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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

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

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

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

*\* for identification purposes only*

## ANNUAL FINANCIAL HIGHLIGHTS

*For the year ended 31 December 2020*

- The revenue of the Group decreased by 64.3% or approximately S\$9.6 million from approximately S\$14.9 million in 2019 to approximately S\$5.3 million in 2020. The decrease was mainly attributable to the decrease in fees in the investment management business segment mainly as a result of lower dividends derived from the Investment SPVs and no acquisition fee was derived from the fund structures, decrease in property management fees as a result of contracts that had ceased and/or have not been renewed at the end of the contract term, decrease in fees in the financial advisory business segment due to investment advisory fee was derived from a family office in 2019, partially offset by the increase in acquisition fee derived in the acquisitions and projects management business segment.
- Total staff costs decreased from approximately S\$7.7 million in 2019 to S\$6.8 million in 2020, representing a decrease of approximately S\$941,000 or 12.2%. As at 31 December 2020, the Group had 50 employees as compared to 98 as at 31 December 2019.
- Other expenses, net increased by 19.1% or approximately S\$488,000 from approximately S\$2.6 million in 2019 to approximately S\$3.0 million in 2020. The increase was mainly attributable to the increase in professional fees of approximately S\$907,000 mainly due to a one-off corporate finance activity carried out by the Group, partially offset by the decrease in the property repair and maintenance outsourcing expenses by approximately S\$392,000 as a result of the decrease in the number of property management contracts.
- Income tax credit in 2020 is mainly due to over provision of income tax expenses in previous year and reversal of deferred tax assets, partially offset by the increase in the deferred tax liabilities as a result of capitalised contract cost.
- The Group reported a net loss of approximately S\$20.3 million in 2020 as compared with a net profit of approximately S\$4.6 million in 2019, representing a significant decrease of approximately S\$24.9 million or 538.4%. The decrease was mainly attributable to the allowance for impairment losses of approximately S\$3.7 million in respect of the Group's Investment Management Fees Receivables and approximately S\$12.3 million in respect of the advance by the Group to ZACD Australia Hospitality Fund recognised by the Group, a drop in revenue of approximately S\$9.6 million and approximately S\$953,000 of a one-off corporate finance activity carried out by the Group, partially offset by the decrease in expenses mainly in staff costs by approximately S\$941,000 and property repair and maintenance outsourcing expenses by approximately S\$392,000 and decrease in income tax expenses by approximately S\$439,000.
- Basic and diluted loss per share during 2020 was approximately S\$1.01 cents.

## ANNUAL RESULTS

This is an annual 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 audited consolidated results of the Group for the financial year ended 31 December 2020 (the “**Annual Results**”), together with the comparative figures for the financial year ended 31 December 2019:

**Consolidated statement of profit or loss and comprehensive income**

For the year ended 31 December 2020

		<b>Group</b>	
	Note	<b>2020</b> <b>S\$'000</b>	2019 S\$'000
<b>Revenue</b>	4	<b>5,325</b>	14,919
Other income and gains	4	<b>1,377</b>	1,183
Staff costs		<b>(6,779)</b>	(7,720)
Depreciation		<b>(225)</b>	(189)
Amortisation of right-of-use asset		<b>(433)</b>	(513)
Amortisation of capitalised contract costs		<b>(93)</b>	(59)
Impairment losses on financial assets	5	<b>(16,204)</b>	–
Impairment loss on capitalised contract costs	10	<b>(200)</b>	–
Marketing expenses		<b>(14)</b>	(37)
Other expenses, net		<b>(3,047)</b>	(2,559)
Interest expense		<b>(37)</b>	(31)
<b>(Loss)/profit before tax</b>	6	<b>(20,330)</b>	4,994
Income tax credit/(expense)	7	<b>67</b>	(372)
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<b>(20,263)</b>	4,622
<b>Other comprehensive (loss)/income:</b>			
<u>Items that will not be reclassified to profit or loss</u>			
Fair value changes on investment in equity securities		<b>(828)</b>	(1,127)
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		<b>97</b>	1
Other comprehensive loss for the year		<b>(731)</b>	(1,126)
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<b>(20,994)</b>	3,496
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
Basic (cents)	8	<b>(1.01)</b>	0.23
Diluted (cents)	8	<b>(1.01)</b>	0.23

**Consolidated statement of financial position**  
As at 31 December 2020

		<b>Group</b>	
	<b>Note</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		236	435
Right-of-use asset		117	547
Investment in equity securities		1,469	2,297
Prepayments, deposits and other receivables		281	304
Deferred tax assets		–	12
<b>Total non-current assets</b>		<b>2,103</b>	<b>3,595</b>
<b>Current assets</b>			
Trade receivables	9	4,940	10,675
Amounts due from ultimate holding company		5	1
Amounts due from related parties (non-trade)		1,177	6,899
Prepayments, deposits and other receivables		436	438
Capitalised contract costs	10	275	415
Loans and related receivables	11	–	–
Cash and cash equivalents		12,664	18,342
<b>Total current assets</b>		<b>19,497</b>	<b>36,770</b>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	12	1,429	1,681
Amount due to ultimate holding company		1	1
Amounts due to related parties (non-trade)		349	276
Lease liabilities		121	436
Bank borrowing	13	255	–
Income tax payable		–	172
<b>Total current liabilities</b>		<b>2,155</b>	<b>2,566</b>
<b>Net current assets</b>		<b>17,342</b>	<b>34,204</b>
<b>Non-current liabilities</b>			
Other payable		39	93
Lease liabilities		–	121
Bank borrowing	13	2,750	–
Deferred tax liabilities		65	–
<b>Total non-current liabilities</b>		<b>2,854</b>	<b>214</b>
<b>Net assets</b>		<b>16,591</b>	<b>37,585</b>
<b>Equity</b>			
Share capital	14	29,866	29,866
Reserves		(13,275)	7,719
<b>Total equity</b>		<b>16,591</b>	<b>37,585</b>

## Notes to the consolidated financial statements For the year ended 31 December 2020

### 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 year, 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;
- (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 consolidated 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 financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Company’s functional currency, Singapore Dollar (“**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 are consistent with those of the previous financial year. The Group has adopted all new and revised standards that are effective for annual financial year beginning on 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### 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** *(Note 1)*

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.

