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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **ZACD Group Ltd.**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



**ZACD GROUP LTD.**

**杰地集團有限公司\***

*(A company incorporated in Singapore with limited liability)*

**(Stock Code: 8313)**

**MAJOR TRANSACTION  
PROVISION OF GUARANTEE**

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Capitalised terms used in this cover page of this circular shall have the same meanings as those defined in this circular.

A letter from the Board is set out in pages 6 to 15 of this circular.

This circular will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven (7) days from the date of its publication. This circular will also be published on the website of the Company at [www.zacdgroup.com](http://www.zacdgroup.com).

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## CHARACTERISTICS OF GEM

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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 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.

Given that the 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:*

“AUM”	assets under management, which refers to moneys and assets contracted to, drawn down by, are under either the discretionary or non-discretionary authority granted by the customer to the company and in respect of which the company is carrying out investment management, as well as those that have been subcontracted to another party
“Announcement”	the announcement made by the Company dated 21 July 2020 regarding the provision of the Guarantee
“BBW6 Development”	a mixed-use development with commercial, common and residential components on the land parcel located at Bukit Batok West Avenue 6, Singapore
“BBW6 Fund”	a single purpose real estate fund established in October 2016, of which the fund holding entity, ZACD (BBW6) Ltd., is a public company limited by shares incorporated in Singapore on 6 September 2016
“Board”	the board of Directors
“Borrower(s)”	jointly and severally, Qingjian Realty (BBC) Pte. Ltd., a private company limited by shares and incorporated in Singapore undertaking the development of the commercial and common components of the BBW6 Development and Qingjian Realty (BBR) Pte. Ltd., a private company limited by shares and incorporated in Singapore undertaking the development of the residential component of the BBW6 Development
“Company”	ZACD Group Ltd., a public company incorporated in Singapore with limited liability, whose issued Shares are listed and traded on GEM (stock code: 8313)

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this circular, refers to ZACD Investments, Mr. Yeo and Ms. Sim. Mr. Yeo and Ms. Sim are a group of Controlling Shareholders by virtue of their relationships of being spouses and their decision to restrict their ability to exercise direct control over the Company by holding their interests through a common investment holding company, namely ZACD Investments
“Constitution”	the constitution of the Company (as amended from time to time), adopted on 13 December 2017 and which becomes effective from the Listing Date
“Deed of Guarantee”	the deed of guarantee issued, on 20 July 2020, by the Company as the guarantor in favour of the Lender
“Development4 Fund”	an asset specific real estate fund established in August 2019, of which the fund holding entity, ZACD (Development4) Ltd., is a public company limited by shares incorporated in Singapore on 10 May 2018
“Development SPV(s)”	the investment vehicle(s) owned by the Investment SPV, the key real estate developer partner of the underlying real estate project and other Development SPV investors (if any) under the private equity structures
“Director(s)”	the director(s) of the Company
“Existing Guarantee”	the guarantee in the aggregate of the principal amount of S\$38,015,040 and any interest, commission, fees and expenses accrued thereon, to be provided by the Company to secure the existing loan facilities for the Borrowers in respect of the BBW6 Development, amounting to 12% of the total liabilities of the Borrowers under the Previous Facility Agreement in proportion of the shareholding of BBW6 Fund in the Borrowers
“GEM”	the GEM of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee in the lower sum of (i) 12% of all moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender from time to time, estimated at approximately S\$15,000,000; and (ii) the aggregate of the principal amount of S\$125,000,000 and any interest, commission, other banking charges, costs and expenses accrued thereon
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the GEM Listing Rules)
“Investment SPV(s)”	the investment vehicle(s) managed by the Group under the private equity structures and the trust structures
“Latest Practicable Date”	21 September 2020, being the latest practicable date for ascertaining certain information for inclusion in this circular prior to the printing of this circular
“Lender”	United Overseas Bank Limited
“Listing Date”	16 January 2018
“Main Board”	the Main Board operated by the Stock Exchange
“Mr. Yeo”	Mr. Yeo Choon Guan (Yao Junyuan), the spouse of Ms. Sim, an executive Director, the chief executive officer and one of the Controlling Shareholders

