptions based on current and expected future market conditions after expiry of any current lease; and

– the capitalisation rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows.

Note 5: Investment Properties (Continued)

Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

Due to the valuation uncertainty, the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on information that is available at 31 December 2022. The table below summarises some of the key inputs used in determining investment property valuations:

	Valuation approach	Unobservable Inputs	Range of inputs	Relationship Between Unobservable Inputs and Fair Value
Financial year ended 31 December 2021	Income approach	Market rent	RMB24.3 per sqm per month	The higher rental income, the higher the fair value.
		Capitalisation rate	7.5%	Refer below for sensitivity analysis
	Depreciated replacement cost approach (used for cross reference check of valuation)	Construction cost	RMB3,347 per sqm	The higher construction cost, the higher the fair value.
		Land value	RMB522 per sqm	The higher land value, the higher the fair value.
Financial year ended 31 December 2022	Income approach	Market rent	RMB24.9 sqm per month	The higher rental income, the higher the fair value.
		Capitalisation rate	8.0%	Refer below for sensitivity analysis
	Depreciated replacement cost approach (used for cross reference check of valuation)	Construction cost	RMB3,369 per sqm	The higher construction cost, the higher the fair value.
		Land value	RMB568 per sqm	The higher land value, the higher the fair value.

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate would result in lower fair value, while a decrease in capitalisation rate will result in higher fair value (with all other factors held constant). The capitalisation rate sensitivity analysis is detailed below.

Sensitivity of investment property valuation to changes in capitalisation rates:

Movement in capitalisation rate	**2022** $	**2021** $
–100bps	75,941,843	77,098,738
–50bps	72,112,843	72,550,779
+50bps	65,093,008	64,970,847
+100bps	61,902,175	61,722,305

Movement in Market Rent	**2022** $	**2021** $
–10%	63,391,230	62,372,013
–5%	65,943,897	65,403,986
5%	70,836,509	71,901,071
10%	73,389,176	74,933,044

Note 5: Investment Properties (Continued)

Fair value measurements (Continued)

(i) Fair value hierarchy (Continued)

There are lease agreements in place 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:

	2022 $	2021 $
Within one year	4,371,156	2,712,865
Between 1 and 2 years	3,041,462	810,030
Between 2 and 3 years	2,798,164	675,019
Between 3 and 4 years	2,698,023	500,599
Between 4 and 5 years	2,403,450	349,613
More than 5 year	8,258,475	635,236
	23,571,230	**5,683,362**

The investment properties are leased to tenants under operating leases with rentals payable monthly.

Lease payments for some contracts include a fixed rate of increases over the lease periods. Where considered necessary to reduce credit risk, the group may obtain guarantees for the term of the lease or increase the amount of deposits.

Although the group is exposed to changes in the residual value at the end of the current leases, the group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Note 6: Interest in and loan to a Joint Venture

	2022 $	2021 $
Investment in Hainan Kingmall International Trading Co., Ltd	–	–
Total interest in a joint venture	**–**	**–**

	2022 $	2021 $
Reconciliation of carrying value		
Opening balance	–	459,095
Share of loss	–	(433,523)
Impairment of joint venture	–	(4,115)
Translation difference	–	(21,457)
Closing balance	–	–

Note 6: Interest in a Joint Venture (Continued)

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.

Summarised statement of financial position of Hainan Kingmall International Trading Co., Ltd.

	2022 $	2021 $
Current assets (including cash and cash equivalents of $94,769 (2021: $132,302))	462,443	1,108,304
Non-current assets	1,905	1,054,120
Current liabilities	(1,771,352)	(1,492,476)
Non-current liabilities	–	(661,718)
	(1,307,004)	8,230
Equity		
Group's share in equity – 50%	–	4,115
Impairment of joint venture	–	(4,115)
Group's carrying amount of the investment	–	–

Note 6: Interest in a Joint Venture (Continued)

Interest in a joint venture (Continued)

Summarised statement of profit or loss of Hainan Kingmall International Trading Co., Ltd:

	2022 $	2021 $
Revenue from contracts with customers	301,680	2,315,758
Other income/gains	66,530	24,739
Cost of sales	(260,746)	(1,609,596)
Selling expenses	(576,077)	(1,271,190)
Administrative expenses	(197,408)	(323,516)
Provision of litigation	(643,059)	–
Finance costs	(15,769)	(3,644)
Foreign currency gain/(loss)	–	403
Loss before tax	(1,324,849)	(867,046)
Income tax expenses	–	–
Loss for the year	(1,324,849)	(867,046)
Total comprehensive loss for the year	(1,324,849)	(876,046)
Group's share of loss for the year*	(662,425)	(433,523)

* *The group’s share of loss for year was not recognized as the investment has been written down to zero.*

Contingent liabilities

The joint venture did not have contingent liabilities at 31 December 2022 and 2021.

