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ZACD GROUP LTD.

杰地集團有限公司*

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

(Stock Code: 8313)

ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

ANNUAL RESULTS HIGHLIGHTS

- Revenue reached S\$18.6 million in 2017, increased by 61.7% from S\$11.5 million in 2016, mainly attributable to strong performance of the investment management business segment and higher service income derived from the property management and tenancy management segment.
- Increase in revenue was partially offset by 48.8% rise in expenses, from S\$8.3 million in 2016 to S\$12.4 million in 2017, mostly due to listing expenses and higher staff costs and commissions due to higher funds raised.
- The Group's profit for the year rose by 84.8% from S\$3.6 million in FY2016 to S\$6.6 million during the year in review. If the one-off IPO expenses were excluded, the Group would have recorded a profit of S\$9.4 million, which translates to 113.6% higher than the profit of the previous year. This is a strong testament to the Group's ability to drive synergies from our integrated platform, while delivering stellar performance to our investors in the real estate projects and funds under our management.
- Earnings per share for profit attributable to owners of the Company during the year ended 31 December 2017 was approximately S\$0.9 cents.
- The Group benefited from stronger net current assets of S\$10.5 million at end of 2017 compared to S\$5.0 million as at 31 December 2016. This increase was mainly due to increase in trade receivables of S\$3.7 million and was partially offset by decrease in cash and cash equivalents of S\$1.8 million. The increase in trade receivable was a result of increase in business activities, particularly the investment management business segment where revenue for the year has increased.

ANNUAL RESULT

This is an annual result 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 consolidated results of the Group for the financial year ended 31 December 2017 together with comparative figures for the financial year ended 31 December 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		Group	
	Note	2017	2016
		S\$'000	S\$'000
Revenue	4	18,583	11,493
Other income and gains	4	270	262
Staff costs		(6,772)	(5,075)
Depreciation		(139)	(166)
Office rentals and related expenses		(567)	(217)
Marketing expenses		(128)	(333)
Other expenses, net		(4,808)	(2,551)
Profit before tax	5	6,439	3,413
Income tax credit	6	191	174
Profit for the year attributable to owners of the Company		6,630	3,587
Other comprehensive (loss)/income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations		32	(3)
Fair value changes on available-for-sale financial assets		(11,760)	1,930
Fair value changes on available-for-sale financial assets reclassified to profit or loss		(259)	–
Other comprehensive (loss)/income for the year		(11,987)	1,927
Total comprehensive (loss)/income for the year attributable to owners of the Company		(5,357)	5,514
Earnings per share attributable to owners of the Company			
	7		
- Basic (cents)		0.90	N/A
- Diluted (cents)		0.90	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Group	
	Note	2017	2016
		\$'000	\$'000
Non-current assets			
Property, plant and equipment		183	244
Available-for-sale financial assets		4,976	16,995
Deposit		–	90
Deferred tax assets		264	151
Total non-current assets		5,423	17,480
Current assets			
Trade receivables	8	6,416	2,698
Amounts due from related parties		4,116	140
Prepayments, deposits and other receivables		1,640	706
Financial asset at fair value through profit or loss		–	1,500
Cash and cash equivalents		2,615	4,371
Total current assets		14,787	9,415
Current liabilities			
Trade payables, other payables and accruals	9	3,304	2,425
Amount due to ultimate holding company		553	1,132
Amounts due to related parties		420	741
Tax payable		22	100
Total current liabilities		4,299	4,398
Net current assets		10,488	5,017
Non-current liabilities			
Other payables	9	443	172
Net assets		15,468	22,325
Equity			
Share capital	10	4,718	–
Reserves		10,750	22,325
Total equity		15,468	22,325

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 immediate and ultimate holding company of the Company is ZACD Investments Pte. Ltd. (“**ZACD Investments**”), which is incorporated in Singapore.

The Company is an investment holding company. During the 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) project consultancy and management services;
- (iii) property management and tenancy management services; and
- (iv) financial advisory services.