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## DEFINITIONS

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“Ms. Sim”	Ms. Sim Kain Kain, the spouse of Mr. Yeo, an executive Director, the chairman of the Board and one of the Controlling Shareholders
“PRC”	the People’s Republic of China
“Previous Deed of Guarantee”	the deed of guarantee entered into, on 6 June 2018, by and between the Company as the guarantor and the Security Agent in favour of the Security Agent for the benefit of the secured parties under the Previous Facility Agreement
“Previous Facility Agreement”	the facility agreement dated 25 August 2016 entered into by and between the Borrowers, the Previous Lenders as the original lenders and the mandated lead arrangers, and the Security Agent as the facility agent and the security agent and made available to the BBW6 Development, which expression shall include all variations, amendments and supplements thereto, if any
“Previous Lender(s)”	collectively, United Overseas Bank Limited, Bank of China Limited, Singapore Branch, and Malayan Banking Berhad, Singapore Branch, which are also the arrangers under the Previous Facility Agreement
“Qingjian”	Qingjian Realty (South Pacific) Group Pte Ltd., a subsidiary of CNQC International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1240)
“Refinancing Facility Agreement”	the facility agreement dated 20 July 2020 entered into by and between the Borrowers and the Lender and made available to the BBW6 Development, which expression shall include all variations, amendments and supplements thereto, if any
“Security Agent”	United Overseas Bank Limited, which is the facility agent and security agent under the Previous Facility Agreement
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S\$”	the lawful currency of Singapore
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“ZACD Capital”	ZACD Capital Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 25 October 2011, and a direct wholly-owned subsidiary of the Company and a member of the Group
“ZACD Fund”	ZACD Fund Holdings Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 15 March 2017, and a direct wholly-owned subsidiary of the Company and a member of the Group
“ZACD Investments”	ZACD Investments Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 15 June 2005, the issued share capital of which is owned by Mr. Yeo and Ms. Sim as to 51% and 49%, respectively and one of the Controlling Shareholders
“%”	per cent.



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LETTER FROM THE BOARD

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**ZACD GROUP LTD.**

**杰地集團有限公司\***

*(A company incorporated in Singapore with limited liability)*

**(Stock Code: 8313)**

**Directors:**

*Executive Directors:*

Ms. Sim Kain Kain (*Chairman*)

Mr. Yeo Choon Guan (Yao Junyuan) (*Chief Executive Officer*)

Mr. Wee Hian Eng Cyrus (*Deputy Chief Executive Officer*)

Mr. Siew Chen Yei (*Deputy Chief Executive Officer cum  
Chief Financial Officer*)

Mr. Darren Chew Yong Siang (*Chief Operating Officer*)

*Independent Non-executive Directors:*

Mr. Kong Chi Mo

Dato' Dr. Sim Mong Keang

Mr. Lim Boon Yew

*Non-executive Directors:*

Mr. Chew Hong Ngiap, Ken

*Registered Office, Head Office  
and Principal Place of  
Business in Singapore:*

2 Bukit Merah Central #22-00  
Singapore 159835

*Principal Place of Business  
in Hong Kong:*

Unit 1610, Level 16,  
Man Yee Building  
60-68 Des Voeux Road Central,  
Central, Hong Kong

30 September 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
PROVISION OF GUARANTEE**

**1. INTRODUCTION**

References are made to the Announcement.

\* for identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the financial assistance to be provided by the Company to the Borrowers; (ii) financial information of the Group; and (iii) other information in accordance with the GEM Listing Rules.

### **2. PROVISION OF THE GUARANTEE TO THE BORROWERS FOR THE BBW6 DEVELOPMENT**

The BBW6 Development has been funded through the existing loan facilities with the Previous Lenders by the Borrowers, which are the Development SPVs of the BBW6 Development. The details of the existing loan facilities are more particularly described in the announcement and circular of the Company dated 15 June 2018 and 3 September 2018, respectively, in relation to the provision of the Existing Guarantee.