*Note 1: The segment was previously known as "Project consultancy and management". The change in the name of the business segment was mainly to better reflect the current business activities undertaken and to better position the Group's services to its clients in this segment.*

**(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

### (a) Revenue from external customers

	<b>Group</b>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Singapore	<b>4,638</b>	9,664
Malaysia	<b>274</b>	306
Australia	<b>75</b>	3,152
British Virgin Island	<b>272</b>	1,496
Indonesia	–	5
Other countries/jurisdictions	<b>66</b>	296
	<b>5,325</b>	14,919

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

### (b) Non-current assets

	<b>Group</b>	
	<b>2020</b>	2019
	<b>S\$'000</b>	S\$'000
Singapore	<b>271</b>	750
Other countries/jurisdictions	<b>82</b>	232
	<b>353</b>	982

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.



#### 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:

	<u>Investment management</u>					
	SPV investment management S\$'000	Fund management S\$'000	Acquisitions and projects management S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total revenue S\$'000
<b>Year ended 31 December 2020</b>						
<b>Primary geographical markets</b>						
Singapore	563	1,205	1,248	1,395	227	4,638
Malaysia	17	–	–	39	218	274
Australia	–	–	75	–	–	75
British Virgin Island	–	–	–	–	272	272
Other countries/jurisdictions	–	–	–	–	66	66
	<b>580</b>	<b>1,205</b>	<b>1,323</b>	<b>1,434</b>	<b>783</b>	<b>5,325</b>
<b>Timing of services</b>						
At a point in time	496	587	1,209	–	–	2,292
Over time	84	618	114	1,434	783	3,033
	<b>580</b>	<b>1,205</b>	<b>1,323</b>	<b>1,434</b>	<b>783</b>	<b>5,325</b>
<b>Year ended 31 December 2019</b>						
<b>Primary geographical markets</b>						
Singapore	3,170	1,964	838	3,243	449	9,664
Malaysia	153	114	–	39	–	306
Australia	–	3,008	144	–	–	3,152
British Virgin Island	–	–	–	–	1,496	1,496
Indonesia	2	3	–	–	–	5
Other countries/jurisdictions	3	5	–	–	288	296
	<b>3,328</b>	<b>5,094</b>	<b>982</b>	<b>3,282</b>	<b>2,233</b>	<b>14,919</b>
<b>Timing of services</b>						
At a point in time	3,281	4,345	116	–	–	7,742
Over time	47	749	866	3,282	2,233	7,177
	<b>3,328</b>	<b>5,094</b>	<b>982</b>	<b>3,282</b>	<b>2,233</b>	<b>14,919</b>

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Revenue</b>		
Investment management		
- SPV investment management fees	<b>580</b>	3,328
- Fund management fees	<b>1,205</b>	5,094
Acquisitions and projects management	<b>1,323</b>	982
Property management and tenancy management fees	<b>1,434</b>	3,282
Financial advisory fees	<b>783</b>	2,233
	<b>5,325</b>	14,919
<b>Other income and gains</b>		
Interest income	<b>25</b>	563
Government grants*	<b>1,251</b>	164
Foreign exchange differences, net	<b>77</b>	111
Income from transfer of unutilised tax losses	<b>-</b>	325
Others	<b>24</b>	20
	<b>1,377</b>	1,183

\* 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 Support Scheme and enhancement/scale up of business capabilities under Capability Development Grant provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.

## 5. Impairment losses on financial assets

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Impairment in relation to ZACD Australia Hospitality Fund (Note (a)):		
Trade receivables (Note 9)	<b>3,677</b>	-
Loans and related receivables (Note 11)	<b>12,337</b>	-
	<b>16,014</b>	-
Impairment in relation to Property management and Project management (Note (b)):		
Trade receivables (Note 9)	<b>190</b>	-
Total impairment losses for the year	<b>16,204</b>	-

(a) Reference is made to the voluntary announcement dated 20 September 2019, the positive profit alert announcement dated 2 March 2020, the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 and the profit warning announcements dated 29 July 2020, 28 October 2020 and 1 February 2021 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this new 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.

Pursuant to the Announcements, the legal proceedings commenced on 6 August 2020 by the Company and ZACD Australia Hospitality Fund in the Supreme Court of New South Wales in Australia against the Trust Lawyer for *inter alia* the recovery of the ZACD Deposit and other ancillary reliefs is currently in progress. While the legal proceedings are still ongoing, the Board is of the view that the collectability of the Investment Management Fees Receivables and the recoverability of the bridging advance by the Group to ZACD Australia Hospitality Fund for funding the Transaction are not virtually certain at this stage. As such, subsequent to the allowance for impairment losses of approximately S\$3,677,000 in respect of the Group’s Investment Management Fees Receivables and approximately S\$2,353,000 in respect of the partial bridging advance recognised by the Group in the interim period six months ended 30 June 2020, the Group further recognised the allowance for impairment loss on the remaining bridging advance of approximately S\$9,984,000 for the year ended 31 December 2020 which resulted in a total of approximately S\$12,337,000 of allowance for impairment losses recognised in respect of the bridging advance and a total of S\$3,677,000 of allowance for impairment losses recognised in respect of the Group’s Management Fee Receivables for the year ended 31 December 2020.

