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杰地集團有限公司\*

*(A company incorporated in the Republic of Singapore with limited liability)*

**(Stock code: 8313)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors of ZACD Group Ltd. (the “**Company**”, together with its subsidiaries as the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will be published on the GEM website at [www.hkgem.com](http://www.hkgem.com) and remain on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at [www.zacdgroup.com](http://www.zacdgroup.com).*

*In the event of any inconsistency between the Chinese version and the English version, the latter shall prevail.*

*\* for identification purposes only*

## FINANCIAL HIGHLIGHTS

### For the nine months ended 30 September 2022

- The unaudited revenue of the Group decreased by 18.8% or approximately S\$685,000 from approximately S\$3.6 million for the nine months ended 30 September 2021 (the “**Previous Period**”) to approximately S\$2.9 million for the nine months ended 30 September 2022 (the “**Review Period**”). The decrease was mainly attributable to the one-off project bonus fee of approximately S\$1.5 million derived from the developer SPV of BBW6 Fund in September 2021, partially offset by the increase in project management and acquisition fees from approximately S\$380,000 in the Previous Period to approximately S\$1.2 million in the Review Period.
- Other income and gains increased from approximately S\$430,000 for the Previous Period to approximately S\$798,000 for the Review Period, representing an increase of approximately S\$368,000 or 85.6%. The increase was mainly due to short-term corporate services provided to external corporate clients and interest income derived from the bridging loans extended to the fund structures managed by the Group, partially offset by the decrease in government grants.
- Total staff costs decreased from approximately S\$3.3 million for the Previous Period to approximately S\$3.0 million for the Review Period, representing a decrease of approximately S\$333,000 or 10.1%. As at the end of Review Period, the Group had 31 employees as compared to 34 as at the end of Previous Period.
- The Group reported a net loss of approximately S\$1.0 million for the Review Period as compared to a net profit of approximately S\$6.8 million for the Previous Period, representing a turn from profit to loss of approximately S\$7.8 million or 114.8%. This was mainly attributable to the absence of reversal of impairment losses on financial assets of approximately S\$7.6 million in Review Period. In the Previous Period, impairment loss of approximately S\$7.6 million in respect of the bridging advance by the Group to ZACD Australia Hospitality Fund was reversed following the substantial portion of the settlement proceeds was received by the fund in September 2021.
- No dividend was paid or proposed by the Company for the nine months ended 30 September 2022 (Nine months ended 30 September 2021: Nil).
- Basic and diluted loss per share during the nine months ended 30 September 2022 was approximately S\$0.05 cents (Nine months ended 30 September 2021: profit of S\$0.34 cents).

## THIRD QUARTERLY RESULTS

This is a third quarterly results announcement made by ZACD Group Ltd. (the “**Company**”, together with its subsidiaries as the “**Group**”).

The board of directors (the “**Board**”) of the Company hereby announces the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2022 (the “**Third Quarterly Results**”), together with the unaudited comparative figures for the nine months ended 30 September 2021:

**Unaudited condensed consolidated statement of profit or loss and comprehensive income**  
**For the three months and nine months ended 30 September 2022**

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		S\$'000	S\$'000	S\$'000	S\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	961	1,779	2,949	3,634
Other income and gains	4	202	31	798	430
Staff costs		(950)	(1,001)	(2,954)	(3,287)
Depreciation		(26)	(18)	(71)	(80)
Amortisation of right-of-use asset		(34)	–	(34)	(117)
Amortisation of capitalised contract costs		(15)	(24)	(64)	(72)
Reversal of (impairment losses) on financial assets	5	–	7,701	(177)	7,594
Marketing expenses		(20)	(13)	(43)	(22)
Other expenses, net		(563)	(483)	(1,340)	(1,223)
Interest expense		(24)	(23)	(66)	(70)
<b>(Loss)/ Profit before tax</b>	5	<b>(469)</b>	7,949	<b>(1,002)</b>	6,787
Income tax expense	6	–	(18)	–	(18)
<b>(Loss)/ Profit for the period attributable to owners of the Company</b>		<b>(469)</b>	7,931	<b>(1,002)</b>	6,769
<b>Other comprehensive (loss)/ income:</b>					
<u>Items that will not be reclassified to profit or loss:</u>					
Fair value changes on investment in equity securities		(294)	(4)	(260)	(419)
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Exchange differences on translation of foreign operations		30	(19)	(13)	(51)
Other comprehensive loss for the period		(264)	(23)	(273)	(470)
<b>Total comprehensive (loss)/ income for the period attributable to owners of the Company</b>		<b>(733)</b>	7,908	<b>(1,275)</b>	6,299
<b>(Loss)/ Profit per share attributable to owners of the Company</b>					
	7				
- Basic (cents)		(0.02)	0.40	(0.05)	0.34
- Diluted (cents)		(0.02)	0.40	(0.05)	0.34

