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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 2019

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*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 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.

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 2019

- The Group reported a net loss of approximately S\$1.5 million for the nine months ended 30 September 2019 (the “**Review Period**”) as compared to a net loss of approximately S\$286,000 for the nine months ended 30 September 2018 (the “**Previous Period**”) representing substantial decline of approximately 421.3%. This decrease was mainly attributable to lower dividends derived from the investment management business segment, increase in staff costs and unrealised foreign exchange movement.
- The unaudited revenue of the Group decreased by approximately 21.5% from approximately S\$7.9 million for the Previous Period to approximately S\$6.2 million for the Review Period. This decrease was mainly attributable to lower dividends received from the investment management business segment.
- Total staff costs (including remuneration of the Directors) increased from approximately S\$5.5 million for the Previous Period to approximately S\$5.8 million for the Review Period mainly due to the recruitment of additional professional staff for business expansion and the expanded size of the executive board members.
- Other expenses, net decreased from approximately S\$3.0 million for the Previous Period to approximately S\$1.9 million for the Review Period. The decrease was mainly due to there was no listing expenses incurred for the Review Period (Previous Period: S\$959,000) and decrease in rental expenses by approximately S\$508,000, partially offset by a drop in unrealised foreign exchange gain by approximately S\$386,000 mainly attributable to majority of the Company’s listing proceeds were denominated in Hong Kong Dollars and Hong Kong Dollars appreciated against Singapore Dollars in the Previous Period while minimal foreign exchange movement in the Review Period.
- The Board approved an interim dividend of S\$1,000,000, representing 0.05 Singapore cents per ordinary share, in respect of the financial year ending 31 December 2019 on 8 August 2019, which was paid on 6 September 2019.
- Basic and diluted loss per share during the Review Period was approximately S\$0.07 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 2019 (the “**Third Quarterly Results**”), together with the unaudited comparative figures for the nine months ended 30 September 2018:

Unaudited condensed consolidated statement of profit or loss and other comprehensive income

For the three months and nine months ended 30 September 2019

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|-------------|-----------------------------------|-------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| | | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 4 | 1,822 | 2,232 | 6,207 | 7,911 |
| Other income and gains | 4 | 197 | 351 | 620 | 600 |
| Staff costs | | (1,809) | (2,031) | (5,812) | (5,505) |
| Depreciation | | (48) | (56) | (148) | (127) |
| Amortisation of right-of-use asset | 2.2 | (127) | – | (384) | – |
| Amortisation of capitalised contract costs | | (14) | – | (18) | – |
| Marketing expenses | | (26) | (57) | (37) | (159) |
| Other expenses, net | | (496) | (937) | (1,894) | (3,006) |
| Interest expense | | (7) | – | (25) | – |
| Loss before tax | 5 | (508) | (498) | (1,491) | (286) |
| Income tax expense | 6 | – | – | – | – |
| Loss for the period attributable to owners of the Company | | (508) | (498) | (1,491) | (286) |
| Other comprehensive loss: | | | | | |
| <u>Items that will not be reclassified to profit or loss:</u> | | | | | |
| Fair value changes on investment in equity securities | | (181) | (708) | (80) | (365) |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | | |
| Exchange differences on translation of foreign operations | | (45) | (12) | (42) | (35) |
| Other comprehensive loss for the period | | (226) | (720) | (122) | (400) |
| Total comprehensive loss for the period attributable to owners of the Company | | (734) | (1,218) | (1,613) | (686) |
| Loss per share attributable to owners of the Company | 7 | | | | |
| - Basic (cents) | | (0.03) | (0.03) | (0.07) | (0.01) |
| - Diluted (cents) | | (0.03) | (0.03) | (0.07) | (0.01) |