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), 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 Borrowers has been granted the refinancing loan facilities by the Lender for the BBW6 Development. Upon the Security Agent's satisfaction of the repayment of the existing outstanding loan facilities on the final maturity date of 23 July 2020 under the Previous Facility Agreement, the Existing Guarantee has been released and discharged on 23 July 2020.

A brief summary of the Refinancing Facility Agreement for the refinancing loan facilities are set out below:

- |     |         |  |
|-----|---------|--|
| (a) | Date    | 20 July 2020.  |
| (b) | Parties | The Borrowers, as the borrowers;<br><br>The Lender, as the lender.   |
| (c) | Purpose | The refinancing loan facilities will be applied towards the following:<br><br>(i) refinancing the existing loan facilities in respect of the BBW6 Development under the Previous Facility Agreement;<br><br>(ii) repaying the existing shareholders' loans of the Borrowers; and<br><br>(iii) funding the working capital requirements of the Borrowers. |

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## LETTER FROM THE BOARD

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- (d) Loan facilities S\$125,000,000 comprising the following:
- (i) Bridging loan facility:  
S\$55,000,000 being the bridging loan facility; and
  - (ii) Term loan facility:  
S\$70,000,000 being the term loan facility.
- (e) Final maturity date
- (i) For the bridging loan facility:  
The date falling nine (9) months after the utilisation date of the bridging loan facility
  - (ii) For the term loan facility:  
The date falling twenty four (24) months after the utilisation date of the term loan facility
- (f) Interest rate The aggregate of 1.50% per annum and SIBOR or Lender's cost of funds as determined by the Lender conclusively.
- (g) Repayment of loans The Borrowers shall repay each loan in full on the final maturity date.

In connection with the refinancing loan facilities above, the Company, which indirectly holds a 12% stake in the BBW6 Development through the Investment SPV, BBW6 Fund, has entered into the Deed of Guarantee in favour of the Lender, which was executed by the Company and was dated by the Lender on 20 July 2020.

Pursuant to the Deed of Guarantee, the Company guarantees to pay or discharge on a full indemnity basis the lower sum of (i) 12% of all moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender from time to time, estimated at 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 in accordance with the provisions of the Deed of Guarantee. The Guarantee will be in addition to any other separate guarantees provided by other persons as the guarantors to the Lender to guarantee to pay or discharge on a full indemnity basis the lower sum of (i) all moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the

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## LETTER FROM THE BOARD

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Borrowers to the Lender from time to time in proportion to their respective beneficial shareholding interests in the Borrowers; and (ii) the aggregate of the principal amount of S\$125,000,000 and any interest, commission, other banking charges, costs and expenses accrued thereon.

As at the Latest Practicable Date, the Company is not aware of any moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender other than the refinancing loan facilities and therefore, the maximum amount that the Company shall be liable under the Deed of Guarantee will be limited to the aggregate of the principal amount of S\$15,000,000 and any interest, commission, other banking charges, costs and expenses accrued thereon, which to the Company are substantially reduced contingent liabilities compared to its contingent liabilities in respect of the Existing Guarantee.

### **3. REASON AND BENEFITS OF THE PROVISION OF THE GUARANTEE**

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 and is principally engaged, inter alia, in investment management services which are provided to the investors by managing the Investment SPVs through ZACD Fund as sponsor by holding the entire nominal ordinary share capital of the relevant fund holding entities including but not limited to BBW6 Fund, in all aspects including operation and financing from time to time when the Development SPVs are required.