**Unaudited condensed consolidated statement of changes in equity  
For the nine months ended 30 September 2022**

	<b>Share capital</b>	<b>Investment in equity securities revaluation reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Capital reserve</b>	<b>Accumulated losses</b>	<b>Total Equity</b>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Nine months ended 30 September 2022</b>						
At 1 January 2022 (audited)	<b>29,866</b>	<b>1,188</b>	<b>23</b>	<b>1,491</b>	<b>(8,838)</b>	<b>23,730</b>
Loss for the period	–	–	–	–	<b>(1,002)</b>	<b>(1,002)</b>
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	–	–	<b>(13)</b>	–	–	<b>(13)</b>
Fair value changes on investment in equity securities	–	<b>(260)</b>	–	–	–	<b>(260)</b>
Total comprehensive loss for the period	–	<b>(260)</b>	<b>(13)</b>	–	<b>(1,002)</b>	<b>(1,275)</b>
At 30 September 2022 (unaudited)	<b>29,866</b>	<b>928</b>	<b>10</b>	<b>1,491</b>	<b>(9,840)</b>	<b>22,455</b>
<b>Nine months ended 30 September 2021</b>						
At 1 January 2021 (audited)	29,866	1,469	64	1,491	(16,299)	16,591
Profit for the period	–	–	–	–	6,769	6,769
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	–	–	<b>(51)</b>	–	–	<b>(51)</b>
Fair value changes on investment in equity securities	–	<b>(419)</b>	–	–	–	<b>(419)</b>
Total comprehensive income for the period	–	<b>(419)</b>	<b>(51)</b>	–	6,769	6,299
At 30 September 2021 (unaudited)	29,866	1,050	13	1,491	(9,530)	22,890

**Notes to the unaudited condensed consolidated financial information  
For the nine months ended 30 September 2022**

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**1. Corporate information**

The Company is a company limited by shares, which is domiciled and incorporated in the Republic of Singapore (“**Singapore**”). The registered office of the Company, which is also its principal place of business, is located at 300 Beach Road The Concourse #34-05, Singapore 199555.

The Company is an investment holding company. During the financial period, the Company’s subsidiaries were principally engaged in the provision of the following services:

- (i) investment management services, which includes (a) special purpose vehicle (“**SPV**”) investment management and (b) fund management;
- (ii) acquisitions and projects management services;
- (iii) property management and tenancy management services; and
- (iv) financial advisory services.

**2. Bases of preparation and changes to the Group’s accounting policies**

**2.1 Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) as issued by the Singapore Accounting Standards Council (“**ASC**”).

The unaudited condensed consolidated financial information is presented in Singapore dollars (“**S\$**”) and all values are rounded to the nearest thousand (**S\$’000**) except when otherwise indicated.

**2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the Third Quarterly Results are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. These applications do not have a material impact on the Third Quarterly Results of the Group.

**3. Operating segment information**

For management purposes, the Group is organised into business units based on its products and services and has the following reportable segments, as follows:

**(a) Investment management**

The Group provides investment management services for investors to invest into real estate projects or funds by setting up a single investment vehicle (“**Investment SPV**”) or fund holding entity.

**(i) SPV investment management**

The Group provides investment management services to investors of real estate development projects by establishing and incorporating Investment SPV through which the investors participate in the project by subscribing convertible loans that are issued by the Investment SPV and/or entering into trust deeds with the Group's ultimate holding company under the trust structure. With respect to a major investor, the Group also derives revenue in return for providing a priority right to this investor to participate in the Group's real estate development projects. Post establishment and incorporation of the Investment SPV, the Group continues to provide investment management services to the investors by managing the Investment SPV up to the time of project completion. The Group also holds the Establishment Shares received from investors to remunerate its SPV investment management services provided, through dividend distribution from the relevant investment SPVs under the convertible loan structure. Under the trust structure, the Group derives performance fees from the profits made by the investors through dividend distribution received by the Group's ultimate holding company on behalf of investors.