Capital commitments

The joint venture did not have capital commitments at 31 December 2022 and 2021.

Note 7: Interest in an associate

	2022 $	2021 $
Investment in Hainan Provincial Diamond & Jewelry Co., Ltd	–	–
Total interest in an associate	**–**	**–**

	2022 $	2021 $
Reconciliation of carrying value		
Opening balance	–	878,145
Share of loss	–	(380,734)
Translation difference	–	58,073
Reclassification to investment held for sale *(note 8)*	–	(555,484)
Closing balance	–	–

Note 7: Interest in an associate (Continued)

Interest in associate

The Group had 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 31 October 2021, the Group decided to dispose of it entire in Hainan Provincial Diamond & Jewelry Co., Ltd. Accordingly, the interest in associate was reclassified to asset held for sale during the financial year 2021 (See note 8).

Summarised statement of financial position of Hainan Provincial Diamond & Jewelry Co., Ltd as at 31 October 2021.

	2021
	$
Current assets	1,222,883
Non-current assets	184,808
Current liabilities	(173,284)
	1,234,407
Equity	
Group's share in equity – 45%	555,484
Reclassification to investment held for sale	(555,484)
Group's carrying amount of the investment	–

Note 8: Investment held for sale

	2022	2021
	$	$
Investment in Hainan Provincial Diamond & Jewelry Co., Ltd held for sale *(note 7)*	–	555,484

On 31 October 2021, the Group decided to dispose of its entire interest in Hainan Provincial Diamond & Jewelry Co., Ltd. Accordingly, the interest in associate was reclassified to asset held for sale. The disposal has been completed on 20 June 2022 and the Group has recognized a disposal gain of $128,804 during the financial year 2022.

Note 9: Plant and Equipment
For the year ended 31 December 2022

	Motor vehicles $	Equipment $	Furniture fixtures $	Total $
Gross carrying amount at cost				
As at 1 January 2022	443,792	635,842	411,668	1,491,302
Additions	–	32,032	–	32,032
Disposal	–	–	–	–
Exchange differences	(7,883)	(11,531)	(7,313)	(26,727)
As at 31 December 2022	435,909	656,343	404,355	1,496,607
Accumulated Depreciation				
As at 1 January 2022	(401,918)	(569,569)	(398,738)	(1,370,225)
Charge for the year	(12,964)	(22,224)	(12,794)	(47,982)
Disposal	–	–	–	–
Exchange differences	7,236	10,282	7,177	24,695
As at 31 December 2022	(407,646)	(581,511)	404,355	(1,393,512)
Net book value				
Net book value at 31 December 2022	28,263	74,832	–	103,095

Note 9: Plant and Equipment (Continued)
For the year ended 31 December 2021

	Motor vehicles $	Equipment $	Furniture fixtures $	Total $
Gross carrying amount at cost				
As at 1 January 2021	396,884	579,789	378,435	1,355,108
Additions	11,480	5,258	–	16,738
Disposal	–	(365)	–	(365)
Exchange differences	35,428	51,160	33,233	119,821
As at 31 December 2021	443,792	635,842	411,668	1,491,302
Accumulated Depreciation				
As at 1 January 2021	(357,550)	(500,407)	(307,803)	(1,165,760)
Charge for the year	(12,351)	(24,057)	(60,861)	(97,269)
Disposal	–	41	–	41
Exchange differences	(32,017)	(45,146)	(30,074)	(107,237)
As at 31 December 2021	(401,918)	(569,569)	(398,738)	(1,370,225)
Net book value				
Net book value at 31 December 2021	41,874	66,273	12,930	121,077

Note 10: Inventory

	2022 $	2021 $
CURRENT		
At cost:		
– finished goods	1,278,476	1,309,803
	1,278,476	**1,309,803**

Inventory recognised as expense during the year ended 31 December 2022 and included in cost of sales amounted to 11,914 (2021: Nil).