As disclosed in the circular of the Company dated 3 September 2018, the provision of the Existing Guarantee enables the Company to derive commercial benefits from ensuring the performance of BBW6 Fund as well as maintaining the business relationship with Qingjian. Further, it is a common market practice in Singapore for participating shareholders in a property development business venture to each provide their proportionate guarantees to banks for the borrowings of such business venture in proportion to their respective shareholding in such business venture. This is because the banks usually require some recourse to the shareholders and non-recourse external loan finance is extremely rare in the market in Singapore. Further, BBW6 Fund being the shareholder of the Borrowers is obliged to provide additional security including but not limited to by way of guarantee and indemnity in the proportion to its shareholding in the Borrowers which is required in order to secure financing requirements as the Borrowers may require from time to time by way of loan or in such other manner as the board of the Borrowers may determine. The Borrowers as the property developer and the Development SPVs of the BBW6 Development led the discussions with the Lender on the refinancing loan facilities and as required by the Lender, the Company, which indirectly wholly owns the Investment SPV of the Group for the BBW6 Development — BBW6 Fund, was required to provide a corporate guarantee in proportion to the investment stakes of 12% by BBW6 Fund in the Borrowers to the bank as a

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## LETTER FROM THE BOARD

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continuing security. At the same time, each of CNQC International Holdings Limited and Octava Pte. Ltd. was also required by the Lender to provide a corporate guarantee in proportion to their respective investment stakes of 73% and 15% in the Borrowers to the bank as a continuing security.

Following the notification by the Borrowers of their discussion with the Lender on the refinancing loan facilities by furnishing the Company with a draft term sheet issued by the Lender to the Borrowers in April 2020, the Company have made necessary inquiries to the Borrowers to evaluate their indebtedness and debt capacity so as to understand the needs of the refinancing loan facilities, which once finalised between the Borrowers and the Lender, would require the Company, together with CNQC International Holdings Limited and Octava Pte. Ltd. to each provide a corporate guarantee in proportion to the respective investment stakes in the Borrowers as a continuing security. The Board has taken into consideration of the reasonableness and benefits on the Borrowers being granted by the Lender the refinancing loan facilities analysed as follows:

- (i) any failure by the Borrowers of making full repayment of the total existing outstanding loan facilities under the Previous Facility Agreement on its final maturity date of 23 July 2020 may constitute a default under the Previous Facility Agreement entitling the Previous Lenders to call on the Existing Guarantee. The bridging loan facility of S\$55,000,000 out of the total refinancing loan facilities of S\$125,000,000 will be firstly utilised by the Borrowers to repay partially the existing outstanding loan facilities on its final maturity date of 23 July 2020, while the balance will be repaid by the Borrowers in cash, upon which the Existing Guarantee provided by the Company will be released and discharged.

As at 23 July 2020, following the drawdown of the refinancing loan facilities and the full payment of the total existing outstanding loan facilities by the Borrowers, the Security Agent has agreed to release and discharge, among other things, the Previous Deed of Guarantee by executing a deed of discharge, release and reassignment in favour of the obligors in connection with the existing loan facilities including BBW6 Fund on the even date, pursuant to which the contingent exposure and liabilities of the Company in connection with the existing loan facilities had been reduced to zero.

- (ii) while the existing loan facilities represent approximately 60% of the total development cost of the BBW6 Development, the remaining 40% were funded by the shareholders of the Borrowers, which pursuant to the shareholders' loan agreements entered into by the shareholders of the Borrowers including BBW6 Fund on 20 December 2016, are to be repaid by the Borrowers in part or in full on any date as agreed between the parties thereto from time to time, subject to the project financial institution's approval, and if so paid, shall be made to the shareholders of the Borrowers in proportion to their

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## LETTER FROM THE BOARD

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respective shareholding in the Borrowers. The term loan facility of S\$70,000,000 out of the total refinancing loan facilities of S\$125,000,000, as granted by the Lender, will be firstly utilised by the Borrowers to repay approximately 65% of the shareholders' loans, of which BBW6 Fund will be entitled to receive approximately S\$8,400,000, which will in turn be utilised by BBW6 Fund to make capital repayment to its investors.