- (b) Included in the above balance was trade receivables arising from the provision of property management services to a few MCST customers on residential and industrial properties and project management services to a developer on a residential property. While efforts to recover these debts are still ongoing, management had assessed these debts as doubtful and accordingly an allowance for impairment losses was recognised against these trade receivables.

## 6. (Loss)/profit before tax

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

	<b>Group</b>	
	<b>2020</b>	2019
	<b>S\$’000</b>	S\$’000
Auditor’s remuneration	<b>161</b>	160
Professional fees	<b>1,067</b>	160
Referral fees	<b>316</b>	2
Travel and entertainment	<b>194</b>	357
Repair and maintenance services expense	<b>163</b>	555
Insurance expenses	<b>154</b>	137
IT services	<b>152</b>	181
Directors’ fees	<b>92</b>	89
Minimum lease payments under operating leases included in other expenses, net	<b>55</b>	33
Dividend income from the Establishment Shares included in SPV investment management fees	<b>(479)</b>	(3,077)

## 7. Income tax credit/(expense)

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2020 (2019: 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 years ended 31 December 2019 and 2020.

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Current:		
- Provision for current year	-	(150)
- Overprovision in prior years	144	-
Deferred taxation:		
- Origination and reversal of temporary differences	(77)	(222)
Total tax credit/(expense) for the year	<u>67</u>	<u>(372)</u>

## 8. (Loss)/earnings per share attributable to owners of the Company

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

	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>(Loss)/earnings</b>		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	<u>(20,263)</u>	<u>4,622</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>2,000,000,000</u>	<u>2,000,000,000</u>

## 9. Trade receivables

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Trade receivables	8,807	10,675
Less: allowance for impairment losses (Note 5)	(3,867)	-
	<u>4,940</u>	<u>10,675</u>

The movement in the impairment allowances for trade receivables during the year is as follow:

	<b>Group S\$'000</b>
At 31 December 2019 and 1 January 2020	–
Allowance for impairment losses (Note 5)	<b>3,867</b>
	<hr/>
At 31 December 2020	<b>3,867</b>
	<hr/> <hr/>

The allowance for impairment loss was made against fund management fees receivables pursuant to the ZACD Australia Hospitality Fund (Note 5). Pursuant to the announcements made by the Company mentioned in Note 5, the management had assessed these receivables as doubtful debts and had accordingly provided a full allowance on the receivables which amounted to S\$3,677,000.

The Group also provided the allowance for impairment loss on trade receivables in respect of the property management fees amounted to S\$190,000 (Note 5).

The Group's trading terms with its customers are mainly on credit settlement. The credit period is generally 30 days. The Group's dividend receivables are not governed by any credit terms. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables (net of allowance), other than receivables not yet invoiced and dividend receivables, as at the end of each of the year, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2020 S\$'000</b>	2019 S\$'000
Within 1 month	<b>1,065</b>	7,241
1 to 2 months	<b>78</b>	215
2 to 3 months	<b>99</b>	141
Over 3 months	<b>3,629</b>	952
	<hr/> <b>4,871</b>	<hr/> 8,549
	<hr/> <hr/>	<hr/> <hr/>

The aged analysis of the trade receivables (net of allowance) that are neither individually nor collectively considered to be impaired is as follows:

	<b>Group</b>	
	<b>2020 S\$'000</b>	2019 S\$'000
Dividend receivables	<b>69</b>	2,126
Neither past due nor impaired	<b>1,065</b>	7,241
Less than 1 month past due	<b>78</b>	215
1 to 3 months past due	<b>3,728</b>	1,093
	<hr/> <b>4,940</b>	<hr/> 10,675
	<hr/> <hr/>	<hr/> <hr/>

Trade receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

#### 10. Capitalised contract costs

	Group	
	2020 \$'000	2019 \$'000
Capitalised incremental costs of obtaining contracts – commission costs paid to agents		
At beginning of reporting period	415	–
Additions	153	474
Impairment loss	(200)	–
Amortisation	(93)	(59)
At end of reporting period	275	415

The impairment loss relates to commission fees previously incurred in relation to the ZACD Australia Hospitality Fund. With the latest updates as announced by the Company (Note 11), management has impaired the unamortised commission fee expense in full.

#### 11. Loans and related receivables

	Group	
	2020 \$'000	2019 \$'000
<b><u>Current</u></b>		
Bridging loan funded to:		
ZACD (Development4) Ltd.	12,128	–
Advances to:		
ZACD (Development4) Ltd.	209	–
Less: allowance for impairment losses (Note 5)	(12,337)	–
	–	–

Set out below is the movement in the allowance for impairment losses of loans and related receivables:

	Group \$'000
At 31 December 2019 and 1 January 2020	–
Allowance for impairment losses (Note 5)	12,337
At 31 December 2020	12,337

*Bridging facility to ZACD (Development4) Ltd.*

On 1 March 2020, the Company entered into a S\$15,000,000 short term bridging facility agreement (the “**Facility**”) with ZACD (Development4) Ltd. (the “**Borrower**”). The Borrower is the holding entity of a closed-ended real estate private equity fund, ZACD Australia Hospitality Fund, for the investment in a joint acquisition with an independent party of a portfolio of up to 23 hotels in Australia (the “**Australia Hotel Portfolio**”). The Company will be the sponsor of the fund by way of indirectly holding the nominal share capital of the Borrower, being the corporate entity of the fund. The fund is managed by ZACD Capital Pte. Ltd.

The Company has agreed to grant the Facility to the Borrower for drawdown for purposes of facilitating the Borrower to bridge the payment gap for acquisition of the Australia Hotel Portfolio and matters related or ancillary thereto.