**(ii) Fund management**

The Group renders fund management services by establishing and serving as manager of private real estate funds. Under this arrangement, the Group is responsible for the origination of the investment of the fund, establishment of the investment structure, placement to investors and management of the funds' investment portfolio where it actively sources for real estate deals and manage the investment process for the funds, manages the assets owned by the funds, and sources for avenues for divesting the investments in order to maximise the funds' internal rates of return.

Under the contracts entered into with the private real estate funds, the Group is entitled to fund establishment fee and fund management fees based on a percentage of committed capital and performance fees based on a percentage of return on equity of the fund distributed to the investors, and/or upon divestment of all investments in the fund or termination of the fund, whichever is earlier. The fund management fees are received quarterly or annually and are recognised on a straight-line basis over the contract terms. The fund establishment fees are recognised as and when the Group's rights and entitlement to the fees are established. Performance fees are not recognised until it is highly probable that a significant reversal of the cumulative amount of revenue recognised will not occur upon the resolution of any uncertainty.

**(b) Acquisitions and projects management**

Acquisitions and projects management include the Group's services in sourcing, assessing and securing quality real estate assets for real estate developers and services rendered by the Group to real estate developers generally comprise services in the areas of tender consultancy and research, design development consultancy, marketing project management, sales administration and handover and property defects management services, coordination of legal services, as well as finance and corporate services. These services are provided to real estate developers and help to address various needs during each major stage of real estate development projects.

**(c) Property management and tenancy management**

The Group's property management services primarily include maintenance management services and ancillary services, such as accounting and financial services. Properties managed by the Group comprise residential properties as well as non-residential properties including commercial buildings, office buildings and industrial parks.

The Group's tenancy management services primarily relate to defect management, rental management, lease advisory services, administrative management and tenants care management.

**(d) Financial advisory**

The Group's financial advisory services primarily relate to corporate finance advisory services and investment advisory services.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that unallocated other income and gains as well as head office and corporate expenses are excluded from such measurement.

**Geographical information**

**Revenue from external customers**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Singapore	<b>794</b>	1,757	<b>2,503</b>	3,445
Malaysia	<b>10</b>	10	<b>29</b>	29
Australia	<b>47</b>	12	<b>87</b>	57
British Virgin Islands	<b>110</b>	–	<b>330</b>	88
Other countries/jurisdictions	<b>–</b>	–	<b>–</b>	15
	<b>961</b>	1,779	<b>2,949</b>	3,634

The revenue information above is based on the locations of the customers.

#### 4. Revenue, and other income and gains

Revenue represents the aggregate of service fee income earned from the provision of investment management services, acquisitions and projects management services, property management and tenancy management services, and financial advisory services. An analysis of revenue, other income and gains is as follows:

Nine months ended 30 September 2022 (unaudited)	<u>Investment management</u>		Acquisitions and projects management S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total revenue S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Primary geographical markets</b>						
Singapore	555	741	1,207	–	–	2,503
Malaysia	–	–	–	29	–	29
Australia	–	–	87	–	–	87
British Virgin Islands	–	330	–	–	–	330
	<b>555</b>	<b>1,071</b>	<b>1,294</b>	<b>29</b>	<b>–</b>	<b>2,949</b>
<b>Timing of services</b>						
At a point in time	505	253	1,207	–	–	1,965
Over time	50	818	87	29	–	984
	<b>555</b>	<b>1,071</b>	<b>1,294</b>	<b>29</b>	<b>–</b>	<b>2,949</b>
<b>Nine months ended 30 September 2021 (unaudited)</b>						
<b>Primary geographical markets</b>						
Singapore	786	738	1,920	–	1	3,445
Malaysia	–	–	–	29	–	29
Australia	–	–	57	–	–	57
British Virgin Islands	–	–	–	–	88	88
Other countries/jurisdictions	–	–	–	–	15	15
	<b>786</b>	<b>738</b>	<b>1,977</b>	<b>29</b>	<b>104</b>	<b>3,634</b>
<b>Timing of services</b>						
At a point in time	723	183	1,920	–	1	2,827
Over time	63	555	57	29	103	807
	<b>786</b>	<b>738</b>	<b>1,977</b>	<b>29</b>	<b>104</b>	<b>3,634</b>