2. REORGANISATION AND BASIS OF PREPARATION

In preparation for the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, a business transfer agreement was entered into between SLP International Property Consultants Pte. Ltd. (“**SLP International**”) and a subsidiary now comprising the Group, pursuant to which the property management and tenancy management business (the “**PMTM Business**”) formerly operated by SLP International was transferred to a subsidiary now comprising the Group and the business transfer was completed on 1 July 2016. SLP International is jointly owned by Mr. Yeo Choon Guan (Yao Junyuan) and Ms. Sim Kain Kain (together the “**Controlling Shareholders**”) who are the controlling shareholders of ZACD Investments, the ultimate holding company of the Company.

The PMTM Business of SLP International did not exist as a legal or statutory entity and no separate statutory financial statements were therefore prepared. The historical financial information of the PMTM Business has been prepared to reflect its historical results of operations and its historical assets and liabilities.

Pursuant to the reorganisation of the entities within the Group in preparation of the listing of the shares of the Company on the Growth Enterprise Market of The

Stock Exchange of Hong Kong Limited (the “**Reorganisation**”), the Company became the holding company of the companies now comprising the Group on 31 March 2017. The companies now comprising the Group and the PMTM Business were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, these financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation and the transfer of the PMTM Business had been completed at the beginning of the year ended 31 December 2016 or since the date when the respective subsidiaries first came under the common control of the Controlling Shareholders, whichever is later.

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been adopted by the Group in the preparation of these financial statements.

3. SEGMENT INFORMATION

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

(a) Investment management

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

(i) SPV investment management

The Group provides investment management services to investors of real estate development projects by establishing and incorporating Investment SPV through which the investors participate in the project by subscribing convertible loans that are issued by the Investment SPV. With respect to a major investor, the Group also derives revenue in return for providing a priority right to this investor to participate in the Group’s real estate development projects. Post establishment and incorporation of the Investment SPV, the Group continues to provide investment management services to the investors by managing the Investment SPV up to the time of project completion. The Group also holds the Establishment Shares received from investors to remunerate its SPV investment management

services provided, through dividend distribution and return of capital from the relevant Investment SPVs.

(ii) Fund management

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

(b) Project consultancy and management services

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

(c) Property management and tenancy management

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

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

(d) Financial advisory

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

4. REVENUE, AND OTHER INCOME AND GAINS

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

	Group	
	2017	2016
	S\$'000	S\$'000
Revenue		
Investment management		
— SPV investment management fees	12,017	8,263
— Fund management fees	1,293	176
Project consultancy and management service fees	1,571	858
Property management and tenancy management fees	3,656	2,196
Financial advisory fees	46	—
	18,583	11,493
	18,583	11,493

	Group	
	2017	2016
	S\$'000	S\$'000
Other income and gain		
Government grants*	86	98
Foreign exchange differences, net	44	109
Gain on disposal of available-for-sale financial assets, net of fair value changes reclassified from other comprehensive income of S\$259,000 (2016: Nil)	100	—
Fair value gain for financial asset at fair value through profit or loss	35	—
Others	5	55
	270	262
	270	262

* Government grants were received by certain subsidiaries in connection with employment of senior Singaporean workers under Special Employment Credit and Wage Credit 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. PROFIT BEFORE TAX

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

	Group	
	2017	2016
	S\$'000	S\$'000
Listing expenses	2,751	811
Minimum lease payments under operating leases	567	217
Fair value (gain)/loss for financial asset at fair value through profit or loss	(35)	98
Dividend income from the Establishment Shares included in SPV investment management fees	(10,603)	(6,487)

6. INCOME TAX CREDIT

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 during the years ended 31 December 2016 and 2017.

The major components of the income tax credit during the year are as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Current:		
Overprovision in prior years	(78)	(23)
Deferred	(113)	(151)
Total tax credit for the year	(191)	(174)

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2017
	S\$'000
Earnings	
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	6,630
	<hr/> <hr/>
Number of shares	
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	734,591,427
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Earnings per share information for the year ended 31 December 2016 is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the year.

8. TRADE RECEIVABLES

	Group	
	2017	2016
	S\$'000	S\$'000
Trade receivables	6,416	2,698
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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.

Included in the trade receivables were Nil (2016: S\$874,000) that were recognised as receivables as at December 2017 in accordance with the terms of underlying agreements but the amounts have not been invoiced to respective customers.

