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Company Announcements Office
ASX Limited
Sydney, NSW
Australia

CAQ Holdings Limited June 2021 Quarter Activities Report

Operations Review

The June 2021 Quarter has seen a further continuation in the development of CAQ Holdings Limited (CAQ). Commercial retail operations revenue decreased but leasing activities remained steady.

During the June 2021 Quarter, the total sales from the Kingmall operation reached RMB2.51 million, down from RMB5.56 million in the March 2021 Quarter, representing a decrease of 55%. The decrease was primarily due to: (i) the tightening of China's customs policy leading to longer inspections times and consequential delays before goods are cleared for sale; and (ii) working capital funds of Kingmall being applied to settling the decoration expenses of a new outlets opened in 2021 which affected the funds available for purchase of goods. The combined effect of which lead to goods available for sale decreasing in June 2021 Quarter and a decline in sales for the period.

The property leasing business remained steady in June 2021 Quarter. Leasing revenue totalled RMB3.68 million during the June 2021 Quarter, up from RMB3.55 in the March 2021 Quarter, representing an increase of approximately 3.76%. Refurbishment of the exhibition centre is expected to be completed in July.

The existing vacancy (including areas subject to negotiation) rate being:

Warehouse (41,750m ²)	0%	(0% in March 2021)
Factories (17,784m ²)	51%	(70% in March 2021)
Exhibition Centre*	100%	(100% in March 2021)
Administrative Building	57%	(56% in March 2021)

(* exhibition Centre under redevelopment)

Work is continuing on securing new tenants for all areas with a number of contracts under negotiation. Existing factory tenants have reserved, but not yet confirmed, an interest in the lease of the remaining untenanted Factory space.

The tenancy agreement for the first to third floor of the exhibition centre was finalized with the tenant, the basic terms of the tenancy are as follows: -

- Rent per sqm: RMB40/sqm/month or 5% of the turnover, whichever is higher (Turnover figures being recorded and provided by the China custom);
- Property management fee: RMB35/sqm/month; and
- Utilities expenses: Fully borne by the tenant according to actual usage

CAQ Holdings Limited (ACN 091 687 740)

Australian Office: Unit 4, 20 Altona Street West Perth, Western Australia 6005

Hong Kong Office: c/- Beijing Properties Holdings Ltd, 66 Floor Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

A rent free period of three months will be given to the tenant for decorating the shops inside the exhibition centre, then a three months trial run period will be started to promote the exhibition centre. During this trial run period property management fee will be paid at the fixed rate but rent will be charged at 5% of turnover only. After the trial run period, the rent and property management fee will be charged at the agreed rate as abovementioned. The length of the tenancy period is pending for further negotiation with the tenant and we expect the tenancy agreement will be signed in August 2021.

During the June 2021 quarter CAQ's receipts from customers was \$563k (RMB2.80 million) which was slightly down on the March 2021 quarter \$634k (RMB3.18 million).

The Exhibition Centre, after renovation, is scheduled to open in the third quarter 2021 (September quarter). The planned June Quarter opening timeline was not been achieved due to delays in construction materials. After the opening the Exhibition Centre, diamond and jewellery retailers will open outlets which is expected to lead to an increase in demand of office areas and warehouse space, thereby benefiting the Group's associated infrastructure assets.

The total floor area of the Exhibition Centre is 22,441.96 sqm.

Financial

At the end of the Quarter the Group had cash at bank of \$0.536m and an undrawn line of credit of \$1.5m.

Ends

This announcement has been authorised for release to ASX by Michael Siu, Director on behalf of the Board of Directors.

For further information contact:

Mark Maine
Company Secretary
+61 416107244