As disclosed in the circular of the Company dated 3 September 2018 in relation to the provision of the Existing Guarantee, in providing the fund management services to BBW6 Fund by ZACD Capital, the Group is entitled to, among other things, a performance fee equivalent to 15% of the net proceeds from the realisation of investments after full repayment of the invested capital to the investors, subject to certain terms and conditions. The term loan facility of S\$70,000,000 will expedite the capital repayment process of BBW6 Fund and therefore may direct commercial benefits to the Company by sustaining the performance of BBW6 Fund and thus the investment management business of the Company;

- (iii) the refinancing loan facilities of S\$125,000,000, comprising the bridging loan facility of S\$55,000,000 and the term loan facility of S\$70,000,000, are at a lower interest rate compared to the existing loan facilities. As at the Latest Practicable Date, the Company is not aware of any moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender other than the refinancing loan facilities and therefore, the maximum amount that the Company shall be liable under the Deed of Guarantee will be limited to 12% of the refinancing loan facilities, estimated at approximately S\$15,000,000, and any interest, commission, other banking charges, costs and expenses accrued thereon, which to the Company are substantially reduced contingent liabilities compared to its previous contingent liabilities in respect of the Existing Guarantee; and
- (iv) despite of the repayment capacity of the Borrowers, with COVID-19 and circuit breaker measures disrupting the property transactions in Singapore and the pass of the COVID-19 (Temporary Measures) Act 2020 by Singapore Parliament which brings into force temporary measures to, *inter alia*, provide the residential property buyers temporary reprieve to satisfy its contractual obligations including but not limited to its payment obligations to housing developers, the refinancing loan facilities afford the Borrowers a margin of flexibility and allow the Borrowers to maintain its working capital to cope with the impacts of COVID-19.

Further, the corporate guarantee exposure should be considered in light of the credit risk of the Borrowers associated with Refinancing Facility Agreement as the Company may only incur liabilities upon a call on the Guarantee arising in the event of default of the Borrowers under the

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## LETTER FROM THE BOARD

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Refinancing Facility Agreement. In this regard, the Board considers that the Borrowers' credit risk is remote after the Company's assessment including but not limited to review of the annual and/or quarterly investment report of the Borrowers:

- (a) the Company is not aware of any default or breach of any of the covenants, obligations, terms and conditions contained in the Previous Facility Agreement by the Borrowers;
- (b) the number of residential units in the BBW6 Development sold as at the Latest Practicable Date is 490 represents approximately 95% of the total 516 residential units available for sale for the residential development alone, and the options to purchase have been issued and/or exercised for the remaining 26 unsold residential units where the sale and purchase agreements are to be entered into within the stipulated timeline around 8 weeks. Based on the latest estimated development cost and the estimated gross development value that made known to the Company, the sale proceeds arising from the sale of the remaining residential units and the rental income to be generated by the lease of the commercial units in the BBW6 Development will be more than sufficient to repay the refinancing loan facilities and any interest accrued thereon,

and thus the probability of the event of default of the Borrowers under the Refinancing Facility Agreement is remote and the Company should not have to be called upon on the Guarantee.

In addition, after reviewing the sale progress of the BBW6 Development, the fund inflow and outflow of the Borrowers in the investment reports of the Borrowers for 2019 and the Q1 and Q2 2020 which indicate that the Borrowers have the ability in maintaining an adequate cash flow and reserve of the working capital.

Having considered that (i) the reasonableness and benefits on the Borrowers being granted by the Lender the refinancing loan facilities, (ii) the previous financial performance of the Borrowers and that the Borrowers have never defaulted in repayment to the Previous Lenders under the Previous Facility Agreement, the probability of the event of default of the Borrowers under the Refinancing Facility Agreement is remote, (iii) as confirmed by Qingjian, the Refinancing Facility Agreement and the corresponding proportionate guarantees including the Deed of Guarantee are under normal commercial terms as compared to similar bank loans of other real estate development projects that Qingjian entered into with the Lender or other banks, (iv) the contingent guarantee liability exposure among the shareholders of the Borrowers would be consistent with their respective shareholding in the Borrowers pursuant to which the investment return from the BBW6 Development will be distributed, (v) the nature of the provision of the Guarantee is similar to the provision of the Existing Guarantee, the Directors including the independent non-executive