Unaudited condensed consolidated statement of changes in equity

For the nine months ended 30 September 2019

| | Share capital S\$'000 | Investments in equity securities revaluation reserve S\$'000 | Exchange fluctuation reserve S\$'000 | Capital reserve S\$'000 | Retained earnings/ (accumulated losses) S\$'000 | Total equity S\$'000 |
|---|-----------------------------|---|---|-------------------------------|---|----------------------------|
| Nine months ended 30 September 2019 | | | | | | |
| At 1 January 2019 (audited) | 29,866 | 3,424 | (34) | 1,491 | 342 | 35,089 |
| Loss for the period | – | – | – | – | (1,491) | (1,491) |
| Other comprehensive loss for the period: | | | | | | |
| Exchange differences on translation of foreign operations | – | – | (42) | – | – | (42) |
| Fair value changes on investment in equity securities | – | (80) | – | – | – | (80) |
| Total comprehensive loss for the period | – | (80) | (42) | – | (1,491) | (1,613) |
| Dividends (Note 8) | – | – | – | – | (1,000) | (1,000) |
| At 30 September 2019 (unaudited) | 29,866 | 3,344 | (76) | 1,491 | (2,149) | 32,476 |
| Nine months ended 30 September 2018 | | | | | | |
| At 1 January 2018 (audited) | 4,718 | 4,976 | 22 | 1,491 | 4,261 | 15,468 |
| Loss for the period | – | – | – | – | (286) | (286) |
| Other comprehensive loss for the period: | | | | | | |
| Exchange differences on translation of foreign operations | – | – | (35) | – | – | (35) |
| Fair value changes on investment in equity securities | – | (365) | – | – | – | (365) |
| Total comprehensive loss for the period | – | (365) | (35) | – | (286) | (686) |
| Issuance of shares pursuant to initial public offering, net of share issuance expenses | 25,148 | – | – | – | – | 25,148 |
| Dividends (Note 8) | – | – | – | – | (4,000) | (4,000) |
| At 30 September 2018 (unaudited) | 29,866 | 4,611 | (13) | 1,491 | (25) | 35,930 |

**Notes to the unaudited condensed consolidated financial information
For the nine months ended 30 September 2019**

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 2 Bukit Merah Central #22-00, Singapore 159835.

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) project consultancy and 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**”), which the Group adopted on 1 January 2018.

The unaudited condensed consolidated financial information are 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies IFRS 16 Leases amongst several other amendments and interpretations applicable for the first time in 2019. Except as discussed below, these applications do not have a material impact on the Third Quarterly Results of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for recognition, measurement, presentation

and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application presented as an adjustment against the opening retained earnings, if any. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases under IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemption for lease contracts that, at the date of initial application, have a remaining lease term of 12 months or less and do not contain a purchase option (“**short-term leases**”), and lease contracts for which the underlying asset is of low value (“**low-value assets**”).

The Group recognised right-of-use asset and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use asset was recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

On adoption of IFRS 16, the Group recognised right-of-use asset and lease liabilities of approximately S\$1,060,000 for its leases previously classified as operating leases as at 1 January 2019.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | S\$'000 (unaudited) |
|--|------------------------|
| Operating lease commitments as at 31 December 2018 | 1,132 |
| Less: Commitments relating to short-term leases | (32) |
| | <hr/> |
| | 1,100 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 3.59% |
| Discounted operating lease commitments, representing total lease liabilities at 1 January 2019 | 1,060 |
| | <hr/> <hr/> |

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use asset

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use

asset 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 asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use asset is subject to impairment.

Lease liabilities

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office properties (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). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the statements of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use asset and lease liabilities and their movements during the period:

| | Right-of-use asset | Lease liabilities |
|---|-------------------------------|------------------------------|
| | S\$'000 | S\$'000 |
| As at 1 January 2019 – on initial recognition | 1,060 | 1,060 |
| Amortisation | (384) | – |
| Interest expense | – | 23 |
| Payments | – | (397) |
| | <hr/> | <hr/> |
| As at 30 September 2019 | 676 | 686 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group recognised rental expense from short-term leases of S\$33,000 for the nine months ended 30 September 2019 which was included in other expenses, net in the statement of profit or loss. As the Group had elected to use the modified retrospective method, the comparatives prior to 1 January 2019 were not restated. Consequently, in the statement of profit or loss, office rentals and related expenses included in 'other expenses, net' recorded a decrease, and 'amortisation of right-of-use asset' and 'interest expense' both recorded increases for the Review Period when compared to the Previous Period. In addition, lease payments made in the Review Period were now classified as part of cash flows used in financing activities instead of operating activities.

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. 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 and return of capital from the relevant Investment SPVs.