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

	Group	
	2017	2016
	S\$'000	S\$'000
Within 1 month	878	540
1 to 2 months	321	296
2 to 3 months	284	85
Over 3 months	1,861	217
	3,344	1,138
	3,344	1,138

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

	Group	
	2017	2016
	S\$'000	S\$'000
Receivables not yet invoiced	–	874
Dividend receivables	3,072	686
Neither past due nor impaired	1,071	540
Less than 1 month past due	128	296
1 to 3 months past due	2,145	302
	6,416	2,698
	6,416	2,698

Trade receivables that were neither past due nor impaired relate to a number of diversified 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.

9. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group	
	2017	2016
	\$'000	\$'000
Trade payables	94	187
Other payables	235	638
Accruals	2,658	1,127
Deferred revenue	760	645
	<hr/>	<hr/>
	3,747	2,597
Less: amounts classified as current liabilities	(3,304)	(2,425)
	<hr/>	<hr/>
Amounts classified as non-current liabilities	443	172
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An aged analysis of the Group's trade payables as at the 31 December 2016 and 2017, based on the invoice date, is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Within 1 month	94	176
1 to 2 months	–	11
	<hr/>	<hr/>
	94	187
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade payables as at 31 December 2017 is an amount due to Neew Pte. Ltd., a subsidiary of a company controlled by the Controlling Shareholders who are also the directors of the Company, which amounted to S\$78,000 (2016: S\$160,000).

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 2017, investment management fees received in advance of S\$443,000 (2016: S\$172,000), 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.

10. SHARE CAPITAL

	Group	
	2017 S\$'000	2016 S\$'000
Issued and paid up capital:		
1,500,000,000 ordinary shares on 31 December 2017 (31 December 2016: 1 share)	4,718	–

A summary of movements in the Group's issued share capital during the period from 8 November 2016 (date of incorporation) to 31 December 2017 is as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares S\$'000
Issued and fully paid:			
Upon incorporation on 8 November 2016 and as at 31 December 2016 and 1 January 2017	(a)	1	–
Issue of shares	(b)	13,704,641	13,705
Acquisition of subsidiaries in the Reorganisation	(b)	–	(8,987)
Issue of shares as a result of share split	(c)	986,295,358	–
Issue of shares as a result of further share split	(d)	500,000,000	–
As at 31 December 2017		1,500,000,000	4,718

- (a) The Company was incorporated in Singapore as an exempt company with limited liability on 8 November 2016. On the same date, 1 ordinary share of the Company was allotted and issued to the ultimate holding company at S\$1.
- (b) On 28 February 2017 and 31 March 2017, the Company allotted and issued an aggregate 13,704,641 ordinary shares (the “**Allotted Shares**”) to the ultimate holding company to acquire four subsidiaries (the “Acquired Subsidiaries”) from the ultimate holding company for an aggregate consideration of approximately S\$13,705,000 in connection with the Reorganisation. In the opinion of the directors, since the Acquired Subsidiaries were under the common control of the Controlling Shareholders before and after the Reorganisation, the value of the Allotted Shares should equal to the cost of investment of the ultimate holding company with respect to the Acquired Subsidiaries which amounted to approximately S\$4,718,000.
- (c) On 18 April 2017, the ultimate holding company of the Company resolved that the 13,704,642 ordinary shares in the capital of the Company be split into 1,000,000,000 ordinary shares in the capital of the Company (the “**Share Split**”). Upon completion of the Share Split, the Company had a total of 1,000,000,000 issued ordinary shares, all of which were directly held by the ultimate holding company and the amount of issued share capital and paid-up share capital was S\$13,704,642.

In the opinion of the directors, since the Share Split did not involve any economic inflow to the Company which would result in a change of the value of the Allotted Shares, the carrying value of the Company’s share capital in the statement of financial position remains unchanged and is stated at S\$4,718,000.

- (d) On 13 December 2017, the ultimate holding company of the Company resolved that the 1,000,000,000 ordinary shares in the capital of the Company be split into 1,500,000,000 ordinary shares in the capital of the Company. Upon completion, the Company had a total of 1,500,000,000 issued ordinary shares, all of which were directly held by the ultimate holding company, and the amount of issued share capital and paid-up share capital was S\$13,704,642. The carrying amount of the share capital remains unchanged and is stated at S\$4,718,000.