Note 11: Income Tax

The prima facie income tax expense on the pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	2022	2021
	$	*$*
Current income tax:		
Current income tax charge	–	–
Deferred tax:		
– Relating to fair value movement of investment properties	67,778	159,611
– Relating to accelerated tax depreciation of investment properties	400,002	384,980
Income tax expense reported in the statement of profit or loss	467,780	544,591

	2022	2021
	$	*$*
Loss from continuing operations before Income Tax	(65,007)	(725,140)
	(65,007)	(725,140)
Income tax at Australian corporate tax rate at 30% (2021: 30%)	(19,503)	(217,542)
Non-taxable income	(107,095)	(10,892)
Non-deductible expenses	51,368	65,306
Tax effect of lower overseas tax rate	(31,040)	(18,685)
Non-deductible loss attributable to joint venture and associates	–	204,593
	(106,270)	22,780
Movements in unrecognised temporary differences		
Benefit of tax losses and other temporary differences not previously recognised	–	–
Tax effect of foreign losses for which no deferred tax asset has been recognised	209,724	249,815
Deferred tax asset not recognised for Australian losses and other temporary differences (i)	364,326	271,996
Income tax expense	467,780	544,591

(i) Taxable temporary differences included here would give rise to capital gains in future and cannot be offset against ordinary tax losses.

Note 11: Income Tax (Continued)

Unrecognised temporary differences:

	2022	2021
	$	*$*
Deferred Tax Assets		
On income tax account		
Carry forward tax losses	506,309	305,342
Foreign losses (i)	2,596,942	3,251,031
Other	39,043	31,263
Net deferred tax assets not recognised	3,142,294	3,587,636

(i) *Tax losses in PRC are only available to be carried forward for 5 years subject to the tax office confirming that the quantum of losses available after review of the tax return lodged. The amount of foreign tax losses reflected above is based on tax return lodged.*

Note 11: Income Tax (Continued)

The taxation benefits of tax losses and timing not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(b) conditions for deductibility imposed by the law are complied with; and
(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

	Deferred Tax Liabilities		
	Fair value movement of investment properties	**Accelerated tax depreciation of investment properties**	**Total**
	S	*S*	*S*
Opening as at 1 January 2021	1,710,298	461,572	2,171,870
Net deferred tax charged to profit or loss during the year	159,611	384,980	544,591
Exchange alignment	158,177	59,790	217,967
As at 31 December 2021 and 1 January 2022	2,028,086	906,342	2,934,428
Net deferred tax charged to profit or loss during the year	67,778	400,002	467,780
Exchange alignment	(36,527)	(19,048)	(55,575)
Closing as at 31 December 2022	2,059,337	1,287,296	3,346,633

Note 12: Revenue and Other Income

	2022	**2021**
	$	*$*
Revenue from contracts with customers (Sale of diamonds and goods) *(Note 1)*	12,669	–
Rental income	3,716,039	2,580,988
Revenue	3,728,708	2,580,988
Interest income	9,593	1,381
Other tax refund/subsidy	44,798	206,661
Other income	15,907	15,780
Total other income	70,298	223,823

Note 1: Revenue from contracts with customers (sale of diamonds and goods) is generated in People's Republic of China. Revenue is recognised at a point in time when control of the diamonds is transferred to the customer

Note 13: Cash and cash equivalents

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position, as follows:

	2022	2021
	$	*$*
Current Assets		
Cash at bank and in hand	819,585	541,129
Cash and cash equivalents	819,585	**541,129**

The carrying value of cash and cash equivalents approximates fair value.

Cash at bank and on hand balances as at 31 December 2022 includes Chinese Renminbi ("RMB") denominated equivalent balance of $631,576 (31 December 2021: $359,877) which are held with reputable financial institutions in the People's Republic of China in current accounts.

The Chinese RMB is not freely convertible into foreign currencies. Under the People's Republic of China ("PRC") Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorized to conduct foreign exchange business.

The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

(b) Interest Rate Risk Exposure

The Group's exposure to interest rate risk is discussed in note 3.