#### 4. Revenue, and other income and gains (continued)

	Three months ended		Nine months ended	
	30 September 2022	2021	30 September 2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Revenue</b>				
Investment management				
— SPV investment management fees	<b>369</b>	21	<b>555</b>	786
— Fund management fees	<b>535</b>	195	<b>1,071</b>	738
Acquisitions and projects management fees	<b>47</b>	1,552	<b>1,294</b>	1,977
Property management and tenancy management fees	<b>10</b>	10	<b>29</b>	29
Financial advisory fees	<b>-</b>	1	<b>-</b>	104
	<b>961</b>	1,779	<b>2,949</b>	3,634
<b>Other income and gains</b>				
Government grants ( <i>Note (i)</i> )	<b>10</b>	3	<b>19</b>	291
Interest income	<b>157</b>	33	<b>452</b>	107
Foreign exchange differences, net	<b>(42)</b>	(10)	<b>(8)</b>	17
Corporate business service fees ( <i>Note (ii)</i> )	<b>77</b>	-	<b>324</b>	-
Others	<b>-</b>	5	<b>11</b>	15
	<b>202</b>	31	<b>798</b>	430

(i) Government grants were received by certain subsidiaries and the Company in connection with employment of Singaporean and/or non-Singaporean workers under Wage Credit Scheme, Jobs Support Scheme, Government-Paid Leave Schemes and Special Employment Credit provided by the Singapore Government and employment of Australian workers under JobKeeper Payment Scheme provided by the Australia Government. There were no unfulfilled conditions or contingencies relating to these grants.

(ii) Corporate business services rendered to external corporate clients by the Group. Services performed include reviewing and advising on financial reports and finance functions and processes, and making recommendations on areas of improvement to the corporate clients.

## 5. (Loss)/ Profit before tax

The Group's (loss)/ profit before tax is arrived at after charging/ (crediting):

	Three months ended 30 September		Nine months ended 30 September	
	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Auditor's remuneration	21	21	124	121
Bad debts written off - trade	5	137	5	139
Dividend income from the establishment shares included in SPV investment management fees	(299)	–	(452)	(548)
Foreign exchange differences, net	42	10	8	(17)
Professional fees	211	25	247	145
Rental expense for short-term leases	61	103	249	203
(Reversal of) impairment loss on trade receivables	–	(127)	177	(20)
Reversal of impairment loss on loans and receivables	–	(7,574)	–	(7,574)

## 6. Income tax expense

No provision for Singapore profits tax has been provided for the nine months ended 30 September 2022 (Nine months ended 30 September 2021: S\$18,000). No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the nine months ended 30 September 2022 (Nine months ended 30 September 2021: Nil).

The major components of the income tax expense during the periods are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2022 S\$'000 (unaudited)	2021 S\$'000 (unaudited)
Current:				
- Provision for current period	–	18	–	18
Income tax expense for the period	–	18	–	18

## 7. (Loss)/ Profit per share attributable to owners of the Company

The calculation of basic and diluted (loss)/ profit per share attributable to owners of the Company is based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>(Loss)/ Profit</b>				
(Loss)/ Profit for the purpose of calculating basic and diluted loss per share ((loss)/ profit for the period attributable to owners of the Company)	(469)	7,931	(1,002)	6,769
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000

## 8. Dividends

No dividend was paid or proposed by the Company for the nine months ended 30 September 2022 (Nine months ended 30 September 2021: Nil).

## 9. Financial guarantees

On 27 June 2022, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$129,086,250 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 6C and 6D Tanjong Rhu Road, Singapore (the "**La Ville Development**"). This amount represents 75.0% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of ZACD LV Development Fund (the "**LV Development Fund**"), a sub-fund registered under ZACD Capital Partners VCC, by way of indirectly holding the nominal share capital of the corporate entity of LV Development Fund, is required by the security agents to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development charge, construction cost and related development costs of the La Ville Development. LV Development Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

## 9. Financial guarantees (continued)

On 15 June 2022, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$29,980,000 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential real estate project located at Bukit Batok West Avenue 8, Singapore (the “**BBEC Development**”). This amount represents 10.0% of the total liabilities of the underlying Development SPV under a facility agreement in proportion of the shareholding of ZACD (BBEC) Pte. Ltd. (the “**BBEC Fund**”) in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the BBEC Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBEC Fund, are required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the BBEC Development. BBEC Fund are managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 22 June 2021, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$19,253,107 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 2, 4 and 6 Mount Emily Road Singapore (the “**Mount Emily Properties**”). This amount represents the total liabilities of the underlying Development SPV under the facilities agreements in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of ZACD Mount Emily Residential Development Fund (the “**Mount Emily Fund**”), a sub-fund registered under ZACD Capital Partners VCC, by way of indirectly holding the nominal share capital of the corporate entity of Mount Emily Fund, is required by the security agents to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, construction cost and related development costs of the Mount Emily Properties. Mount Emily Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 20 March 2020, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$28,985,400 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to an industrial development project located at 7 Mandai Estate, Singapore (the “**Mandai Development**”). This amount represents 60.0% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (Mandai) Ltd. (the “**Mandai Fund**”), by way of indirectly holding the nominal share capital of the corporate entity of the Mandai Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Mandai Development. Mandai Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