Management Discussion and Analysis (MD&A)

The following Management's Discussion and Analysis (MD&A) for ZACD Group Ltd (the "**Company**", together with its subsidiaries as the "**Group**") has been prepared and reviewed by the management for the year ended 31 December 2017, 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 and related notes to the financial statements for the year ended 31 December 2017. All amounts are expressed in Singapore Dollars unless otherwise stated.

The Group's Management's Discussion and Analysis is divided into the following sections:

- (1) Executive Overview;
- (2) Financial Review;
- (3) Liquidity and Capital Resources; and
- (4) Business Outlook.

EXECUTIVE OVERVIEW

The Group is an asset manager headquartered in Singapore offering integrated solutions across the real estate value chain in Singapore and elsewhere in the Asia-Pacific region. Currently, the Group is principally engaged in the following businesses: (i) investment management services, which are carried out as (a) SPV investment management (PE structures) and (b) fund management; (ii) project consultancy and management services; (iii) property management and tenancy management services; and (iv) financial advisory services.

The Group is listed on the GEM board of Hong Kong Exchange since 16 January 2018. In preparation for the listing, the Group underwent reorganisation which involved incorporation of the subsidiary companies, transfer of subsidiary companies into the Group, transfer of business into the Group, and share split in the holding company. This step was taken to acquire a lean business structure, to give swift response to market opportunities, and to maximise profit for investors and shareholders. The Group considers that the reorganisation has been properly and legally completed and settled, and complies with all applicable laws and regulations, and that all applicable regulatory approvals have been obtained.

In investment management business, the Group has a business model of using convertible loan structures to invest in real estate projects. In 2017, the convertible loans in four Investment SPVs were converted into shares after TOP date of their underlying real estate projects. Following this conversion, the Group is entitled to receive dividends and performance fees as and when it is declared.

The Group also adopts a fund structure business model and acts as a fund manager for real estate private equity funds. In May 2017, the Group established two fund structures which started to contribute revenue in the form of fund management fees and establishment fees.

In line with our strategy to explore real estate investment opportunities outside of Singapore within the Asia-Pacific region, the Group set up a fund structure to acquire certain residential and commercial real estate properties in Australia. As of end 2017, this fund structure has secured committed investment of S\$30 million.

Currently the Group is at an exciting stage of evolution, operating in a dynamic market. During the year under review, we focused on putting the right infrastructure, capabilities and processes in place in key business areas to enable us to deliver long-term accelerated growth. The Group successfully managed a total of 21 investment structures under the PE structures and fund structures over 21 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. We also provided ongoing project consultancy and management services to a total of 8 real estate projects in Singapore, delivered ongoing property management services to 24 real estate projects in Singapore and Malaysia, and tenancy management services to 15 property owners in Singapore.

FINANCIAL REVIEW

Applying dynamic and aggressive business development strategies, the Group reported satisfactory performance in 2017. Revenue reached S\$18.6 million in 2017, increased by 61.7% from S\$11.5 million in 2016, mainly attributable to dividends received from the investment management business segment, and management fees received from the property management and tenancy management segment.

Increase in revenue was partially offset by 48.8% rise in expenses, from S\$8.3 million in 2016 to S\$12.4 million in 2017, mostly due to listing expenses and higher staff costs and commissions due to higher funds raised. In overall result, profit before tax rose 88.7% from S\$3.4 million in 2016 as compared to S\$6.4 million in 2017.

The following table sets forth the breakdown of our operating segment information for the years ended 31 December 2016 and 2017:

Year ended	<u>Investment management</u>		Project consultancy and management services	Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management				
31 December 2017	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue						
External customers	12,017	1,293	1,571	3,656	46	18,583
Segment results	10,459	(91)	1,275	(514)	(762)	10,367
<i>Reconciliation:</i>						
Other income and gains						270
Corporate and unallocated expenses						(4,198)
Profit before tax						6,439

Year ended	<u>Investment management</u>		Project consultancy and management services	Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management				
31 December 2016	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue						
External customers	8,263	176	858	2,196	-	11,493
Segment results	7,331	(1,927)	760	(536)	-	5,628
<i>Reconciliation:</i>						
Other income and gains						262
Corporate and unallocated expenses						(2,477)
Profit before tax						3,413

(a) Investment Management Services

Revenue increased by 57.7% from \$8.4 million in 2016 to S\$13.3 million in 2017. The increase was mainly due to dividends derived from several investment SPVs, while slightly offset by decrease in management fees and performance fees during the year. The Group has put strategic measure to acquire new revenue streams, by establishing two new fund structures in May 2017, which have started to generate revenue in the form of establishment fees and management fees. After deducting commission expense and staff cost, the segment results still climbed to S\$10.4 million in 2017 from S\$5.4 million in 2016.