The Facility under this agreement has a tenure of six (6) months commencing on the utilisation date and continue until 30 September 2020, or for an extended tenure until such date the parties may mutually agree in writing and if so extended, the outstanding amount shall be subject to an interest at the rate of six percent (6%) per annum or such other rate as agreed between the parties taking into account the then prevailing market rate of similar facilities arrangement.

As at 31 December 2020, S\$12,337,000 has been drawn down on the Facility by the Borrower.

Pursuant to the announcements made by the Company (Note 5), the Group had recognised allowance for impairment losses of approximately S\$12,337,000 in respect of the loan to the Borrower for the year ended 31 December 2020.

## 12. Trade payables, other payables and accruals

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	–	79
Other payables	<b>103</b>	261
Accruals	<b>1,261</b>	1,175
Deferred revenue	<b>104</b>	259
	<b>1,468</b>	1,774
Less: amounts classified as current liabilities	<b>(1,429)</b>	(1,681)
Amounts classified as non-current liabilities	<b>39</b>	93

An aged analysis of the Group’s trade payables as at 31 December 2019 and 2020, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Within 1 month	–	40
More than 1 month	–	39
	–	79

Included in the Group's trade payables is an amount due to Neew Pte. Ltd., a company controlled by the Controlling Shareholders who are also the directors of the Company, which amounted to S\$ Nil as at 31 December 2020 (2019: S\$79,000).

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

Other payables are non-interest-bearing and have average payment terms of 1 to 3 months.

Deferred revenue relates to investment management fees received in advance by the Group for which related services were not yet rendered as at the end of the respective reporting period. As at 31 December 2020, investment management fees received in advance of S\$ Nil (2019: S\$34,000), were classified under non-current liabilities because the related services were expected to be rendered after one year from the end of the respective reporting period.

Included in current and non-current trade payables, other payables and accruals are hire purchase payables relating to finance lease of motor vehicles and copiers which amounted to S\$19,000 and S\$39,000 (2019: S\$23,000 and S\$59,000) respectively.

### 13. Bank borrowing

	Group	
	2020	2019
	\$'000	\$'000
<b><u>Current</u></b>		
Interest payable on bank loan	5	–
Temporary bridging loan	250	–
	<hr/> 255	–
<b><u>Non-current</u></b>		
Temporary bridging loan	2,750	–
Total bank borrowing	<hr/> 3,005	–

Temporary bridging loan (“TBL”)

This related to a 5-year temporary bridging loan under Enterprise Financing Scheme (“EFS”) as announced at Solidarity Budget 2020. The EFS is enhanced to help SMEs with their working capital needs.

The interest rate is fixed at 3.0% per annum or such other rate as may be approved by Enterprise Singapore under EFS.

The TBL is repayable over 60 monthly instalments with interest rate set out above and on the aggregate amount of the TBL that has been disbursed. For the first 12 monthly instalments commencing one month from the date of first drawdown, only interest is serviced. Thereafter, the monthly instalment payments (comprising principal and interest) shall commence one month from the due date of the last monthly interest payment. The monthly instalment payments is calculated based on the outstanding TBL amount over the remaining tenor of the TBL at the applicable interest rate.



#### 14. Share capital

	Group	
	2020 S\$'000	2019 S\$'000
Issued and paid up capital: 2,000,000,000 ordinary shares on 31 December 2020 (2019: 2,000,000,000 shares)	29,866	29,866

There was no movement in the Group's issued share capital during the period from 1 January 2019 to 31 December 2020.

#### 15. Dividends

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

No final dividend was paid or proposed by the Company for the financial year ended 31 December 2020.

#### 16. Commitments

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

#### 17. Financial guarantees

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.

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 was 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.

## 18. Contingent liabilities

Reference is made to the voluntary announcement dated 20 September 2019, the positive profit alert announcement dated 2 March 2020, the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 and the profit warning announcements dated 29 July 2020, 28 October 2020 and 1 February 2021 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund and ZACD (Development) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this new fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “**Announcements**”). Pursuant to the Announcements, the legal proceedings commenced on 6 August 2020 by the Company and ZACD Australia Hospitality Fund in the Supreme Court of New South Wales in Australia against the Trust Lawyer for *inter alia* the recovery of the ZACD Deposit and other ancillary reliefs is currently in progress.

Subsequent to the Transaction with respect to the Australia Hotel Portfolio, 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 in January 2020. 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. This US\$10 million deposit payment was 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 the lawyers to seek various recovery actions against iProsperity Group and its administrators to recover this deposit.

Further external counsels are of the opinion, having studied the circumstances surrounding the mentioned cases as well as the documents in the matter, that there exists no evidence of any negligence, fraud or dishonesty 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 31 December 2020. As at 31 December 2020, legal fees incurred in relation to legal actions taken against the Trust Lawyer and iProsperity Group amounted to S\$523,000 where S\$509,000 is currently reflected as a recoverable asset from ZACD Australia Hospitality Fund and 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 year ended 31 December 2020, and includes information up to the date of the audit report (the “**Report Date**”). The MD&A should be read in conjunction with the Group’s audited financial statements, as well as with the related notes to the financial statements for the year ended 31 December 2020. 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) Liquidity and Capital Resources;
- (4) Business Outlook; and
- (5) Use of Proceeds

### EXECUTIVE OVERVIEW

The Group managed a total of 28 investment structures under the PE structures and fund structures over 27 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. The Group provided ongoing acquisitions and projects management services to two real estate projects in Singapore, and tenancy management services to a property owner in Malaysia. The Group is currently executing ten corporate advisory mandates, including providing investment advisory services for a family office with an assets-under-management of approximately USD100 million.

### FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net loss of approximately S\$20.3 million in 2020 as compared with a net profit of approximately S\$4.6 million in 2019, representing a significant decrease of approximately S\$24.9 million or 538.4%. The decrease was mainly attributable to the allowance for impairment losses of approximately S\$3.7 million in respect of the Group’s Investment Management Fees Receivables and approximately S\$12.3 million in respect of the advance by the Group to ZACD Australia Hospitality Fund recognised by the Group, a drop in revenue of approximately S\$9.6 million and approximately S\$953,000 of a one-off corporate finance activity carried out by the Group, partially offset by the decrease in expenses mainly in staff costs by approximately S\$941,000 and property repairs and maintenance outsourcing expenses by approximately S\$392,000 and decrease in income tax expenses by approximately S\$439,000.

#### **Revenue**

The revenue of the Group decreased by 64.3% or approximately S\$9.6 million from approximately S\$14.9 million in 2019 to approximately S\$5.3 million in 2020. The decrease was mainly attributable to the decrease in fees in the investment management business segment mainly as a result of lower dividends derived from the Investment SPVs and no acquisition fee was derived from the fund structures, decrease in property management fees as a result of contracts that had ceased and/or have not been renewed at the end of the contract term, decrease in fees in the financial advisory business segment due to investment advisory fee was derived from a family office in 2019, partially offset by the increase in acquisition fee derived in the acquisitions and projects management business segment.

The following table presents the breakdown of our operating segment information for the years ended 31 December 2020 and 2019:

Year ended	<u>Investment management</u>			Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management	Acquisitions and projects management			
<b>31 December 2020</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Segment revenue</b>						
External customers	<b>580</b>	<b>1,205</b>	<b>1,323</b>	<b>1,434</b>	<b>783</b>	<b>5,325</b>
<b>Segment results</b>	<b>178</b>	<b>(4,018)</b>	<b>23</b>	<b>(155)</b>	<b>(651)</b>	<b>(4,623)</b>
<i>Reconciliation:</i>						
Other income and gains						<b>1,377</b>
Corporate and unallocated expenses						<b>(17,084)</b>
Loss before tax						<b>(20,330)</b>

Year ended	<u>Investment management</u>			Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management	Acquisitions and projects management			
<b>31 December 2019</b>	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Segment revenue</b>						
External customers	<b>3,328</b>	<b>5,094</b>	<b>982</b>	<b>3,282</b>	<b>2,233</b>	<b>14,919</b>
<b>Segment results</b>	<b>2,361</b>	<b>4,058</b>	<b>557</b>	<b>(177)</b>	<b>849</b>	<b>7,648</b>
<i>Reconciliation:</i>						
Other income and gains						<b>1,183</b>
Corporate and unallocated expenses						<b>(3,837)</b>
Profit before tax						<b>4,994</b>

**(a) Investment Management Services**

*i) SPV investment management*

Revenue decreased from approximately S\$3.3 million in 2019 to approximately S\$580,000 in 2020, representing a decrease of approximately S\$2.7 million or 82.6%. The decrease in revenue derived from the SPV investment management services was mainly due to dividends derived from four Investment SPVs in 2020 as compared to 11 Investment SPVs in 2019. 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 in line with the Group's current business model.

*ii) Fund management*

Revenue decreased from approximately S\$5.1 million in 2019 to approximately S\$1.2 million in 2020, representing a decrease of approximately S\$3.9 million or 76.3%. During 2020, the Group derived subscription fees of approximately S\$529,000 and management fees of approximately S\$119,000 from a new development fund (the “**Mandai Fund**”) that was established in early 2020. While during 2019, the Group derived establishment fees of approximately S\$560,000 from Landmark Tower Fund and subscription fees of approximately S\$81,000 from ZACD Income Trust. The Group derived lower management fees of approximately S\$148,000 from ZACD Income Trust in 2020 as compared to 2019 mainly due to the Group realising the management fees from the Australia assets’ net property income for the first time in 2019 following the acquisition of the Australia assets by ZACD Income Trust and performance on the hospitality asset was affected by the bush fires in late 2019 and the COVID-19 outbreak, leading to lower management fees from the Australia assets’ net property income in 2020.

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

Revenue increased from approximately S\$982,000 in 2019 to approximately S\$1.3 million in 2020, representing an increase of approximately S\$341,000 or 34.7%. The increase was mainly attributed to an acquisition fee of approximately S\$1.1 million derived from the developer SPV which the fund vehicle of the Company that was 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 2020.

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

Revenue decreased from approximately S\$3.3 million in 2019 to approximately S\$1.4 million in 2020, representing a decrease of approximately S\$1.8 million or 56.3%. Reference is made to the voluntary announcement dated 28 December 2020, since 2018, the profitability of the property management and tenancy management business has shrunk over the past years largely due to the reducing number of the properties managed which comprises mainly the residential and industrial properties as a result of management contracts that had ceased and/or have not been renewed at the end of the contract term. Besides staff costs, key expenses incurred by this business segment entail the administrative costs of managing properties. As this business segment has not reached its desired economics of scale by managing mainly the residential and industrial properties and as a result it has been incurring losses. The Board considers that it is no longer commercially attractive to engage in residential and industrial projects and believes that it is in the best interests of the Company and its shareholders as a whole to make a strategic move in this business segment from managing the residential and industrial properties to government and international projects in order to generate better income for the Group. In order to allocate more resources and management efforts in the desired workhead for government and international projects, the Board decides to re-align the property management and tenancy management business with ZACD International Pte. Ltd. at this stage. As a result, the existing property management contracts entered into by ZACD POSH Pte. Ltd. that are for residential and industrial properties are either cease at the end of the contract term or novated to an independent third party managing agents by December 2020, and the only tenancy management services in respect of a dormitory in Malaysia will be novated to ZACD International Pte. Ltd.