## 9. Financial guarantees (continued)

On 7 August 2019, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$150,744,796 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 173 Chin Swee Road, Singapore (the “**Landmark Development**”). This amount represents 39.2% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (Development2) Ltd. (the “**LT Fund**”), by way of indirectly holding the nominal share capital of the corporate entity of the LT Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, differential premium, construction cost and related development costs of the Landmark Development. LT Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 16 January 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$152,800,000 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential real estate project located at Shunfu Road in Singapore (the “**Shunfu Development**”). This amount represents 20.0% of the total liabilities of the underlying Development SPV under a facility agreement in proportion of the shareholding of ZACD (Shunfu) Ltd. and ZACD (Shunfu2) Ltd.’s (the “**Shunfu Funds**”) in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the Shunfu Funds by way of indirectly holding the nominal share capital of the corporate entity of the Shunfu Funds, are required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Shunfu Development. Shunfu Funds are managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

## 10. Contingent liabilities

Reference is made to the inside information and business update announcement dated 23 August 2021 in relation to ZACD Australia Hospitality Fund (the “**Fund**”) and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company for the Fund, and the relevant previous announcements as referred to therein (collectively, the “**Announcements**”). Pursuant to the Deed of Settlement, ZACD Australia Hospitality Fund received a substantial portion of the settlement proceeds according to the settlement schedule from the Defendants in September 2021. While the dispute between the Company, ZACD (Development4) Ltd. and the Defendants has been settled amicably, the Company is currently working with our lawyers in other recovery actions against iProsperity Group and its administrators to recover the remaining shortfall of the exposure by the Fund pursuant to the incident.

Subsequent to the Transaction with respect to the Australia Hotel Portfolio in early 2020, the Group was in the midst of setting up a separate investment fund to invest US\$10 million (“**ZACD US Fund**”) in a US hotel acquisition led by iProsperity Group. The deposit of US\$10 million for this acquisition was funded by ZACD US Fund as a bridging loan to iProsperity Group to fulfil its payment obligation of the deposit for the acquisition and shall be refunded by iProsperity Group if the acquisition fails to complete (the “**US Hotel Transaction**”). This US\$10 million deposit payment was in turn funded by an anchor investor through a bridging loan to ZACD US Fund as part of his early commitment to the fund and upon setup of the ZACD US Fund, US\$5 million will be converted into equity in the ZACD US Fund and US\$5 million will be repaid by ZACD US Fund to the anchor investor. The Company is currently working with our lawyers to pursue various recovery options against iProsperity Group and its administrators to recover this deposit.

Further external counsels are of the opinion, having studied the circumstances and documents surrounding the incidents of the ZACD Australia Hospitality Fund and the ZACD US Fund, that there exists no evidence of any negligence, fraud or dishonesty whatsoever on the part of the Group or any officer of the Company and its involved subsidiaries. Therefore, no provision for this contingent liability has been made in the Group’s financial statements as at 30 September 2022. As at 30 September 2022, legal fees incurred in relation to legal actions taken against the Defendants and iProsperity Group amounted to S\$1,244,000 where S\$976,000 had been borne by ZACD Australia Hospitality Fund and S\$268,000 had been expensed off.

Other than as disclosed above, the Group did not have any contingent liabilities at the end of each of the reporting periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis (“**MD&A**”) for the Group has been prepared and reviewed by the management for the nine months ended 30 September 2022 (the “**Review Period**”). All amounts are expressed in Singapore Dollars unless otherwise stated.

The Group's MD&A is divided into the following sections:

- (1) Executive Overview;
- (2) Financial Review and Business Review; and
- (3) Business Outlook

### EXECUTIVE OVERVIEW

The Group managed a total of 27 investment structures under the PE structures and fund structures over 26 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia and Hong Kong. The Group provided ongoing acquisitions and projects management services to four real estate projects in Singapore and two real estate projects in Australia, delivered ongoing tenancy management services to a property owner in Malaysia. The Group is currently providing corporate support and fund administration services to a family office with an asset-under-management of approximately USD100 million.

### FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net loss of approximately S\$1.0 million for the nine months ended 30 September 2022 as compared to a net profit of approximately S\$6.8 million for the nine months ended 30 September 2021 (the “**Previous Period**”), representing a turn from profit to loss of approximately S\$7.8 million or 114.8%. This was mainly attributable to the absence of reversal of impairment losses on financial assets of approximately S\$7.6 million in the Review Period. In the Previous Period, impairment loss of approximately S\$7.6 million in respect of the bridging advance by the Group to ZACD Australia Hospitality Fund was reversed following the substantial portion of the settlement proceeds was received by the fund in September 2021. There was also decrease in revenue by approximately S\$685,000. This was partially offset by the increase in other income and gains by approximately S\$368,000 and decrease in staff costs by approximately S\$333,000.

#### **Revenue**

The unaudited revenue of the Group decreased by 18.8% or approximately S\$685,000 from approximately S\$3.6 million for the Previous Period to approximately S\$2.9 million for the Review Period. The decrease was mainly attributable to the one-off project bonus fee of approximately S\$1.5 million derived from the developer SPV of BBW6 Fund in September 2021, partially offset by the increase in project management and acquisition fees from approximately S\$380,000 in the Previous Period to approximately S\$1.2 million in the Review Period.

The following table sets forth the breakdown of our operating segment information for the Previous Period and Review Period:

Period ended 30 September 2022 (unaudited)	<u>Investment management</u>		Acquisitions and projects management S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Segment revenue</b>						
External customers	555	1,071	1,294	29	–	2,949
<b>Segment results</b>	260	302	536	–	(279)	819
<i>Reconciliation:</i>						
Other income and gains						798
Corporate and unallocated expenses						(2,619)
Loss before tax						(1,002)
<b>Period ended 30 September 2021 (unaudited)</b>	<u>Investment management</u>		Acquisitions and projects management S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Segment revenue</b>						
External customers	786	738	1,977	29	104	3,634
<b>Segment results</b>	566	44	1,271	61	(906)	1,036
<i>Reconciliation:</i>						
Other income and gains						430
Corporate and unallocated income						5,321
Profit before tax						6,787



**(a) Investment Management Services**

*i) SPV investment management*

The unaudited revenue decreased from approximately S\$786,000 for the Previous Period to approximately S\$555,000 for the Review Period, representing a decrease of approximately S\$231,000 or 29.4%. The decrease was mainly due to lower dividend income as dividend was derived from two investment SPVs for the Review Period as compared to seven investment SPVs for the Previous Period. The reduced dividend income had also led to the decrease in performance fees. The majority of the investment projects set up by the Group from 2010 to 2015 that were under the SPV investment management structures are maturing or have matured. There was no investment SPV established from 2016 as the Group is now focusing on expanding fund structures which is in line with the Group's current business model.

*ii) Fund management*

The unaudited revenue increased from approximately S\$738,000 for the Previous Period to approximately S\$1.1 million for the Review Period, representing an increase of approximately S\$333,000 or 45.1%. During the Review Period, the Group was appointed to perform fund administration and corporate services for a family office client and derived fees of S\$330,000. The Group realised establishment fee of approximately S\$253,000 from a new development fund, ZACD BBEC Fund that was established during the Review Period as compared to establishment fee of approximately S\$178,000 was realised from Mount Emily Residential Development Fund which was established during the Previous Period. The Group derived lower management fees of approximately S\$75,000 for the Review Period as compared to the Previous Period mainly as a result of management fees from two fund structures which were established during 2017 had ceased in the second half of 2021.

**(b) Acquisitions and Projects Management Services**

The unaudited revenue decreased from approximately S\$2.0 million for the Previous Period to approximately S\$1.3 million for the Review Period, representing a decrease of approximately S\$683,000 or 34.5%. The decrease was mainly attributed to a one-off project management bonus fee of approximately S\$1.5 million derived from the developer SPV of BBW6 Fund following the legal completion of the fully sold mixed-use development project in the Previous Period. The Group derived higher acquisition fee in the Review Period with acquisition fee of approximately S\$1.2 million from the developer SPV of ZACD LV Development Fund following its efforts to secure and complete the acquisition of the freehold site in La Ville Singapore for residential development in end June 2022 as compared to acquisition fee of approximately S\$180,000 from the developer SPV of Mount Emily Residential Development Fund following its efforts to secure and complete the acquisition of the freehold site in Mount Emily Singapore for residential development in June 2021. During the Previous Period, the Group also derived project management fee of approximately S\$200,000 from the developer SPV of Mandai Fund following its sales launch in March 2021. There was no further project management fee derived in the Review Period from the projects currently managed by the Group as the development of the projects is ongoing.