(b) Project Consultancy and Management Services

Revenue increased by 83.1% from S\$0.9 million in 2016 to S\$1.6 million in 2017. The revenue is recognised on a time-apportioned basis over the contractual service period. This increase was mainly due to more contracts secured during the year. This further leads to surge in the segment results to S\$1.3 million from S\$0.8 million in 2016. Understandably, former contracts will cease after the projects are completed. However, our strategic position as a business partner for new real estate projects will enable us to replace the would-be expired contracts. Travelling will be expected to increase as the Group explores new markets in international region. Other than staff cost and project manager charges, this business segment do not incur any other particular expenses.

(c) Property Management and Tenancy Management Services

Revenue increased by 66.5% from S\$2.2 million in 2016 to S\$3.7 million in 2017. The increase was mainly attributable to new contracts secured during the year as well as higher revenue contribution from contracts which were secured in the last quarter of the previous year. The business segment has not reached its desired economies of scale which resulted in its continual loss registered in 2017, notwithstanding that the loss has declined compared to 2016. Beside staff and office rental costs, key expenses incurred by this business segment entail the administrative costs of managing properties. In this respect, the Group is exploring the possibility of setting up a centralised structure where related administrative functions can be housed to achieve cost efficiency. The Group may also consider partnership with other companies within the industry to bring this business segment into the black.

(d) Financial Advisory Services

Revenue recorded for this business segment has been modest in 2017. No revenue was recorded in 2016 as this business segment commenced only in December 2016 after the Group obtained the required licences to deal in financial advisory services through its Hong Kong subsidiary. Being newly established, this business segment recorded a loss in 2017 of S\$0.8 million, mostly from staff costs, office rental, travelling expenses and other operational costs. We are actively sourcing for potential transactions to bring this business segment to break-even in 2018.

Other notable items are further elaborated as follows:

Other income and gains

Other income and gains saw a 3.1% increase from 2016 in 2017. This increase was mainly due to gain on disposal of available-for-sale financial assets in 2017.

Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. The total staff costs (including remuneration of the Directors and mandatory provident fund contributions) for the year ended 31 December 2017 amounted to S\$6.8 million, up from S\$5.1 million in 2016. The hike in staff costs was attributed to some senior level management personnel that were recruited in stages since mid 2016, and continued throughout 2017. Thus, staff costs in 2017 was a reflection of full year cost as compared to a few months in 2016, which did not fluctuate in tandem with the decrease in number of employees.

As at 31 December 2017, the Group had 95 employees as compared to 105 at the previous financial year-end. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus may be granted to eligible staff by reference to the Group's achievement as well as individual's performance.

Other expenses, net

Other expenses, net increased by 88.5% from S\$2.6 million in 2016 to S\$4.8 million in 2017. The increase was mainly due to increase in listing expenses from S\$0.8 million in 2016 to S\$2.8 million in 2017.

Income tax credit

Income tax credit was S\$0.2 million for the years ended 31 December 2016 and 2017, respectively. The Group benefited from progressive tax system in each tax jurisdiction, whereas under Singapore's one-tier system, dividend income is tax-exempted when it is received by shareholders.

LIQUIDITY AND CAPITAL RESOURCES

2017 proved to be an eventful year of significant change as we seek to stimulate growth within our core markets. Not only have we made good progress against all of our strategic priorities, we also saw a continual strong financial and operational performance.

Cash and cash equivalents

Cash and cash equivalents amounted to S\$2.6 million and S\$4.4 million as at 31 December 2017 and 2016, respectively. The cash balance is denominated in Singapore Dollar, Hong Kong Dollar and Chinese Renminbi. By becoming a global company with international operation, the Group is exposed to foreign currency exchange rate risk. The Group mitigates this risk by implementing working capital management and selective borrowing in local currency.