(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 upon divestment of all investments in the fund or expiration or early termination of the fund life. The fund management fees are received semi-annually or annually and are recognised on a straight-line basis over the contract terms. The fund establishment fees and performance fees are recognised as and when the Group's rights and entitlement to the fees are established. In the case of the performance fees, revenue is recognised only when 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) Project consultancy and management services

Project consultancy and management 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.

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

| | Three months ended | | Nine months ended | |
|-------------------------------|--------------------|-------------|-------------------|-------------|
| | 30 September | | 30 September | |
| | 2019 | 2018 | 2019 | 2018 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Singapore | 1,362 | 2,094 | 5,467 | 7,102 |
| Malaysia | 155 | 100 | 296 | 286 |
| Australia | 25 | - | 104 | 409 |
| Other countries/jurisdictions | 280 | 38 | 340 | 114 |
| | 1,822 | 2,232 | 6,207 | 7,911 |

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, project consultancy and 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 2019 (unaudited) | <u>Investment management</u> | | Project consultancy and management services 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 | | | | |
| Primary geographical markets | | | | | | |
| Singapore | 981 | 1,149 | 558 | 2,515 | 264 | 5,467 |
| Malaysia | 154 | 113 | – | 29 | – | 296 |
| Australia | – | – | 104 | – | – | 104 |
| Indonesia | 2 | 3 | – | – | – | 5 |
| Other countries/jurisdictions | 3 | 138 | – | – | 194 | 335 |
| | 1,140 | 1,403 | 662 | 2,544 | 458 | 6,207 |
| Timing of services | | | | | | |
| At a point in time | 1,093 | 803 | 16 | – | 50 | 1,962 |
| Over time | 47 | 600 | 646 | 2,544 | 408 | 4,245 |
| | 1,140 | 1,403 | 662 | 2,544 | 458 | 6,207 |
| Nine months ended 30 September 2018 (unaudited) | | | | | | |
| Primary geographical markets | | | | | | |
| Singapore | 3,080 | 672 | 762 | 2,588 | – | 7,102 |
| Malaysia | 257 | – | – | 29 | – | 286 |
| Australia | – | 409 | – | – | – | 409 |
| Indonesia | 3 | 37 | – | – | – | 40 |
| Other countries/jurisdictions | 4 | – | – | – | 70 | 74 |
| | 3,344 | 1,118 | 762 | 2,617 | 70 | 7,911 |
| Timing of services | | | | | | |
| At a point in time | 3,190 | 700 | – | – | – | 3,890 |
| Over time | 154 | 418 | 762 | 2,617 | 70 | 4,021 |
| | 3,344 | 1,118 | 762 | 2,617 | 70 | 7,911 |

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) |
| Revenue | | | | |
| Investment management | | | | |
| — SPV investment management fees | 262 | 814 | 1,140 | 3,344 |
| — Fund management fees | 392 | 222 | 1,403 | 1,118 |
| Project consultancy and management service fees | 206 | 279 | 662 | 762 |
| Property management and tenancy management fees | 836 | 887 | 2,544 | 2,617 |
| Financial advisory fees | 126 | 30 | 458 | 70 |
| | 1,822 | 2,232 | 6,207 | 7,911 |
| Other income and gains | | | | |
| Government grants* | 37 | 32 | 156 | 147 |
| Interest income | 156 | 318 | 458 | 425 |
| Others | 4 | 1 | 6 | 28 |
| | 197 | 351 | 620 | 600 |

* Government grants were received by certain subsidiaries in connection with employment of Singaporean and/or non-Singaporean workers under Special Employment Credit and Wage Credit Scheme, Government-Paid Leave Schemes and training grants provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.

5. Loss before tax

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) |
| Listing expenses | — | — | — | 959 |
| Minimum lease payments under operating leases included in other expenses, net | (37) | 195 | 33 | 541 |
| Dividend income from the establishment shares included in SPV investment management fees | (219) | (689) | (952) | (2,945) |
| Foreign exchange differences, net | (76) | 22 | (52) | (438) |

6. Income tax expense

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the current 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 during the nine months ended 30 September 2018 and 2019.

7. Loss per share attributable to owners of the Company

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|--|------------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) | 2019 S\$'000 (unaudited) | 2018 S\$'000 (unaudited) |
| Loss | | | | |
| Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company) | (508) | (498) | (1,491) | (286) |
| Number of shares | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | 2,000,000,000 | 1,972,527,473 | 2,000,000,000 | 1,972,527,473 |

8. DIVIDENDS

A final dividend of S\$4,000,000, representing 0.2 Singapore cents per ordinary share, in respect of the financial year ended 31 December 2017 was approved by the shareholders at the Annual General Meeting on 24 May 2018 and paid on 15 June 2018.

