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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 2021

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 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 2021

- The unaudited revenue of the Group decreased by 26.1% or approximately S\$1.3 million from approximately S\$4.9 million for the nine months ended 30 September 2020 (the “**Previous Period**”) to approximately S\$3.6 million for the nine months ended 30 September 2021 (the “**Review Period**”). The decrease was mainly attributable to the decrease in property management fees as a result of the strategic re-alignment of the property management services in December 2020 and decrease in fee income from financial advisory business segment, partially offset by the increase in project management fee derived in the acquisitions and projects management business segment.
- The Group reported a net profit of approximately S\$6.8 million for the Review Period as compared with a net loss of approximately S\$8.6 million for the Previous Period, representing a turn from loss to profit of approximately S\$15.4 million or 179.0%. This was mainly attributable to the reversal of impairment loss of approximately S\$7.6 million in respect of the advance by the Group to ZACD Australia Hospitality Fund following the substantial portion of the settlement proceeds received by the fund in September 2021 and the absence of impairment losses of approximately S\$3.7 million in respect of the Group’s investment management fees receivables from ZACD Australia Hospitality Fund during the Review Period. There was also a decrease in the Group’s expenses mainly on staff costs by approximately S\$2.2 million as a result of the drop in headcount and other expenses by approximately S\$1.2 million mainly due to the decrease in professional fees incurred for corporate finance activity, fees on referral programs on fund investors and corporate advisory mandates, and property repair and maintenance outsourcing expenses. The aggregated impact was partially offset by the decrease in revenue by approximately S\$1.3 million and decrease in other income and gains by approximately S\$895,000.
- No dividend was paid or proposed by the Company for the nine months ended 30 September 2021 (Nine months ended 30 September 2020: Nil).
- Basic and diluted profit per share during the nine months ended 30 September 2021 was approximately S\$0.34 cents (Nine months ended 30 September 2020: loss of S\$0.43 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 2021 (the “**Third Quarterly Results**”), together with the unaudited comparative figures for the nine months ended 30 September 2020:

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

For the three months and nine months ended 30 September 2021

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Revenue	4	1,779	826	3,634	4,916
Other income and gains	4	31	428	430	1,325
Staff costs		(1,001)	(1,670)	(3,287)	(5,517)
Depreciation		(18)	(47)	(80)	(180)
Amortisation of right-of-use asset		–	(87)	(117)	(346)
Amortisation of capitalised contract costs		(24)	(26)	(72)	(65)
Reversal of (Impairment losses) on financial assets	5	7,701	–	7,594	(6,030)
Impairment loss on capitalised contract costs		–	–	–	(200)
Marketing expenses		(13)	(1)	(22)	(9)
Other expenses, net		(483)	(54)	(1,223)	(2,448)
Interest expense		(23)	(4)	(70)	(13)
Profit/ (Loss) before tax	5	7,949	(635)	6,787	(8,567)
Income tax expense	6	(18)	–	(18)	(7)
Profit/ (Loss) for the period attributable to owners of the Company		7,931	(635)	6,769	(8,574)
Other comprehensive (loss)/ income:					
<u>Items that will not be reclassified to profit or loss:</u>					
Fair value changes on investment in equity securities		(4)	17	(419)	(498)
<u>Items that may be reclassified subsequently to profit or loss:</u>					
Exchange differences on translation of foreign operations		(19)	50	(51)	(16)
Other comprehensive (loss)/ income for the period		(23)	67	(470)	(514)
Total comprehensive income/ (loss) for the period attributable to owners of the Company		7,908	(568)	6,299	(9,088)
Profit/ (Loss) per share attributable to owners of the Company					
	7				
- Basic (cents)		0.40	(0.03)	0.34	(0.43)
- Diluted (cents)		0.40	(0.03)	0.34	(0.43)

Unaudited condensed consolidated statement of changes in equity
For the nine months ended 30 September 2021