Note 14: Trade and other receivables

	2022	2021
	$	*$*
Current		
Trade receivables	1,270,500	8,096
Deposits and other debtors	48,296	61,760
GST tax and VAT tax from government	88,605	139,510
Advance to supplier	752,192	729,316
Expected credit loss (b)	(1,819,752)	(729,316)
	339,841	209,366
Non-Current		
Deposits and other debtors	–	162,427
VAT tax from government	–	1,095,414
	–	1,257,841

(a) Fair value

Carrying value of trade and other receivable approximate fair value.

(b) Expected credit loss

Outstanding customer receivables and contract assets are regularly monitored and an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

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 during this period might be waived, the Group recognised an expected credit loss provision of $1,075,485 at 31 December 2022. Subsequent to year end, the rental receivable was waived.

Note 14: Trade and other receivables (Continued)

(b) Expected credit loss (Continued)

Set out below is the movement in the allowance for expected credit losses:

	2022	2021
	$	*$*
As at 1 January	729,316	742,315
Provision for expected credit losses	1,075,485	–
Foreign exchange movement	14,951	(12,999)
As at 31 December	1,819,752	729,316

Note 15: Trade and other payables

	2022	2021
	$	*$*
Current		
Trade and other payable	1,206,026	1,107,800
Non-Current		
Other payable	149,803	163,460

Note 16: Contributed equity

	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
(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 2021	717,786,281	74,649,048
Issue of shares (net of issue costs)	–	–
Closing balance as at 31 December 2021	717,786,281	74,649,048
Balance as at 1 January 2022	717,786,281	74,649,048
No movement	–	–
Closing balance as at 31 December 2022	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 2022 (2021: Nil).

Note 17: Reserves

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

Note 18: Related parties

(a) Compensation of Key Management Personnel

	2022	**2021**
	$	*$*
Short-term employee benefits	128,581	539,876
	128,581	**539,876**

At 31 December 2022, directors fees outstanding amounted to $330,000 (2021: $496,200).

(b) Other transactions with Key Management Personnel

Certain 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. These entities transacted with the Company in the reporting period.

CAQ Holdings Limited

Consultant Fees:

KC Ong provided the Company with consultant services. For the year ended 31 December 2022, Total consultant fees incurred amounted to $52,800 (incl GST) (31 December 2021: $Nil), in which $39,600 (incl GST) was paid to KC Ong (31 December 2021: $nil (incl GST)). As at 31 December 2022, $13,200 (incl GST) was payable to KC Ong (31 December 2021: $nil).

Note 19: Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms.

	2022	2021
	$	$
Ernst & Young Australia		
1. Audit and other assurance services		
– auditing and reviewing the financial statements	93,986	79,000
Ernst & Young Hong Kong		
1. Audit and other assurance services		
– auditing and reviewing the financial statements	101,399	92,450
	195,385	171,450

Note 20: Contingencies

Contingent liabilities

The Group is in the process of finalising the construction cost of the investment property with the Constructor for work completed in 2016. At the date of this report, an amount of $5.91 million (RMB27.8 million) (2021: $6.02 million (RMB27.8 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 $3.45 million (RMB16.2 million) (2021: $3.51 million (RMB16.2 million)) to the Constructor in lieu of the variations claimed. The balance of the claim of $2.46 million (RMB11.6 million) (2021: $2.51 million (RMB11.6 million)) has not been accrued for in these financial statements as the Directors consider that payment for $2.46 million (RMB11.6 million) (2021: $2.51 million (RMB11.6 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.

Note 21: Commitments

The outstanding capital commitments for the refurbishment work of property is $Nil as at 31 December 2022 (2021: Nil).

Note 22: Events occurring after the reporting date

In February 2023, the Group had informed the tenant of the Exhibition Centre about the waiver of outstanding rent receivable. Except for the disclosure above, 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.

Note 23: Borrowings

	2022 $	2021 $
Current borrowings		
Bank loan	276,199	136,266
Other loan	574,350	866,278
	850,549	1,002,544
Non-current borrowings		
Bank loan	2,362,578	2,686,501
Total borrowings	3,213,127	3,689,045

Changes in liabilities arising from financing activities

	Bank loan $	Other loan $
At 1 January 2021	1,989,867	796,345
Change from financing cash flows	626,803	–
Exchange realignment	206,097	69,933
At 31 December 2021 and 1 January 2022	2,822,767	866,278
Change from financing cash flows	(134,838)	(278,592)
Exchange realignment	(49,152)	(13,336)
At 31 December 2022	2,638,777	574,350

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 $574,350 equivalent to approximately RMB2,700,000 (2021: $866,278 equivalent to approximately RMB4,000,000). The facility is secured by the title over the fourth floor of the Warehouse B.