**(c) Property Management and Tenancy Management Services**

The unaudited revenue level at approximately S\$29,000 for the Previous Period and the Review Period. Reference is made to the voluntary announcement dated 28 December 2020 with respect to the strategic move on the property management business segment

from managing the residential and industrial properties to government and international projects in order to generate better income for the Group. Since the strategic realignment of this business segment, there has not been new contracts entered as the Group is still evaluating the strategic direction of this business segment.

**(d) *Financial Advisory Services***

Reference is made to the voluntary announcement dated 30 November 2021 where the Board resolved to cease the SFC Regulated Activities. Since the cessation, there has not been new advisory mandates entered. The Group will closely monitor the COVID-19 post-pandemic situation and may consider recommencing this business activity if the business climate changes for the better. The Group continues to focus on the new business segment in the family office management, particularly with family offices located in the Southeast Asia region.

Other notable items are further elaborated as follows:

**Other income and gains**

Other income and gains increased from approximately S\$430,000 for the Previous Period to approximately S\$798,000 for the Review Period, representing an increase of approximately S\$368,000 or 85.6%. The increase was mainly due to short-term corporate services provided to two external corporate clients and interest income derived from the bridging loans extended to the fund structures managed by the Group which are mainly ZACD LV Development Fund and ZACD BBEC Fund during the Review Period. This was partially offset by the decrease in government grants in relation to the payout of Jobs Support Scheme announced by the Singapore Government and JobKeeper Payment Scheme announced by the Australia Government to provide cashflow support to businesses during the period of economic uncertainty affected by COVID-19 pandemic as they were paid out by 2021.

**Staff costs**

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs decreased from approximately S\$3.3 million for the Previous Period to approximately S\$3.0 million for the Review Period, representing a decrease of approximately S\$333,000 or 10.1%.

As at the end of Review Period, the Group had 31 employees as compared to 34 as at the end of the Previous Period. The average employee headcount during the Review Period was 31 while it was 43 during the Previous Period. Staff costs remains the biggest cost element of the Group. After the outbreak of COVID-19, the Group further streamlined its operations to control this cost element. While headcount had decreased, the Group continues to recruit professional staff to expand its business segments for growth though remaining cautious in the implementation of its business expansion plan. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonuses may be granted to eligible staff depending on the Group's achievements as well as the individual's performance.

**Impairment losses on financial assets**

During the Review Period, the Group recorded allowance for impairment loss of approximately S\$177,000 on the Group's trade receivable in respect of the financial advisory fees. Management has reassessed and made necessary impairment loss for irrecoverable amounts. During the Previous Period, the bridging advance extended by the Group to ZACD Australia Hospitality Fund was repaid substantially following the substantial portion of the settlement

deeds received by the fund in September 2021 and accordingly, the impairment loss of approximately S\$7.6 million was reversed by the Group.

### **Other expenses, net**

Other expenses, net increased by approximately S\$117,000 or 9.6% from approximately S\$1.2 million for the Previous Period to approximately S\$1.3 million for the Review Period. The increase was mainly due to the increase in professional fees, travelling and entertainment expenses, and rental expenses from short-term lease of the Singapore office property. This was partially offset by the decrease in bad debts written off in respect of the financial advisory fees.

### **Income tax expense**

No provision for Singapore profits tax has been provided for the Review Period. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions for the Review Period.

### **Financial guarantees**

Please refer to note 9 Financial guarantees in the notes to the unaudited condensed consolidated financial information.

### **Contingent liabilities**

Please refer to note 10 Contingent liabilities in the notes to the unaudited condensed consolidated financial information.

### **Commitments**

At the end of the financial period, the Group had no significant commitments.

### **Dividends**

No dividend was paid or proposed by the Company for the nine months ended 30 September 2022 (Nine months ended 30 September 2021: Nil).