Trade receivables

Total trade receivables amounted to S\$6.4 million and S\$2.7 million as at 31 December 2017 and 2016, respectively. It comprises trade receivables of S\$3.3 million and dividends receivable of S\$3.1 million as at 31 December 2017, as compared to S\$1.1 million and S\$0.7 million respectively, as well as accrued revenue of S\$0.9 million in 2016.

Trade receivables increased from S\$1.1 million as at 31 December 2016 to S\$3.3 million as at 31 December 2017, mainly contributed by revenue from the investment management business segment.

Net current assets

The Group benefited from stronger net current assets of S\$10.5 million at end 2017 compared to S\$5.0 million as at 31 December 2016. This increase was mainly due to increase in trade receivables of S\$3.7 million. This was however partially offset by decrease in cash and cash equivalents of S\$1.8 million, and redemption of structure deposit of S\$1.5 million. The increase in trade receivable was a result of increase in business activities, particularly the investment management business segment where revenue for the year has increased.

Current liabilities

Current liabilities comprised trade payables, other payables, tax payable and amount due to ultimate holding company and related parties. The Group's total current liabilities as at 31 December 2017 and 2016 amounted to S\$4.3 million and S\$4.4 million, respectively. The decrease in current liabilities is largely attributable to the decrease in amounts due to ultimate holding company and related parties.

Available-for-sale financial assets

The establishment shares were accounted for as available-for-sale financial assets and were measured at fair value. The available-for-sale financial assets amounted to S\$5.0 million and S\$17.0 million as at 31 December 2017 and 2016, 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 2017 compared to 2016 was mainly due to the realisation of the fair value as the Group recorded dividend payouts from Investment SPVs during the year as well as revisions made to future dividend distributions expected to be received by the Group for certain projects.

Contingent liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Commitments

The Group's operating lease commitments for leased properties increased from S\$0.4 million at end 2016 to S\$0.7 million at end of 2017. This amount entirely relates to office rental arrangements with related parties. There are no other capital and lease commitments.

Human resources

We believe that human resources is an essential component to support the growth of the Group as a whole, across all business segments. The Group has developed into its current stage because it is well supported by strong management and a dedicated team. In line with our business expansion strategy, we plan to increase our staff strength, especially at managerial level, in order to source and undertake more projects.

Dividends

The Group declared an interim dividend of S\$1.5 million to the ultimate holding company in November 2017. This was settled in cash using internal cash resources.

On 21 March 2018, the Company proposed to pay a final dividend of 0.2 (2016: Nil) Singapore cent per ordinary share for the financial year ended 31 December 2017. The proposed dividend is subject to shareholders' approval at the Annual General Meeting.

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 2017.

BUSINESS OUTLOOK

On the macro economic front, Singapore's GDP forecast is trending positively. According to the latest industry report ¹⁾, real estate investment sales reached S\$36.0 billion in 2017. This is an increase of 58.6% from the S\$22.7 billion recorded in 2016 and is also the highest figure since 2008. Within the local market, this has raised further optimism for 2018 that there are still keen buyers and a lack of available stock, both for the residential and non-residential business sectors.

Hong Kong property business has historically followed movement in the local stock market. However, currently it is also influenced by demand arising from companies from The People's Republic of China ²⁾. The latest industry report ³⁾ indicates that the property market in general will trend higher in 2018, mostly from high office rental and soaring sales price in residential sector.

In Australia, it is projected that interest rate may increase in 2018 with implications for property markets ⁴⁾. It is expected that banks will become more cautious in financing the construction sector, and this will severely limit the number of apartment projects and bring investor demand to a new slow. The impact will vary for each state, depending on economic condition and employment growth.

Note:

- 1) Savills Plc, *Savills World Research*, Singapore, January 2018
- 2) Jones Lang LaSalle, *Economic Monitor*, Hong Kong, February 2018
- 3) Jones Lang LaSalle, *Property Market Monitor*, Hong Kong, February 2018
- 4) Jones Lang LaSalle, *Is the Australian Economy Finally Stabilising?*, Australia, 3Q17

To maintain market competitiveness, the Group intends to strengthen its position by expanding its business, both in the local Singapore market, and internationally in the Asia Pacific region. Our listing status will enable us to have access to the equity capital markets to fulfil our capital needs. Total proceeds raised from the Company's listing currently approximate HK\$157.1 million (or equivalent to S\$26.8 million) as of February 2018, before deducting listing related expenses of around S\$6.0 million.