Note 23: Borrowings (Continued)

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 2022 HPB had drawn down RMB12,404,800 (equivalent to approximately $2,638,777). 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.

	2022	**2021**
	$	*$*
Bank loan repayable:		
Within one year or on demand	276,199	136,266
In the second year	996,816	281,194
In the third year to fifth years, inclusive	1,365,762	2,405,307
	2,638,777	2,822,767
Other loan repayable:		
Within one year or on demand	574,350	866,278
	3,213,127	3,689,045

Note 24: Reconciliation of loss after income tax to net cash flow from operating activities

	2022 $	2021 $
Operating loss after income tax	(532,787)	(1,269,731)
Adjusted for:		
Fair value gain on investment properties	(271,113)	(638,444)
Foreign currency gain/(loss)	12,684	3,648
Depreciation and amortisation	65,670	121,643
Deferred tax expense	467,780	544,591
Finance cost	83,399	–
Share of loss from joint venture	–	433,523
Share of loss from associate	–	380,734
Disposal gain on interests of an associate	(128,804)	–
Impairment of joint venture	–	313,495
Other		
(Increase)/decrease in assets		
– Inventory	11,611	–
– Prepayments	(17,692)	(13,864)
– Trade and other receivables	(23,251)	(41,393)
– VAT Tax	1,132,940	(71,667)
Increase/(decrease) in liabilities		
– Current trade creditors and payables	(239,350)	366,241
Net cash inflow/(outflow) from used in operating activities	561,087	128,776

Note 25: 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 2022 $	Consolidated 31 December 2021 $
Loss attributable to ordinary equity holders	(532,787)	(1,269,731)
	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	(0.07)	(0.18)

There are no potential ordinary shares on issue at 31 December 2022 and 31 December 2021.

Note 26: Dividends

No dividends have been declared or paid during the year. (2021: Nil)

Note 27: Parent entity information

The following information is related to the parent entity, CAQ Holdings Limited, as at 31 December 2022 and 31 December 2021.

	2022 $	2021 $
Current assets	123,512	95,491
Non-current assets	60,628,871	60,615,331
Total assets	**60,752,383**	**60,710,822**
Current liabilities	2,187,660	1,437,274
Non-current liabilities	–	–
Total liabilities	2,187,660	**1,437,274**
Contributed equity	74,649,048	74,649,048
Accumulated losses	(16,221,875)	(15,513,050)
Reserves	137,550	137,550
Total equity	**58,564,723**	**59,273,548**
Loss for the year	(708,825)	(906,654)
Other comprehensive loss for the year	–	–
Total comprehensive loss for the year	(708,825)	**(906,654)**

Guarantees entered into by the parent entity

The parent entity did not have any guarantees at 31 December 2022 and 2021.

Contingent liabilities

The parent entity did not have contingent liabilities at 31 December 2022 and 2021.

Capital commitments

The parent entity did not have capital commitments at 31 December 2022 and 2021.

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings as at 31 December 2022
Substantial shareholders

Name	Number of ordinary shares held	Percentage of capital held
MR XUEHUO ZHANG	124,500,000	17.34
BEIJING PROPERTIES (HOLDINGS) LIMITED	108,628,000	15.13
MR KWAN CHAN	72,853,551	10.15
BNP PARIBAS NOMS PTY LTD<IB AU NOMS RETAIL CLIENT DRP>	69,347,337	9.66
CITICORP NOMINEES PTY LIMITED	66,173,446	9.22
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	63,327,749	8.82
LI HUI YUN	50,000,000	6.97
TOTAL	**554,830,083**	**77.29**

Distribution of security holders Category	Number of Holders
1 – 1,000	345
1,001 – 5,000	197
5,001 – 10,000	106
10,001 – 100,000	96
100,001 and over	63
	807

Unmarketable parcels
The number of shareholders holding less than a marketable parcel is 669.

There is only one class of share and all ordinary shareholders have equal voting rights.

On-market buyback
There is no current on-market buy-back.