	Share capital S\$'000	Investment 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 2021						
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	–	–	(51)	–	–	(51)
Fair value changes on investment in equity securities	–	(419)	–	–	–	(419)
Total comprehensive income for the period	–	(419)	(51)	–	6,769	6,299
At 30 September 2021 (unaudited)	29,866	1,050	13	1,491	(9,530)	22,890
Nine months ended 30 September 2020						
At 1 January 2020 (audited)	29,866	2,297	(33)	1,491	3,964	37,585
Loss for the period	–	–	–	–	(8,574)	(8,574)
Other comprehensive loss for the period:						
Exchange differences on translation of foreign operations	–	–	(16)	–	–	(16)
Fair value changes on investment in equity securities	–	(498)	–	–	–	(498)
Total comprehensive loss for the period	–	(498)	(16)	–	(8,574)	(9,088)
At 30 September 2020 (unaudited)	29,866	1,799	(49)	1,491	(4,610)	28,497

**Notes to the unaudited condensed consolidated financial information
For the nine months ended 30 September 2021**

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) 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 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 upon divestment of all investments in the fund or expiration or early termination of the fund life. 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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Singapore	1,757	546	3,445	4,214
Malaysia	10	48	29	265
Australia	12	15	57	56
Other countries/jurisdictions	–	217	103	381
	1,779	826	3,634	4,916

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 2021 (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				
Primary geographical markets						
Singapore	786	738	1,920	–	1	3,445
Malaysia	–	–	–	29	–	29
Australia	–	–	57	–	–	57
Other countries/jurisdictions	–	–	–	–	103	103
	786	738	1,977	29	104	3,634
Timing of services						
At a point in time	723	183	1,920	–	1	2,827
Over time	63	555	57	29	103	807
	786	738	1,977	29	104	3,634
Nine months ended 30 September 2020 (unaudited)						
Primary geographical markets						
Singapore	473	1,048	1,248	1,215	230	4,214
Malaysia	17	–	–	29	219	265
Australia	–	–	56	–	–	56
Other countries/jurisdictions	–	–	–	–	381	381
	490	1,048	1,304	1,244	830	4,916
Timing of services						
At a point in time	427	545	1,209	–	–	2,181
Over time	63	503	95	1,244	830	2,735
	490	1,048	1,304	1,244	830	4,916

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
Investment management				
— SPV investment management fees	21	21	786	490
— Fund management fees	195	163	738	1,048
Acquisitions and projects management service fees	1,552	18	1,977	1,304
Property management and tenancy management fees	10	269	29	1,244
Financial advisory fees	1	355	104	830
	1,779	826	3,634	4,916
Other income and gains				
Government grants*	3	395	291	1,029
Interest income	33	2	107	14
Foreign exchange differences, net	(10)	37	17	227
Others	5	(6)	15	55
	31	428	430	1,325

* Government grants were received/are receivable by certain subsidiaries and the Company in connection with employment of Singaporean and/or non-Singaporean workers under Special Employment Credit, Wage Credit Scheme, Government-Paid Leave Schemes, Jobs Growth Incentive and Job Support Scheme 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.

5. Profit/ (Loss) before tax

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	21	21	121	121
Bad debts written off - trade	137	—	139	—
Dividend income from the establishment shares included in SPV investment management fees	—	—	(548)	(410)
Foreign exchange differences, net	10	(34)	(17)	(224)
Professional fees	25	(339)	145	1,030
(Reversal of) impairment loss on trade receivables	(127)	—	(20)	3,677
(Reversal of) impairment loss on loans and receivables	(7,574)	—	(7,574)	2,353

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 nine months ended 30 September 2021 (Nine months ended 30 September 2020: 17%). 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 2021 (Nine months ended 30 September 2020: Nil).

The major components of the income tax expense/ (credit) during the periods are as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Current:				
- Provision for current period	18	–	18	4
- Overprovision in prior years	–	–	–	(22)
Deferred taxation:				
- Origination of temporary differences	–	–	–	25
Income tax expense for the period	18	–	18	7

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

The calculation of basic and diluted profit/ (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	
	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)	2021 S\$'000 (unaudited)	2020 S\$'000 (unaudited)
Profit/ (Loss)				
Profit/ (Loss) for the purpose of calculating basic and diluted loss per share (profit/ (loss) for the period attributable to owners of the Company)	7,931	(635)	6,769	(8,574)
Number of shares				
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 2021 (Nine months ended 30 September 2020: Nil).