The majority of the above proceeds will be used on tender for land parcels and/or real estate assets to secure investments in potential real estate projects. To support these growth strategies, additional staff and professionals will be hired to lead and manage the expanding business. The Group is also open for partnership with other companies in the industry, as and when the opportunity arises.

Future Strategic Frameworks

2017 marked an important milestone for the Group as we began to lay foundations for a new phase that will allow us to develop our core markets. Sustaining profitability will remain a key focus in the new financial year. Though we continue to operate in a difficult climate of macroeconomic instability, significant strategic steps forward have been taken.

In addition to implementing growth strategy using the listing proceeds, the Group is also looking into other options such as creating new pools of foreign investors and taking foreign projects which are funded by foreign investors, or venturing into other financial markets by collaborating with established financial institutions.

Overseas expansion has been one of our key focuses since 2016 and we have been engaged in multiple discussions with foreign investors across several geographies. The branding image that stems from becoming a public listed company will boost the chance of obtaining sufficient funds needed for future operation and development.

Looking forward, the Group believes there are ample opportunities to capitalise on the expected increases in demand for real estate investment and development. Although 2018 will continue to present a challenging environment for the industry, we will continue to focus on developing a steady pipeline of future revenue. With its strong management team and highly professional workforce, we believe that the Group is really well positioned to take advantage from the market potentials.

Cautionary Statement on Forward-Looking Statements

This MD&A contains certain forward-looking statements generally identified by the words: “anticipates”, “believes”, “estimates”, “expects”, “forecasts”, “plans”, “intends”, and other similar expressions.

Forward-looking statements are not historical facts, and include statements relating to, among other things, the Group's anticipated performance and stated performance targets for future years, the implementation of, and the expected results and benefits from, the Group's strategic priorities, including with respect to new revenue streams, leadership, performance transformation, operations and structural improvements, future market developments and trends; anticipated cost savings; future changes to dividend policies; expected benefits from managerial and compliance changes; improvements in investor experience and satisfaction; anticipated benefits from transaction, including joint ventures, sales, joint venture agreements, disposals; anticipated results of the Group's financing activities; future operational and network development and network investment; and expectations regarding the stakes, as well as the discussion of growth strategy and future operations, liquidity and capital resources.

The forward-looking statements included in this MD&A are based on management's best assessment of the Group's strategic and financial position and of future market conditions, trends and other potential developments as of this time and should not be regarded as representations or warranties that the Group's plans and objectives will be achieved. The actual outcome may differ materially from these statements as a result of: continued volatility in the economies; unforeseen developments from competition; governmental regulation in the industries; general political uncertainties; and government investigations or other regulatory actions and/or litigation with third parties.

The information in this MD&A does not constitute an offer to sell or an invitation to buy shares in the Company or an invitation or inducement to engage in any other investment activities. Past performance cannot be relied upon as a guide to future performance. Nothing in the 2017 Annual Report should be constructed as a profit forecast. All expectations and targets regarding future performance should also be read with extra caution.

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the principles and the code provisions of Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules. During the period from the date of the listing 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

The Company's shares were first listed on GEM of the Stock Exchange on 16 January 2018. During the period from 16 January 2018 up to the date of this announcement, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the Group's audited consolidated financial results for the year ended 31 December 2017.

The audit committee has reviewed this announcement with senior management and the external auditor of the Company.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual report for the year ended 31 December 2017 will be despatched to the Shareholders and available on the Company's website (www.zacdgroup.com) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 21 March 2018

As at the date of this announcement, the board of directors of the Company comprises three executive directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain and Mr. Siew Chen Yei; and three independent non-executive directors, namely, Mr. Kong Chi Mo, Dr. Sim Mong Keang and Mr. Cheung Ying Kwan.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited 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 remain on the Stock Exchange’s website at www.hkexnews.hk and the GEM website at www.hkgem.com and in the case of this announcement, 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.

** for identification purposes only*