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## LETTER FROM THE BOARD

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Directors consider that the provision of the Guarantee and the terms and conditions of the Deed of Guarantee are under normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

#### **4. INFORMATION ON BBW6 DEVELOPMENT AND RELEVANT PARTIES**

As at the Latest Practicable Date, the BBW6 Development was beneficially held as to 73% by Qingjian Realty (BBC) Investments Pte. Ltd. and Qingjian Realty (BBR) Investments Pte. Ltd. jointly, as to 15% by OSS Property Investments Pte. Ltd. and as to 12% by BBW6 Fund. The Borrowers are the registered proprietors of the leasehold estate of 99 years in the land parcel of the BBW6 Development and undertake the development of the BBW6 Development.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Borrowers, Qingjian Realty (BBC) Investments Pte. Ltd. and Qingjian Realty (BBR) Investments Pte. Ltd. and OSS Property Investments Pte. Ltd. are Independent Third Parties.

Qingjian Realty (BBC) Investments Pte. Ltd. and Qingjian Realty (BBR) Investments Pte. Ltd. are the subsidiaries indirectly wholly owned by CNQC International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1240), with major businesses in real estate, construction, and lifestyle smart home/smart communities application etc and has provided on the same date of the Deed of Guarantee the similar proportionate guarantee as the ultimate beneficial owner of Qingjian Realty (BBC) Investments Pte. Ltd. and Qingjian Realty (BBR) Investments Pte. Ltd. with the liability amounting to 73% of the total liabilities of the Borrowers in its Shareholding Proportion. OSS Property Investments Pte. Ltd. is a real estate investment company with primary interest in the Singapore property market, of which 50% of its issued share capital is legally and beneficially owned by Octava Pte. Ltd. and fully paid, which as the corporate guarantor has provided on the same date of the Deed of Guarantee the similar jointly and severally proportionate guarantee with the liability amounting to 15% of the total liabilities of the Borrowers in their Shareholding Proportion. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CNQC International Holdings Limited and Octava Pte. Ltd. are Independent Third Parties.

#### **5. FINANCIAL EFFECTS OF GRANTING THE GUARANTEE ON THE GROUP**

There is no immediate effect on the earnings, assets and liabilities of the Group on the date of granting the Guarantee. However, the Company, as the guarantor, will be responsible, if the Borrowers fail to make payments when due in accordance with the terms of the Refinancing Facility Agreement, to make payment of the refinancing loan facilities maximally approximately in the aggregate of the principal amount of S\$15,000,000 amounting to 12% of the total liabilities of the Borrowers under the Refinancing Facility Agreement and any interest, commission, other



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## **LETTER FROM THE BOARD**

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banking charges, costs and expenses accrued thereon (if any) on the basis that there are no any moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender other than the refinancing loan facilities, which will be gradually reduced by repayments by the Borrowers.

In the event that the Borrowers were to default in making payments under the Refinancing Facility Agreement, the Company's liabilities would be increased by maximally approximately S\$15,000,000 plus any interest, commission, other banking charges, costs and expenses accrued thereon on the basis that there are no any moneys and liabilities (whether actual, contingent or otherwise) owing or payable by the Borrowers to the Lender other than the refinancing loan facilities, and the same will be recorded to the Group's statement of financial position.

Having considered the previous financial performance of the Borrowers and that the Borrowers have never defaulted in repayment to the Previous Lenders under the Previous Facility Agreement and that the credit risk of the Borrowers is remote as among other things that the sale proceeds arising from the sale of the remaining residential units and the rental income to be generated by the lease of the commercial units in the BBW6 Development will be more than sufficient to repay the refinancing loan facilities and any interest accrued thereon and the Borrowers have the ability in maintaining an adequate cash flow and reserve of the working capital, the Directors considers that there will not be any material effect on the earnings, assets and liabilities of the Group for the provision of the Guarantee unless the Company is required to perform the obligations under the Deed of Guarantee.