9. Financial guarantees

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.

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.

9. Financial guarantees (continued)

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 12.0% 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 (the “**Previous Facility Agreement**”). BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

Following the issuance of the temporary occupation permit for the BBW6 Development by the Building and Construction Authority under the Building Control Act (Cap. 29) on 23 March 2020, and the confirmation of the final maturity date of the existing loan facilities on 23 July 2020 in accordance with the Previous Facility Agreement, the Development SPVs has been granted the refinancing loan facilities of S\$125,000,000 by the lender for the BBW6 Development, which will be applied towards firstly refinancing partially the existing outstanding loan facilities of S\$55,000,000 under the Previous Facility Agreement and partially repaying their existing shareholders' loans for S\$70,000,000, and thereafter if any funding their respective working capital requirements (the “**Refinancing Facility Agreement**”). Upon the security agent’s satisfaction of the repayment of the existing outstanding loan facilities by the final maturity date of 23 July 2020 under the Previous Facility Agreement, the existing guarantee will be released and discharged.

Pursuant to the Refinancing Facility Agreement, the Company is required to provide the guarantee in the lower sum of (i) 12.0% of all moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Development SPVs to the lender from time to time, estimated of approximately S\$15,000,000; and (ii) the aggregate of the principal amount of the refinancing loan facilities of S\$125,000,000 and any interest, commission, other banking charges, costs and expenses accrued thereon. Pursuant thereto, the Company has entered into the Deed of Guarantee in favour of the lender pursuant to which the Company agreed to provide the guarantee, which was executed by the lender and dated by the lender on 20 July 2020.

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 2021. As at 30 September 2021, legal fees incurred in relation to legal actions taken against the Defendants and iProsperity Group amounted to S\$995,000 (31 December 2020: S\$523,000) where S\$883,000 (31 December 2020: S\$nil) had been borne by ZACD Australia Hospitality Fund, S\$47,000 (31 December 2020: S\$509,000) is currently reflected as a recoverable asset from ZACD Australia Hospitality Fund, S\$6,000 is held as deposit by the Company’s lawyer for ongoing filing fees and disbursements and S\$59,000 (31 December 2020: S\$14,000) was charged to the profit or loss.

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 2021 (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 29 investment structures under the PE structures and fund structures over 28 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. The Group provided ongoing acquisitions and projects management services to three real estate projects in Singapore and two real estate projects in Australia, and tenancy management services to one property owner in Malaysia. The Group is currently executing three corporate advisory mandates, including providing investment advisory services for a family office with an asset-under-management of approximately USD100 million.

FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net profit of approximately S\$6.8 million for the nine months ended 30 September 2021 as compared to a net loss of approximately S\$8.6 million for the nine months ended 30 September 2020 (the “**Previous Period**”), representing a turn from loss to profit of approximately S\$15.4 million or 179.0%. This was mainly attributable to the reversal of impairment loss of approximately S\$7.6 million in respect of the advance by the Group to ZACD Australia Hospitality Fund following the substantial portion of the settlement proceeds received by the fund in September 2021 and the absence of impairment losses of approximately S\$3.7 million in respect of the Group's investment management fees receivables from ZACD Australia Hospitality Fund during the Review Period. There was also a decrease in the Group's expenses mainly on staff costs by approximately S\$2.2 million as a result of the drop in headcount and other expenses by approximately S\$1.2 million mainly due to the decrease in professional fees incurred for corporate finance activity, fees on referral programs on fund investors and corporate advisory mandates, and property repair and maintenance outsourcing expenses. The aggregated impact was partially offset by the decrease in revenue by approximately S\$1.3 million mainly attributable to the strategic re-alignment of the property management service business by the Group and decrease in other income and gains by approximately S\$895,000.