An interim dividend of S\$1,000,000, representing 0.05 Singapore cents per ordinary share, in respect of the financial year ending 31 December 2019 was approved by the Board on 8 August 2019 and paid on 6 September 2019.

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 2019 (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;
- (3) Business Outlook; and
- (4) Use of Proceeds

EXECUTIVE OVERVIEW

The Group managed a total of 30 investment structures under the PE structures and fund structures over 29 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. The Group provided ongoing project consultancy and management services to three real estate projects in Singapore and delivered ongoing property management services to 17 real estate projects in Singapore, and tenancy management services to three property owners in Singapore and Malaysia. The Group is currently executing seven corporate advisory mandates.

FINANCIAL REVIEW AND BUSINESS REVIEW

Revenue

The unaudited revenue of the Group decreased by approximately 21.5% from approximately S\$7.9 million for the nine months ended 30 September 2018 (the “**Previous Period**”) to approximately S\$6.2 million for the corresponding period in 2019. This decrease was mainly attributable to lower dividends derived from the investment management business segment.

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

| Period ended 30 September 2019 (unaudited) | <u>Investment management</u> | | Project consultancy and management services 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 | | | | |
| Segment revenue | | | | | | |
| External customers | 1,140 | 1,403 | 662 | 2,544 | 458 | 6,207 |
| Segment results | 534 | 748 | 225 | (235) | (527) | 745 |
| <i>Reconciliation:</i> | | | | | | |
| Other income and gains | | | | | | 620 |
| Corporate and unallocated expenses | | | | | | (2,856) |
| Loss before tax | | | | | | (1,491) |

| Period ended 30 September 2018 (unaudited) | <u>Investment management</u> | | Project consultancy and management services 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 | | | | |
| Segment revenue | | | | | | |
| External customers | 3,344 | 1,118 | 762 | 2,617 | 70 | 7,911 |
| Segment results | 2,434 | 77 | 446 | (123) | (505) | 2,329 |
| <i>Reconciliation:</i> | | | | | | |
| Other income and gains | | | | | | 600 |
| Corporate and unallocated expenses | | | | | | (3,215) |
| Loss before tax | | | | | | (286) |

(a) Investment Management Services

i) SPV investment management

The unaudited revenue of the Group decreased by approximately S\$2.2 million from approximately S\$3.3 million for the Previous Period to approximately S\$1.1 million for the Review Period. The decrease was mainly due to dividends derived from only four Investment SPVs for the Review Period compared to 13 Investment SPVs for the Previous Period with three Investment SPVs receiving the first tranche of dividends from their respective Development SPVs attributable to Bellewoods, Bellewaters and Vue 8 Residence. The Group also realised the residual portion of the non-recurrent dividends in the Previous Period from the successful partial exit of the investment property at 7000 Ang Mo Kio Avenue 5. The investment projects set up by the Group during the earlier years from 2010 to 2015 were under the SPV investment management structures with majority of the projects are maturing/have matured. There was no Investment SPV established from year 2016 as the Group focuses to expand on fund structures which is the Group's current adopted business model.

ii) Fund management

The unaudited revenue of the Group increased from approximately S\$1.1 million for the Previous Period to approximately S\$1.4 million for the Review Period. During the Review Period, the Group realised the remaining establishment fees of approximately S\$560,000 from Landmark Tower Fund which was officially closed in end of May 2019. The Group derived acquisition fee of S\$113,000 from the completion of a Malaysia project acquisition for the Review Period, as compared to the completion of two Australia projects acquisition in the Previous Period where the Group derived acquisition fee of approximately S\$409,000.

During the Review Period, the Group expanded into family office management services and was appointed to perform fund administration services for a family office with an assets-under-management of approximately USD100 million and derived a fee of S\$134,000 for this period. The Group continue to focus on this new business segment particularly family offices located in the Southeast Asia region.

Fund management fees had increased for the Review Period as compared to the Previous Period mainly due to the expansion onto fund structures. However, the number of new funds established has been slow since 2018 due to macro environmental conditions and imposition of government's policies which adversely affected investors' sentiment and had prolonged fundraising efforts.