### **6. IMPLICATIONS UNDER THE GEM LISTING RULES**

The provision of the Guarantee constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and the Shareholders' approval requirements.

### **7. WRITTEN SHAREHOLDERS' APPROVAL**

Pursuant to Rule 19.44 of the GEM Listing Rules, Shareholders' approval of the Guarantee may be given by way of written Shareholders' approval in lieu of holding a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Guarantee and the transactions contemplated thereunder; and (ii) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued Shares of the Company giving the right to attend and vote at that general meeting to approve the Guarantee and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Board is not aware that any Shareholder has a material interest in the Guarantee and the transactions contemplated thereunder and accordingly, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Guarantee and the transactions contemplated thereunder.

The written Shareholders' approval of the Guarantee and the transactions contemplated thereunder has been obtained from ZACD Investments, which holds 1,298,600,000 issued Shares of the Company representing 64.93% of the issued Shares of the Company as at the Latest Practicable Date. Pursuant to Rule 19.44 of the GEM Listing Rules, the written Shareholders' approval from ZACD Investments has been accepted in lieu of holding a general meeting for the approval of the Guarantee and the transactions contemplated thereunder.

### **8. RECOMMENDATION**

The Directors are of the view that the terms of the Deed of Guarantee and the transactions contemplated thereunder are fair and reasonable and the entering into the Deed of Guarantee is in the interest of the Group and the Shareholders as a whole.

### **9. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,  
On behalf of the Board  
**ZACD Group Ltd.**  
**Sim Kain Kain**  
*Chairman and Executive Director*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 were set out in the annual report of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/financial-reports/>).

Financial information of the Group for the six months ended 30 June 2020 was set out in the interim report 2020 of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/announcements-circulars/>).

**2. STATEMENT OF INDEBTEDNESS**

As at 21 September 2020, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had obtained a banking facility of S\$3 million which was unsecured and to use for working capital purposes.

As at 21 September 2020, the contingent liabilities incurred by the Group for provision of the guarantees to the Development SPVs were approximately S\$347.5 million.

Save as otherwise disclosed above, and apart from intra-group liabilities, the Group did not have, as at 21 September 2020, any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

**3. WORKING CAPITAL**

Taking into consideration the financial resources presently available to the Group, including the internally generated fund, the working capital available to the Group and the present available facility, the Directors, after having made due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

#### 4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Since the outbreak of COVID-19, the Group experienced disruption to its normal operations which may have an impact on the Group's performance and business expansion plans. The Group continue to strengthen its cost control measures substantially in order to mitigate the adverse impact from the COVID-19 pandemic and continue to monitor the situation and the risks and uncertainties as a result thereof and make further adjustments to its operations and business strategies as and when required.

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 more distressed assets with redevelopment/turnaround potential when a profitable opportunity arises.

The Group also explores other possibilities to maintain a steady revenue pipeline such as venturing into other financial markets by collaborating with established financial institutions, while continuing to ramp up its corporate advisory business segment and fund distribution capability.

## 5. MATERIAL ADVERSE CHANGE

Reference is made to the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “**Announcements**”) and the published unaudited interim report 2020 of the Company for the six months ended 30 June 2020. Unless otherwise defined, capitalized terms used here shall have the same meanings as those defined in the Announcements and the unaudited interim report 2020 of the Company. Pursuant to the Announcements, the Group had recognised Impairment Losses of approximately S\$3.7 million in respect of the Investment Management Fees Receivables and approximately S\$2.3 million in respect of the advance by the Group to ZACD Australia Hospitality Fund for the period six months ended 30 June 2020.