SHAREHOLDER INFORMATION

Twenty largest shareholders – Ordinary Shares

Name	Number of ordinary shares held	Percentage of capital held
MR XUEHUO ZHANG	124,500,000	17.34
BEIJING PROPERTIES (HOLDINGS) LIMITED	108,628,000	15.13
MR KWAN CHAN	72,853,551	10.15
BNP PARIBAS NOMS PTY LTD<IB AU NOMS RETAIL CLIENT DRP>	69,347,337	9.66
CITICORP NOMINEES PTY LIMITED	66,173,446	9.22
BNP PARIBAS NOMINEES PTY LTD <LGT BANK AG DRP>	63,327,749	8.82
LI HUI YUN	50,000,000	6.97
JOIN MARVEL LIMITED	30,000,000	4.18
ELITE MEDAL LIMITED	25,000,000	3.48
BNP PARIBAS NOMINEES PTY LTD	16,921,923	2.36
HOLLYVIEW INTERNATIONAL LTD	12,102,000	1.69
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,132,336	1.55
MR KEONG MING TEE	8,400,280	1.17
MR HUAN WEI XIAO	7,255,475	1.01
MS WAH LIH JIUN	6,225,000	0.87
MASS TALENT FINANCIAL LTD	6,000,000	0.84
TRIDENT CAPITAL PTY LTD	3,586,666	0.50
MR SHIWU HE	2,500,000	0.35
MR DASHUN TANG	2,500,000	0.35
MR FEI CHAN	2,100,000	0.29
MR JIN PENG	2,000,000	0.28
TOTAL	**690,553,763**	**96.21**

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing the Company's corporate governance framework, they key features of which are set below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

In accordance with ASX Listing Rule 1.1 Condition 13, the corporate governance statement set out discloses the extent to which the Company intends to follow the recommendations as at the date of reinstatement of the Company's securities to quotation on ASX. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.caqholdings.com, under the section marked "Corporate Governance":

(a) Board Charter;
(b) Board Performance Evaluation Policy;
(c) Code of Conduct;
(d) Audit Committee Charter;
(e) Remuneration and Nomination Committee Charter;
(f) Security Trading Policy;
(g) Continuous Disclosure Policy;
(h) Shareholder Communication and Investor Relations Policy;
(i) Risk Committee Charter;
(j) Risk Management Policy; and
(k) Diversity Policy.

Principle 1: Lay solid foundations for management and oversight
Recommendation 1.1
The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and have documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

(a) setting and reviewing strategic direction and planning;
(b) reviewing financial and operational performance;
(c) identifying principal risks and reviewing risk management strategies; and
(d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer (or equivalent) and the management team. The management team, led by the Chief Executive Officer (or equivalent) is accountable to the Board.

Principle 1: Lay solid foundations for management and oversight (Continued)

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director. The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

Recommendation 1.3

The Company has a written agreement with all the Directors.

The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

(a) ensuring a good flow of information between the Board, its committees, and Directors;
(b) monitoring policies and procedures of the Board;
(c) advising the Board through the Chairman of corporate governance policies; and
(d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

(a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
(b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity, which will be disclosed in the Company's corporate governance statement for the financial year ended 31 December 2021, and will review the effectiveness and relevance of these measurable objectives on an annual basis.

Recommendation 1.6

The Board will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's executive directors in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board. A general performance evaluation was undertaken in the reporting period.

Principle 1: Lay solid foundations for management and oversight (Continued)

Recommendation 1.7

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

(a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
(b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
(c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

The Company will report on whether an evaluation of the Board, its committees and individual directors has taken place in the relevant reporting period, and whether the process was in accordance with the process disclosed, in each of its corporate governance statements. An assessment was not performed during the financial year.

Principle 2: Structure the board to add value

Recommendation 2.1

The Company has a separate Nomination Committee comprising of Qian Xu and Ching Chung. Ching Chung is an executive director. However, due to his experience, it was considered appropriate for Ching Chung to be on the committee. There were informal discussions held in relation to nomination matters during the year.

The duties of the nomination committee are set out in the Company's Nomination Committee Charter which is available on the Company's website.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

(a) a broad range of business experience; and
(b) technical expertise and skills required to discharge duties.