(b) Project Consultancy and Management Services

The unaudited revenue of the Group decreased from approximately S\$762,000 for the Previous Period to approximately S\$662,000 for the Review Period. Revenue is recognised on a time-apportioned basis or based on project milestones over the contractual service period. The decrease was mainly due to contract terms with the projects had expired after the completion of those projects, partially offset by two new projects secured in the second half of last year. The Group is exploring opportunities in both local and international regions to secure more contracts to broaden its client base and diversify its portfolio.

(c) Property Management and Tenancy Management Services

The unaudited revenue of the Group decreased from approximately S\$2.6 million for the Previous Period to approximately S\$2.5 million for the Review Period. The slight decrease was mainly attributable to the decrease in tenancy management services where contracts with three property owners had ceased and decrease in property management services, as a result of some contracts has ceased and/or not been renewed at the end of the contract term. The business segment has not reached its desired economies of scale which resulted in a loss registered in the Review Period. Beside staff and office expenses, key expenses incurred by this business segment entail the administrative costs of managing properties. In this respect, the Group is working to setting up a centralised structure where related administrative functions can be housed to achieve cost efficiency. The Group is rallying to secure new contracts particularly in the prime areas of Singapore which construe higher management fee and expanding existing offering via tender on facilities management on government-owned properties in Singapore.

(d) Financial Advisory Services

The unaudited revenue of the Group increased from approximately S\$70,000 for the Previous Period as compared to approximately S\$458,000 for the Review Period. The increase was due to incremental fees income derived from seven new mandates in the Review Period. This business segment recorded a loss of approximately S\$527,000, mostly from staff costs, office expenses, travelling expenses and other operational costs. The Group is actively sourcing for more client mandates to bring this business segment to profit. We have expanded the team in corporate advisory by recruiting more experienced professional staff with wide client networks and are currently working on new mandates advising Singapore companies interested in raising capital and/or seeking a listing in Hong Kong. The Group intends to continue expand the corporate advisory team in Singapore and Hong Kong to manage and execute current advisory mandates and converting deal leads.

Other income and gains

Other income and gains increased slightly from approximately S\$600,000 for the Previous Period to approximately S\$620,000 for the Review Period. Other income mainly comprise bank interest income and interest income derived from the bridging loans. The Company and certain subsidiaries of the Company also received several government grants in connection with employment of Singaporean and/or non-Singaporean workers under Wage Credit Scheme, Government-Paid Leave Schemes and training grants provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.

Staff costs

Staff costs consist of salaries, bonuses, other allowances and retirement benefit scheme contributions. Total staff costs increased from approximately S\$5.5 million for the Previous Period as compared to approximately S\$5.8 million for the Review Period. The increase was mainly attributed to the recruitment of additional professional staff for business expansion and the expanded size of the executive board members.

As at the Review Period, the Group had 110 employees as compared to 123 as at the Previous Period. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus may be granted to eligible staff by reference to the Group's achievement as well as individual's performance.

Other expenses, net

Other expenses, net decreased from approximately S\$3.0 million for the Previous Period to approximately S\$1.9 million for the Review Period. There were no listing expenses incurred for the Review Period as compared to listing expenses of approximately S\$959,000 incurred in the Previous Period. Other expenses, net also include short term lease of office property of approximately S\$33,000 for the Review Period as compared to approximately S\$541,000 in the Previous Period. The decrease was mainly due to the adoption of IFRS 16 Leases which was elaborated in note 2.2 in the notes to the unaudited condensed consolidated financial information. This was partially offset by unrealised foreign exchange movement where in the Previous Period, the Group recorded a foreign exchange gain of approximately S\$438,000, mainly attributable to the majority of the Company's listing proceeds were denominated in Hong Kong Dollars and Hong Kong Dollars appreciated against Singapore Dollars in the same period as compared to minimal foreign exchange movement in the Review Period as the listing proceeds were subsequently converted to Singapore Dollars for operational purposes during the financial year ended 31 December 2018.

Income tax expense

No significant provision for profits tax was made for the Review Period. The Group benefited from progressive tax system in each tax jurisdiction, whereas under Singapore's one-tier system, dividend income is tax-exempted when it is received by shareholders.