Revenue

The unaudited revenue of the Group decreased by 26.1% or approximately S\$1.3 million from approximately S\$4.9 million for the Previous Period to approximately S\$3.6 million for the Review Period. The decrease was mainly attributable to the decrease in property management fees as a result of the strategic re-alignment of the property management services in December 2020 and decrease in fee income from financial advisory business segment, partially offset by the increase in project management fee derived in the acquisitions and projects 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 2021 (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				
Segment revenue						
External customers	786	738	1,977	29	104	3,634
Segment results	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
Period ended 30 September 2020 (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					
Segment revenue						
External customers	490	1,048	1,304	1,244	830	4,916
Segment results	204	(3,879)	382	(156)	(293)	(3,742)
<i>Reconciliation:</i>						
Other income and gains						1,325
Corporate and unallocated expenses						(6,150)
Loss before tax						(8,567)

(a) Investment Management Services

i) SPV investment management

The unaudited revenue increased from approximately S\$490,000 for the Previous Period to approximately S\$786,000 for the Review Period, representing an increase of approximately S\$296,000 or 60.5%. The increase was mainly due to dividends derived from seven Investment SPVs for the Review Period as compared to two Investment SPVs for the Previous Period and higher 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 decreased from approximately S\$1.0 million for the Previous Period to approximately S\$738,000 for the Review Period, representing a decrease of approximately S\$310,000 or 29.6%. During the Review Period, the Group realised establishment fees of approximately S\$178,000 from a new development fund (the "**Mount Emily Residential Development Fund**") that was established in the Review Period. While during the Previous Period, the Group realised subscription fees of approximately S\$502,000 from a new development fund (the "**Mandai Fund**") that was established in early 2020.

(b) Acquisitions and Projects Management Services

The unaudited revenue increased from approximately S\$1.3 million for the Previous Period to approximately S\$2.0 million for the Review Period, representing an increase of approximately S\$673,000 or 51.6%. The increase was mainly attributed to a 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. The Group derived lower acquisition fee in the Review Period with acquisition fee of approximately S\$180,000 derived 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 while acquisition fee of approximately S\$1.1 million was derived from the developer SPV of Mandai Fund that jointly established with an external business partner, following its efforts to secure and complete the acquisition of a freehold site in Mandai Singapore for industrial development in the Previous Period.

(c) Property Management and Tenancy Management Services

The unaudited revenue decreased from approximately S\$1.2 million for the Previous Period to approximately S\$29,000 for the Review Period, representing a decrease of approximately S\$1.2 million or 97.7%. Reference is made to the voluntary announcement dated 28 December 2020 where the property management contracts that are for residential and industrial properties were either ceased at the end of the contract term or novated to independent third party managing agents by December 2020. Since the strategic re-alignment 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

The unaudited revenue decreased from approximately S\$830,000 for the Previous Period to approximately S\$104,000 for the Review Period, representing a decrease of approximately S\$726,000 or 87.5%. The decrease was mainly due to the slowdown in the corporate advisory activities as a result of the COVID-19 pandemic and tighter listing requirements by The Exchange which have adversely affected the sentiment of Singapore-based companies pursuing a potential listing in Hong Kong. The Group continues to cautiously monitor the business progress with a view to better refine the strategy and direction of the Group. 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 income and gains

Other income and gains saw a decrease of approximately S\$895,000 or 67.5% from approximately S\$1.3 million for the Previous Period to approximately S\$430,000 for the Review Period. The decrease was mainly due to government grants in relation to the payout of Jobs Support Scheme announced by the Singapore Government in 2020 to provide cashflow support to businesses during the period of economic uncertainty affected by the COVID-19 outbreak and the majority of these government grants were paid out in 2020 and a decrease in foreign exchange gain, partially offset by an increase in interest income derived from the bridging loan extended to ZACD Mount Emily Residential Development Fund in the Review Period.

Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs decreased from approximately S\$5.5 million for the Previous Period to approximately S\$3.3 million for the Review Period, representing a decrease of approximately S\$2.2 million or 40.4%.