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

Revenue decreased from approximately S\$2.2 million in 2019 to approximately S\$783,000 in 2020, representing a decrease of approximately S\$1.4 million or 64.9%. The decrease was mainly due to investment advisory fee derived from a family office in 2019 when the Group was appointed to perform investment advisory services. There was no new appointment of investment advisory services in 2020.

#### **Other income and gains**

Other income and gains increased from approximately S\$1.2 million in 2019 to approximately S\$1.4 million in 2020, representing an increase of approximately S\$194,000 million or 16.4%. The increase was mainly due to government grants in relation to the payout of Jobs Support Scheme announced by the Singapore Government to provide cashflow support to businesses during this period of economic uncertainty affected by the COVID-19 outbreak and foreign exchange gain, partially offset by lower interest income derived from bridging loans extended to ZACD Income Trust, ZACD (Development2) Ltd. and ZACD (Shunfu2) Ltd. as the bridging loans were fully repaid in 2019.

#### **Staff costs**

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs decreased from approximately S\$7.7 million in 2019 to S\$6.8 million in 2020, representing a decrease of approximately S\$941,000 or 12.2%.

As at 31 December 2020, the Group had 50 employees as compared to 98 as at 31 December 2019. While headcount decreased mainly in the property management services with the majority being site staff due to property management contracts had ceased, the Group continues to recruit professional staff to expand its other 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 positive profit alert announcement dated 2 March 2020, the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 and the profit warning announcements dated 29 July 2020, 28 October 2020 and 1 February 2021 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this new 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.

Pursuant to the Announcements, the legal proceedings commenced on 6 August 2020 by the Company and ZACD Australia Hospitality Fund in the Supreme Court of New South Wales in Australia against the Trust Lawyer for *inter alia* the recovery of the ZACD Deposit and other ancillary reliefs is currently in progress. While the legal proceedings are still ongoing, the Board is of the view that the collectability of the Investment Management Fees Receivables and the recoverability of the bridging advance by the Group to ZACD Australia Hospitality Fund for funding the Transaction are not virtually certain at this stage. As such, subsequent to the allowance for impairment losses of approximately S\$3,677,000 in respect

of the Group's Investment Management Fees Receivables and approximately S\$2,353,000 in respect of the partial bridging advance recognised by the Group in the interim period six months ended 30 June 2020, the Group further recognised the allowance for impairment loss on the remaining bridging advance of approximately S\$9,984,000 for the year ended 31 December 2020 which resulted in a total of approximately S\$12,337,000 of allowance for impairment losses recognised in respect of the bridging advance and a total of S\$3,677,000 of allowance for impairment losses recognised in respect of the Group's Management Fee Receivables for the year ended 31 December 2020.

The Group also recognised the allowance for impairment losses of approximately S\$190,000 on trade receivables arising from the provision of property management services to a few MCST customers on residential and industrial properties and project management services to a developer on a residential property. While efforts to recover these debts are still ongoing, management had assessed these debts as doubtful and accordingly an allowance for impairment losses was recognised against these trade receivables.

#### **Other expenses, net**

Other expenses, net increased from approximately S\$2.6 million in 2019 to approximately S\$3.0 million in 2020, representing an increase of approximately S\$488,000 or 19.1%. The increase was mainly attributable to the increase in professional fees of approximately S\$907,000 mainly due to a one-off corporate finance activity carried out in the period six months ended 30 June 2020, partially offset by the decrease in the property repair and maintenance outsourcing expenses by approximately S\$392,000 as a result of the decrease in the number of property management contracts.

#### **Income tax credit/(expense)**

Income tax credit in 2020 is mainly due to over provision of income tax expenses in previous year and reversal of deferred tax assets, partially offset by the increase in the deferred tax liabilities as a result of capitalised contract cost. Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the current year. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions for during the years ended 31 December 2019 and 2020.

#### **(Loss)/profit for the year attributable to owners of the Company**

As a result of the foregoing, we recorded loss for the year attributable to the owners of the Group of approximately S\$20.3 million in 2020 compared to profit of approximately S\$4.6 million in 2019, representing a decrease by approximately S\$24.9 million or 538.4%.

If the impairment losses on financial assets, the impairment loss on the capitalised contract costs and one-off corporate finance activity (collectively the "One-off Events") were excluded, the loss of the Group would be approximately S\$2.9 million for the current year and profit of approximately S\$4.6 million in the previous year, representing a decrease by approximately S\$7.5 million or 162.9%.



	Group	
	2020	2019
	S\$'000	S\$'000
<b>(Loss)/profit for the year</b>	<b>(20,263)</b>	4,622
Impairment losses on financial assets	<b>16,204</b>	–
Impairment loss on capitalised contract costs	<b>200</b>	–
One-off corporate finance activity	<b>953</b>	–
<b>(Loss)/profit before the One-off Events</b>	<b>(2,906)</b>	4,622

The Group's loss was also inevitably affected by the COVID-19 pandemic, as travel restrictions and lockdowns were imposed all around the world. The financial impact brought on by this one-off event however, cannot be reliably estimated.

## LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent financial management approach towards its treasury policy to ensure that the Group is positioned to achieve its business objectives and strategies and this maintained a healthy liquidity position throughout the financial year.

Trade receivables that were past due but not impaired relate to a number of customers that have sizable business operation, long business relationship and/or good track record with the Group. The management of the Group regularly reviews the recoverable amount of trade receivables by performing ongoing credit assessments, monitoring prompt recovery and laid down recovery procedures which include evaluating the risk level on a case-by-case basis having taken into account the relationship with respective customers, payment history, financial position and general economic environment; and designing appropriate follow-up actions, for example, making phone calls, issuing demand letters and initiating legal proceedings or actions. Management will then assess and make adequate impairment losses for irrecoverable amounts if necessary.