An evaluation was not performed during the financial year.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Principle 2: Structure the board to add value (Continued)

Recommendation 2.3 (Continued)

Currently the Board is structured as follows:

(a) KC Dennis Ong (Non-Executive Director);
(b) Michael Siu (Non-Executive Director);
(c) Qian Xu (Non-Executive Director);
(d) Ching Chung (Executive Director and Deputy Chairman);
(e) Yuk Cheung Chan (Non-Executive Director);
(f) Ivan Cheng (Non-Executive Director); and
(g) Kwan Chan (Non-Executive Director).
(h) Chen Po Chung (Non-Executive Director).
(i) Xiao Huan Wei (Non-executive Director)

Michael Siu, Qian Xu and Ivan Cheng are directors of Beijing Properties (Holdings) Limited, which is a substantial shareholder of the Company, and accordingly, is not considered independent.

Ching Chung is an executive director, and accordingly, is not considered independent.

Kwan Chan is a substantial holder of the Company and accordingly, is not considered independent.

Yuk Cheung Chan is a relative of Kwan Chan and accordingly, is not considered independent.

Recommendation 2.4

Currently, the Board considers that membership weighted towards technical expertise is appropriate at this stage of the Company's operations. A majority of the Board is not independent.

Recommendation 2.5

The is currently no nominated Chairman of the Company with appointment to the Chair made at each meeting of the directors. Appointment is determined by the directors having considered the most appropriate person to Chair the Board for that meeting.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (**Code**), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

The Company has a separate Audit Committee comprising of Ivan Cheng, KC Ong and Michael Siu.

The Audit Committee is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Audit Committee may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 4: Safeguard integrity in corporate reporting (Continued)
Recommendation 4.3
Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and if they cannot, they are to arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or their representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure
Recommendation 5.1
The Company is committed to:

(a) ensuring that shareholders and the market are provided with full and timely information about its activities;
(b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
(c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Disclosure Policy, which is disclosed on the Company's website. The Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Company Secretary manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Principle 6: Respect the rights of security holders
Recommendation 6.1
The Company provides information about itself and its governance to investors via its website at www.caqholdings.com.

The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

(a) relevant announcements made to the market via ASX;
(b) media releases;
(c) investment updates;
(d) Company presentations and media briefings;
(e) copies of press releases and announcements for the preceding three years; and
(f) copies of annual and half yearly reports including financial statements for the preceding three years.

Principle 6: Respect the rights of security holders (Continued)

Recommendation 6.2

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

(a) reports to Shareholders;
(b) ASX announcements;
(c) annual general meetings; and
(d) the Company website.

This Shareholder Communication and Investor Relations policy will be reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals. The Company will use general meetings as a tool to effectively communicate with shareholders and allow shareholders a reasonable opportunity to ask questions of the Board and to otherwise participate in the meeting. The external auditor of the Company is invited attend each Annual General Meeting of the Company and be available to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

The Company does not have a separate Risk Committee. The Audit Committee is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Risk Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Risk Committee Charter which describes the role, composition, functions and responsibilities of the Risk Committee and is disclosed on the Company's website.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

Principle 7: Recognise and manage risk (Continued)

Recommendation 7.1 (Continued)

The risk management system covers:

(a) operational risk;
(b) financial reporting;
(c) compliance/regulations; and
(d) system/IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

(a) monthly reporting to the Board in respect of operations and the financial position of the Company; and
(b) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Recommendation 7.4

Given the speculative nature of the Company's business, it will be subject to general risks and certain specific risks. The Company will identify those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclose how it intends to manage those risks in each of its corporate governance statements.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. There were informal discussions held in relation to remuneration matters during the year.

The duties of the Remuneration Committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Principle 8: Remunerate fairly and responsibly (Continued)

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Performance Rights Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Performance Rights Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

(a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
(b) trading in the Company's securities which is not subject to the Company's trading policy; and
(c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.

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

CORPORATE DIRECTORY

Directors
KC Ong
Michael Siu
Qian Xu
Ching Chung
Yuk Cheung Chan
Ivan Cheng
Kwan Chan
Chen Po Chung
Xiao Huan Wei

Company Secretary
Mark Maine

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Auditors
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11 Mounts Bay Road
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Telephone: (08) 9429 2222

Stock Exchange
The Company is listed on the Australian Securities Exchange (Code: CAQ). The Home Exchange is Perth.

Other Information
CAQ Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Website
www.caqholdings.com