As at the end of Review Period, the Group had 34 employees as compared to 66 as at the end of the Previous Period. While headcount decreased mainly in the property management services as a result of the strategic re-alignment of this business segment in December 2020, 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

Reference is made to the voluntary announcement dated 20 September 2019, the inside information and business update announcements dated 23 July 2020, 24 July 2020, 6 August 2020 and 23 August 2021 and the supplemental announcement dated 23 August 2021 of the Company in relation to ZACD Australia Hospitality Fund (the “Fund”) and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this Fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “Announcements”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. During the Previous Period, the Group recorded allowance for impairment losses on the Group’s trade receivables in respect of the investment management fees amounting to approximately S\$3.7 million and allowance for impairment loss on the bridging advance to ZACD (Development4) Ltd. of approximately S\$2.3 million pursuant to the Transaction with respect to the Australia Hotel Portfolio as elaborated in the Group’s Interim Results for the six months ended 30 June 2020 and the Group’s Annual Results for the year ended 31 December 2020. During the Review Period, pursuant to the Deed of Settlement, the Fund had received substantial portion of the settlement proceeds according to the settlement schedule from the Defendants in September 2021. Following the settlement, the bridging advance extended by the Group to the Fund was repaid substantially and accordingly, the impairment loss of approximately S\$7.6 million was reversed by the Group.

Other expenses, net

Other expenses, net decreased by approximately S\$1.2 million or 50.0% from approximately S\$2.4 million for the Previous Period to approximately S\$1.2 million for the Review Period. The decrease was mainly attributable to the decrease in professional fees of approximately S\$900,000 mainly due to a one-off corporate finance activity carried out during the Previous Period, decrease in fees payment on referral programs on fund investors and corporate advisory mandates, and decrease in the property repair and maintenance outsourcing expenses as a result of the strategic re-alignment of the property management services.

Income tax expense

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during 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 during 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 2021 (Nine months ended 30 September 2020: 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 2021.

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 2021 and up to the date of this announcement.

BUSINESS OUTLOOK

According to URA’s flash estimates, private residential property prices rose in Q3 2021 for the sixth consecutive quarter. This represents an increase of 0.9%, comparable to the 0.8% increase in the previous quarter. While residential property prices have been trending up, there may be a slower growth in transaction volumes as some developers may delay new launches and ongoing sales may be affected due to the restrictions of limiting social gathering group sizes imposed by the Singapore Government to contain the growing COVID-19 clusters and infection rate.

Although there has been some economic recovery, the COVID-19 pandemic has impacted the Singapore real estate industry where construction costs have increased coupled with the highly competitive land biddings for real estate development, the Group is taking a prudent investment strategy on acquiring and investing in projects.

The global economy is also likely to improve as more and more nations are boosting up vaccination rates. However, the Group’s financial performance may continue to be affected given the uncertainty over the length and severity of the COVID-19 pandemic. The Group will continue to strengthen its cost control measures to mitigate the adverse impact from the prolonged COVID-19 pandemic and monitor the situation and make further adjustments to its operations and business strategies as and when required.

The Group continues working cautiously to expand its assets under management and will continue to source and identify growth opportunities from assets with attractive returns and distressed assets with redevelopment/turnaround potential when an attractive opportunity arises, focusing in Singapore and surrounds to create a pipeline of assets for acquisition for our investment management business and acquisitions and projects management business. In addition, the Group continues to expand the new business segment in the family office management, particularly with family offices located in the Southeast Asia region.

The redevelopment of Mount Emily Project, a newly acquired freehold residential site at Mount Emily by Mount Emily Fund, plans to capitalise on the growing demand for smaller units and is expected to generate a lot of interest on account of its central location.

The freehold industrial project acquired by Mandai Fund, FoodFab@Mandai was launched successfully in late March 2021 and sales has been progressing well. Demand for food factories is expected to remain strong, fuelled by demand for food delivery services and the government's push to raise productivity, as outlined in the Food Manufacturing Industry Transformation Map rolled out in 2018.

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 2021 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 2021.

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 2021 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

Singapore, 3 November 2021

As at the date of this announcement, the Board of the Company comprises four (4) executive directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain, Mr. Siew Chen Yei and Mr. Patrick Chin Meng Liong; 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.