### Bank borrowings

As at 31 December 2020, the Group had bank borrowings amounted to S\$3.0 million (31 December 2019: Nil). The bank borrowing is a 5-year temporary bridging loan under Enterprise Financing Scheme (“EFS”) as announced at Solidarity Budget 2020. The EFS is enhanced to help SMEs with their working capital needs. As at 31 December 2020, the gearing ratio of the Group, calculated based on the Group's total bank borrowings divided by total equity was approximately 0.2 : 1.

### Cash and cash equivalents

Cash and cash equivalents amounted to approximately S\$12.7 million and approximately S\$18.3 million as at 31 December 2020 and 2019 respectively, which were placed with major banks in Singapore and Hong Kong. The decrease was mainly attributable to the bridging advances to ZACD (Development4) Ltd of approximately S\$12.3 million, partially offset by repayment from amount owing from related companies of approximately S\$5.7 million and bank borrowing of S\$3.0 million. The cash balance is denominated in Singapore Dollar, Hong Kong Dollar and Australian Dollar. By becoming a global company with international operations, the Group is exposed to foreign currency exchange rate risks. The Group mitigates this risk by implementing working capital management.

### **Trade receivables**

Total trade receivables amounted to approximately S\$4.9 million and approximately S\$10.7 million as at 31 December 2020 and 2019 respectively. It comprises of trade receivables of approximately S\$4.9 million and dividends receivables of approximately S\$69,000 as at 31 December 2020, as compared to approximately S\$8.6 million and approximately S\$2.1 million respectively in 2019.

Trade receivables decreased from approximately S\$8.6 million as at 31 December 2019 to approximately S\$4.9 million as at 31 December 2020, mainly contributed by the decrease in revenue in the fund management services, property management services and financial advisory services and the allowance for impairment losses of approximately S\$3,677,000 in respect of the Group's Investment Management Fees Receivables and approximately S\$190,000 in respect of the Group's property management and project management receivables.

### **Net current assets**

The net current assets of the Group reduced from approximately S\$34.2 million as at 31 December 2019 to approximately S\$17.3 million as at 31 December 2020. This decrease was mainly due to the decrease in cash and cash equivalents of approximately S\$5.6 million, decrease in trade receivables of approximately S\$5.7 million, decrease in amount due from related parties of approximately S\$5.7 million and increase in bank borrowing of approximately S\$255,000. This was partially offset by the decrease in trade payable, other payable and accruals of approximately S\$252,000 and decrease in lease liabilities of approximately S\$315,000. The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from 14.3 times as at 31 December 2019 to 9.0 times as at 31 December 2020.

### **Current liabilities**

Current liabilities comprised of trade payables, other payables, accruals, lease liabilities, bank borrowing, interest payable from bank borrowing, income tax payable and amount due to ultimate holding company and related parties. The Group's total current liabilities as at 31 December 2020 and 2019 amounted to approximately S\$2.2 million and approximately S\$2.6 million respectively. The decrease in current liabilities is largely attributable to the decrease in trade and other payables, lease liabilities and income tax payable, partially offset by the increase in bank borrowing and amounts due to related parties.

### **Investment in equity securities**

The establishment shares were accounted for as investment in equity securities and were measured at fair value. The investment in equity securities amounted to approximately S\$1.5 million and approximately S\$2.3 million as at 31 December 2020 and 31 December 2019 respectively. The fair value was determined based on future dividend distributions expected to be received by the Group based on the Investment SPV's projected distributable profits, the current stage of the real estate development project and its sale progress, as well as the discount rate. The decrease in fair value in 2020 compared to 2019 was mainly due to the realisation of the fair value as the Group recorded dividend payouts from Investments SPVs during the year, with revisions made to future dividend distributions expected to be received by the Group for certain projects.

### **Charges on assets**

As at 31 December 2020, the Group did not have any charges on assets.

### **Financial guarantees**

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.

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 was 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.

### **Contingent liabilities**

Reference is made to the voluntary announcement dated 20 September 2019, the positive profit alert announcement dated 2 March 2020, the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 and the profit warning announcements dated 29 July 2020, 28 October 2020 and 1 February 2021 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this new fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “**Announcements**”). Pursuant to the Announcements, the legal proceedings commenced on 6 August 2020 by the Company and ZACD Australia Hospitality Fund in the Supreme Court of New South Wales in Australia against the Trust Lawyer for *inter alia* the recovery of the ZACD Deposit and other ancillary reliefs is currently in progress.

Subsequent to the Transaction with respect to the Australia Hotel Portfolio, 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 in January 2020. 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. This US\$10 million deposit payment was 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 the lawyers to seek various recovery actions against iProsperity Group and its administrators to recover this deposit.

Further external counsels are of the opinion, having studied the circumstances surrounding the mentioned cases as well as the documents in the matter, that there exists no evidence of any negligence, fraud or dishonesty 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 31 December 2020. As at 31 December 2020, legal fees incurred in relation to legal actions taken against the Trust Lawyer and iProsperity Group amounted to S\$523,000 where S\$509,000 is currently reflected as a recoverable asset from ZACD Australia Hospitality Fund and 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.

### **Commitments**

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

### **Dividends**

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

No dividend was paid or proposed by the Company for the financial year ended 31 December 2020.

### **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 31 December 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere in this announcement, no significant event that would materially affect the Group's operating and financial performance took place subsequent to 31 December 2020 and up to the date of this announcement.