### **Share option**

On 13 December 2017, the Group has conditionally adopted a share option scheme (the “**Share Option Scheme**”) under which employees of the Group including directors and other eligible participants may be granted options to subscribe for shares of the Group. No options have been issued under the Share Option Scheme as at 30 September 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed elsewhere in this announcement, no significant event that would materially affect the Group’s operating and financial performance took place subsequent to 30 September 2022 and up to the date of this announcement.

## BUSINESS OUTLOOK

Operational efficiency and increase in revenue growth will continue to be priorities for the Group. Our prospects can be summarised into three major thrusts, with a clear alignment with the bigger strategic landscape of government policies and the global environment.

- Streamlining of existing business to free up resources to focus on core revenue streams. The Group continues working cautiously and prudently to expand its assets under management and will continue actively to source and identify growth opportunities from assets with attractive returns and distressed assets with good and positive redevelopment/turnaround potential and to take advantage of any such opportunities should they arise, focusing in Singapore and our neighbouring regions to create a pipeline of assets for acquisition for both our investment management, and acquisitions and projects management businesses.

At the same time, we will not cease efforts to adopt and put into place various lean management measures to manage costs and increase efficiency, while optimizing the management structure, standardising the operation process and strengthening the working team so as to improve the overall operational and management efficiency. The Group will also continue to monitor the situation of the prolonged COVID-19 pandemic, the rising interest rates and the inflation rate which could have an impact to the Group's performance, and make adjustments to its operations and business strategies as and when required.

- With the post COVID-19 recovery underway, there is a resurgence of real estate development opportunities in Singapore, our home and primary market. Notwithstanding in the highly competitive real estate industry, it is not assured that the Group will be successful in securing every project tendered, we are closely monitoring several new and growing trends in the real estate sector and we are confident that we have the home-grown advantage and expertise to capture the growth potential of Singapore's real estate market.
- Singapore is working to enhance the family office ecosystem through partnerships with the public and private sectors. We see the prospect of growing this business segment in family office management, particularly family offices located in the Southeast Asia region.

The collective sale of La Ville, a freehold residential development at Tanjong Rhu, Singapore ("**LV Development**"), secured by the Group in end November 2021, had successfully completed the legal acquisition in end June 2022. The project is currently in the planning stage and construction is expected to commence in early 2023 as per schedule.

The development of Jadescape, a private residential project invested by Shunfu Funds is slated to be completed in the 4<sup>th</sup> quarter of 2022. With the project fully sold, the Group is looking forward to receive a portion of the performance fees towards the end of 2022.

The sales of Foodfab@Mandai, the freehold industrial project acquired by Mandai Fund, has performed exceptionally well since the launch in March 2021 with a record 100% sales attained. The development of this project is also slated to be completed towards the end of 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Board has adopted the principles and the code provisions of Corporate Governance Code (“**CG Code**”) contained in Appendix 15 to the GEM Listing Rules. During the nine months ended 30 September 2022 and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2022.

## **INTERESTS OF THE COMPLIANCE ADVISER**

Neither the Group’s compliance adviser, Innovax Capital Limited, nor any of its directors, employees or close associates had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee was established pursuant to a resolution of the directors passed on 13 December 2017 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing the financial information and providing advice in respect of financial reporting process; (iii) overseeing the risk management and internal control systems of the Group; and (iv) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three of the independent non-executive Directors, namely Mr. Kong Chi Mo, Dato’ Dr. Sim Mong Keang and Mr. Lim Boon Yew and the chairman is Mr. Kong Chi Mo. The Audit Committee with senior management have reviewed the Third Quarterly Results announcement of the Group.

## **PUBLICATION OF THE THIRD QUARTERLY REPORT ON THE WEBSITES OF THE EXCHANGE AND THE COMPANY**

The third quarterly report for the nine months ended 30 September 2022 will be despatched to the shareholders and available on the Company’s website ([www.zacdgroup.com](http://www.zacdgroup.com)) and the designated website of the Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

By Order of the Board  
**ZACD Group Ltd.**  
**Sim Kain Kain**  
*Chairman and Executive Director*

Singapore, 3 November 2022

*As at the date of this announcement, the Board of the Company comprises five (5) executive directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain, Mr. Mark Oh Keng Kwan, Mr. Patrick Chin Meng Liong and Ms. Yong Sze Wan, Cheryl; three (3) independent non-executive directors, namely, Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew; and one (1) non-executive director, namely Mr. Chew Hong Ngiap, Ken.*