Loss for the period attributable to owners of the Company

As a result of the foregoing, we recorded a net loss of approximately S\$1.5 million for the Review Period as compared to a net loss of approximately S\$286,000 for the Previous Period.

Contingent liabilities

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 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 6 June 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$38,015,040 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a mixed-use development project located at Bukit Batok West Avenue 6, Singapore (the “**BBW6 Development**”). This amount represents 12% of the total liabilities of the underlying Development SPVs under a facility agreement in proportion of the shareholding of ZACD (BBW6) Ltd.’s (the “**BBW6 Fund**”) in the underlying Development SPVs. In terms of the above, the Company, acting as the sponsor of the BBW6 Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBW6 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 BBW6 Development. BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

Commitments

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

BUSINESS OUTLOOK

For the nine months ended 30 September 2019, the Group recorded a net loss of approximately S\$1.5 million, a substantial decline in its financial performance as compared with that in the corresponding period, was mainly due to the significant decrease in revenue in the SPV investment management business attributable to maturing/matured projects coupled with the number of new funds established has been slow in the recent years due to macro environment conditions and imposition of government’s policies in Singapore.

The Group carried on strengthening its current business model on fund structures and working aggressively to source for attractive real estate investment opportunities in the wider Asia Pacific region and expand our investor base by diversifying into institutions and family offices. We have made significant progress in forging new partnerships with various regional established investment firms and fund management companies to form strategic partnerships to explore collaboration investment opportunities in real estate assets in Malaysia, China and key cities in Southeast Asia. The Group has entered into a joint venture with an independent Australia-based fund manager, iProsperity Group to acquire a portfolio of 23 hotels across several key regional locations in Australia from the Luxembourg hotel investor, Accor. The portfolio comprises 17 hotel properties at the purchase price of AUD212.6 million and 6 leasehold hotel properties interests to be transferred subject to various conditions, which in terms of number of hotels is expected to be one of Australia’s largest hotel portfolio sales in recent years.

Private home prices in Singapore are expected to remain stable as demand for private homes remain healthy, the Group continues to look forward to bidding for residential projects in Singapore. The Group is also looking to bid for industrial and commercial projects in Singapore as new business park properties and high-spec spaces continue to enjoy favourable rental growth.

The redevelopment project acquired by LT Fund is progressing on target having finalised debt terms and construction is expected to commence in Q1 2020. The Australia commercial and hospitality assets invested by ZACD Income Trust are performing well with the Victoria and West Australia economies expected to grow over the next few quarters.

The Group continues to seek to broaden our client base for project consultant and management services in the region, expanding into Australia, Malaysia, Indonesia, and other Asia Pacific countries and exploring opportunities in emerging markets to diversify our portfolio.

In respect of property and tenancy management service, the Group is rallying to secure new contracts particularly in the prime areas of Singapore which construe higher management fee, and expanding our existing offering via tenders on facilities management on government-owned properties in Singapore.

The Group will continue to expand our corporate advisory team in Singapore and Hong Kong to manage and execute current advisory mandates and converting deal leads.

Singapore Property Market Update

In Q3 2019, the private residential property price index rose 0.9% compared to the previous quarter. Price growth was led by the non-landed private residential segment, up 1.7% quarter on quarter (“**QOQ**”) while the core central regions saw the highest rise by 2.9% QOQ. Prices are expected to remain stable in 2019 as demand for private homes remain healthy. The lower interest rate environment is also expected to buoy sales of private homes for the rest of the year.

Prices and rentals of industrial space remained relatively stable for most market segments. With deteriorating manufacturing and trade statistics, industrial rents and occupancy could come under fresh pressure. Industrialists have already become more cautious on their space requirements, renewals and expansion plans. It is expected that capital values for prime industrial properties with freehold or longer land tenure will be firm in the near future due to their scarcity.

Australia Property Market Update

The Australian dollar has edged lower through 2019, both against the US dollar and a broader basket of currencies, and is forecast to remain low over the medium term. This will continue to support the growth of international travels to Australia and encourage domestic travels.

For the year ended 30 June 2019, 34.1 million people visited Western Australia (“**WA**”), a 14.8% annual increase in the number of visitors to/within WA. The tourism industry in WA is expected to continue on a steady growth path in the years ahead, backed by government marketing campaigns and events to attract international and domestic visitors. Over the next 3 years, Perth is expected to see a further 2,500 rooms added, mostly concentrated in the CBD.