## **BUSINESS OUTLOOK**

Since the outbreak of COVID-19 in early 2020, the Singapore government has taken emergency public health measures and various actions to prevent the spread of COVID-19. The measures include the closure of workplace premises, retail outlets except for those necessary to support the daily living needs of the population in Singapore. After the first half of 2020, the Singapore government then embark on a three-phased approach to resume activities safely and gradually. During the year under review, such measures coupled with global travel bans and restrictions as a result of the pandemic, had inevitably led to disruption to the normal operations of the Group and the Group's performance and business expansion plans were affected to various extents.

Although there has been progress in the COVID-19 vaccine development and deployment, restrictive measures are expected to relax, pointing to global economic recovery, the Group remains cautiously optimistic about its operation prospects in 2021. The Group will continue to strengthen its cost control measures substantially in order to mitigate the adverse impact from the prolonged pandemic. Notwithstanding that the degree of impact of COVID-19 pandemic will depend on the duration of the pandemic and the follow-through measures taken by the government in Singapore as well as other countries globally, the Group will continue to monitor the situation with the COVID-19 pandemic and the risks and

uncertainties faced by the Group as a result thereof and make further adjustments to its operations and business strategies as and when required.

The Singapore economy is expected to see a gradual recovery over the course of the year, with the Ministry of Trade and Industry maintaining Singapore's 2021 GDP growth forecast at "4.0 to 6.0 per cent".

Private residential properties sales in Singapore have remained resilient and new projects launched in Q4 2020 have continued to perform well. The sales launch of the redevelopment project, The Landmark acquired by LT Fund in Q4 2020 has outperformed expectations by selling out over 90% of the units launched for sale.

As the economy recovers gradually in 2021, the demand for industrial space could increase. As such, prices and rentals of industrial space may remain stable. The freehold B2 industrial site in Mandai Estate acquired by Mandai Fund will be developed into a modern ramp up food factory and is targeted to launch in Q1 of 2021.

With respect to our global investments, the Australia real estate assets invested by ZACD Income Trust in particular the hospitality asset in Perth continue to experience business disruptions as the hospitality industry is impacted by global travel bans and restrictions. We hope to see improvement on the performance of the hospitality asset in the second half of 2021 with the gradual re-opening of the economy in Australia as well as across the world.

Despite the economic uncertainty affected by the COVID-19 pandemic, we view this as an opportunity to grow and expand the Group's pipeline projects for our investment management business and acquisitions and projects management business including source, identify and acquire assets with attractive returns and looking at distressed assets with redevelopment / turnaround potential when an attractive opportunity arises, focusing on Singapore as well as the Asia Pacific region. One such opportunity is a freehold residential site at Mount Emily which we successfully secured via a collective sale in February 2021 – the first collective sale of the year in Singapore.

The property management business segment has not reached its desired economies of scale by managing mainly the residential and industrial properties and as a result it has been incurring losses. A strategic move was made in December 2020 on this business segment to pivot from managing residential and industrial properties to government and international projects in order to generate better returns for the Group.

The Group also continued to build on its financial advisory services arm, utilising our Securities and Futures Commission Type 1, 4 and 6 licenses to grow our revenue stream. The Group has created a new fund product to take advantage of the global easing environment in profiteering from Hong Kong IPO placements on unicorns and high growth market corporations. The fund was launched in March 2021 and the Group expects good returns and positive take up rate in this new product segment.

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

## **USE OF PROCEEDS**

Total net proceeds raised from the Company's listing in January 2018 approximated HK\$125.2 million (S\$21.6 million) after deducting underwriting commissions and all related expenses. On 13 March 2020, the Directors resolved to change the use and allocation of

the unutilised net proceeds to the bridging reserve fund to further enhance the competitive advantages of the investment management business and to expand the Group's future fund product offerings by further expanding the use of the bridging reserve fund as an initial investment capital to help the Group to seed-fund potential real estate projects where required. For details, please refer to the Company's announcement dated 13 March 2020.

Set out below are details of the use of proceeds up to 31 December 2020:

	Original allocation of net proceeds S\$'000	The reallocation of the use of net proceeds S\$'000	Revised use of net proceeds S\$'000	Utilised amount up to 31 December 2020 S\$'000
Bridging reserve fund (Note 1)	8,900	7,235	16,135	16,135 (100%)
Investment management	3,400	(2,651)	749	749 (100%)
Acquisitions and projects management (Note 2)	900	(325)	575	575 (100%)
Property & tenancy management	3,300	(1,589)	1,711	1,711 (100%)
Financial advisory	3,500	(2,670)	830	830 (100%)
General working capital	1,600	–	1,600	1,600 (100%)
	<b>21,600</b>	<b>–</b>	<b>21,600</b>	<b>21,600</b> (100%)

Note 1: Included within bridging reserve fund category is S\$12,337,000 of bridging loan and advances extended to ZACD (Development4) Ltd, the holding entity of a closed-ended real estate private equity fund, ZACD Australia Hospitality Fund, as at 31 December 2020. Allowance for impairment losses have been made for the full amount as at 31 December 2020.

Note 2: The segment was previously known as "Project consultancy and management". The change in the name of the business segment was mainly to better reflect the current business activities undertaken and to better position the Group's services to its clients in this segment.

## 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 year ended 31 December 2020 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 year ended 31 December 2020.

## **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 audited consolidated results of the Group for the year ended 31 December 2020 and this announcement with the external auditor of the Company.

## **PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITES OF THE EXCHANGE AND THE COMPANY**

The annual report for the year ended 31 December 2020 will be despatched to the shareholders and available on the Company's website ([www.zacdgroup.com](http://www.zacdgroup.com)) and the designated website of the Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

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

Hong Kong, 11 March 2021

*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. Wee Hian Eng Cyrus, 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.*