Office property sales volume in the year to June 2019 recorded the highest in Melbourne CBD in ten years, owing to record low yields, lower interest rates and strong demand from all buyer groups. The current Melbourne CBD office vacancy rate remains circa 3%, with a lack of available space limiting tenancy options for mid to large companies. This drop in vacancy is placing upward pressure on rents, which in turn is causing tenants to turn their attention to the metropolitan office market in search for more affordable accommodation. Prime net face rents in Melbourne Metropolitan region are anticipated to continue increasing over the next 12 months as quality leasing options become limited and tenants get drawn

from the CBD to the metropolitan area. Office buildings outside of the Melbourne CBD are "considerably undervalued", meaning property values are likely to rise strongly over the next five years, according to the latest Melbourne office market report from research house BIS Oxford Economics.

USE OF PROCEEDS

Total net proceeds raised from the Company's listing approximated HK\$125.2 million (approximately S\$21.6 million) after deducting underwriting commissions and all related expenses.

The use of proceeds is further elaborated as follows:

| Total net proceeds raised S\$21.6 million | | IPO proceed allocated S\$'000 | Utilisation up to 30 September 2019 % |
|---|--|--|---|
| BRIDGING RESERVE FUND | <ul style="list-style-type: none"> • Increase investment sourcing capabilities • Areas of utilization: <ol style="list-style-type: none"> i) Tenders or sales for land parcels and real estate assets in Singapore and Australia ii) Take up the investment stake of real estate projects with real estate developer partners | 8,900 | 100.0% |
| INVESTMENT MANAGEMENT | <ul style="list-style-type: none"> • Develop investor network by recruiting experienced managers • Expand research and consultancy capabilities • Hire supporting staff to smoothen general operations in Singapore | 3,400 | 17.4% |
| PROJECT CONSULTANCY & MANAGEMENT | <ul style="list-style-type: none"> • Hiring more real estate developer relationship managers • Recruiting building construction and architectural professional • Expand expertise to assist new potential real estate projects acquired through use of bridging reserve fund | 900 | 40.6% |
| PROPERTY & TENANCY MANAGEMENT | <ul style="list-style-type: none"> • Set up of property management team including establishing client service centre and recruiting support staff • Potential acquisition of project management companies • Upgrade software system on workflow processing • Purchase commercial vehicle to support business activities | 3,300 | 49.0% |

| | | | |
|-------------------------|---|-------|--------|
| FINANCIAL ADVISORY | <ul style="list-style-type: none"> • Enhance product marketing and distribution in Hong Kong • Expand corporate finance team and compliance and general administration team | 3,500 | 19.4% |
| GENERAL WORKING CAPITAL | <ul style="list-style-type: none"> • General working capital | 1,600 | 100.0% |

The unfavourable macro environment conditions and imposition of government's policies in Singapore in the past one year had adversely affected the market sentiment of the Singapore real estate market. As a result, the Group secured less real estate projects and raised less fund for secured projects than expected which in turn significantly affected the Group's financial performance, in particular to its investment management business segment and project consultancy and management business segment. Under such conditions, the Group have adopted a cautious approach in the implementation of its business expansion plan, mainly including the recruitment of new staff, expertise and professionals.

For the Group's property and tenancy management business segment, the unutilised listing proceeds allocated was mainly in relation to the acquisition of project management companies which was delayed primarily due to prolonged process in identifying target companies.

For the Group's financial advisory business segment, we also adopted a cautious approach in the implementation of our expansion plan, in particular, there was a slowdown in the pace of staff recruitment for our Group's financial advisory function as there were fewer than expected advisory projects secured.

The Board has no intention to change the prescribed use of the net proceeds. The Company will make further announcement if there is any further update on the use of the net proceeds and the unutilised amount.

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 2019 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 2019.

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 statements 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 unaudited condensed consolidated results of the Group for the nine months ended 30 September 2019.

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 2019 will be despatched to the Shareholders and available on the Company's website (www.zacdgroup.com) and the designated website of the Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 12 November 2019

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. Siew Chen Yei, Mr. Darren Chew Yong Siang and Mr. Wee Hian Eng Cyrus; 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.