As at the Latest Practicable Date, save for the Announcements and Impairment Losses pursuant to the Announcements, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Directors' and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporation**

As at the Latest Practicable Date, save as disclosed in the section headed "Corporate Governance and Other Information" of the interim report 2020 of the Company (Pages 70 to 74) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/en/investorrelations/announcements>), none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Substantial Shareholders' and other persons' interest and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, save as disclosed in the section headed "Corporate Governance and Other Information" of the interim report 2020 of the Company (Pages 74 to 75) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/en/investorrelations/announcements>), no person, other than the Directors and the chief executive of the Company, whose interests are set out in the section "Director's and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporation" above, had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the

Company which was required to be recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DISCLOSURE OF OTHER INTERESTS**

#### **Directors' service contract**

As at the Latest Practicable Date, save as disclosed in the section headed "Directors' Service Contracts and Letters of Appointment" in Annual Report 2019 (Page 44) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/en/investorrelations/announcements>), none of the Directors had any proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one (1) year without payment of compensation (other than statutory compensation).

#### **Directors' competing interests**

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interests in any business, apart from the business of the Group, which compete or may compete, either directly or indirectly, with the business of the Group.

#### **Directors' interests in assets**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

#### **Directors' interests in contracts or arrangements of significance**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

#### 4. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

- (i) a banking facility letter agreement dated 8 April 2020 entered into between United Overseas Bank Limited (as the lender) and the Company (as the borrower) pursuant to which the Company was granted an unsecured 5-year temporary bridging loan under the Enterprise Financing Scheme for the amount of S\$3,000,000.

#### 5. LITIGATION

As at the Latest Practicable Date, save as disclosed in the announcements of the Company made on 24 July 2020 and 6 August 2020 (the “**Relevant Announcements**”), none of the members of the Group was engaged in any other litigation or claim of material importance and no other litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

The legal proceedings commenced on 6 August 2020 by the Company and Development4 Fund in the Supreme Court of New South Wales in Australia (the “**Court**”) against the Trust Lawyer (as defined in the Relevant Announcements) for *inter alia* the recovery of the ZACD Deposit (as defined in the Relevant Announcements) and other ancillary reliefs is currently in progress and a firm of Australian solicitors have been appointed to act for the Trust Lawyer who entered an appearance on the 19 August 2020. Directions have been issued by the Court for the further progress of this suit including the filing of a Defence by the Trust Lawyer and a Reply by the Company and other directions pertaining to the prosecution and defence of this matter. These required steps will take the matter to the end October 2020 where after parties will return to Court for further directions to be issued.

#### 6. GENERAL

- (i) The registered office, head office and the principal place of business in Singapore of the Company is 2 Bukit Merah Central, #22-00, Singapore 159835.
- (ii) The principal place of business of the Company in Hong Kong is at Unit 1610, Level 16, Man Yee Building, 60-68 Des Voeux Road Central, Central, Hong Kong.



- (iii) Two joint company secretaries in Hong Kong and one joint company secretary in Singapore of the Company were appointed:
- (a) Mr. Siew Chen Yei (“**Mr. Siew**”), was appointed as one of the joint company secretaries of the Company in Hong Kong on 12 July 2017. He obtained a Bachelor of Arts degree in financial analysis from the University of Newcastle Upon Tyne in the United Kingdom in July 1998 and a master of business administration degree from London Business School to The University of London in the United Kingdom in August 2009. He became an associate of the Institute of Chartered Accountants in England and Wales in the United Kingdom in November 2001 and a chartered accountant with the Malaysian Institute of Accountants in July 2002;
  - (b) Mr. Ip Pui Sum, was appointed as one of the joint company secretaries of the Company in Hong Kong on 12 July 2017. He obtained a higher diploma in accountancy from the Hong Kong Polytechnic University in November 1982 and a master’s degree in business administration from Henley Management College in Brunel University in May 1997. He is a Certified Public Accountant (Practising) in Hong Kong, a fellow member of the Chartered Association of Certified Accountants and an associate member of the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries; and
  - (c) Mr. Tan Kim Swee Bernard (Chen Jinrui Bernard), was appointed as one of the joint company secretaries of the Company in Singapore on 8 November 2016. He is a practicing solicitor in Singapore. He has over 18 years of experience in legal practice including the professional secretarial services sector in Singapore. He obtained a Bachelor of Laws degree from the National University of Singapore in August 2000.
- (iv) Mr. Siew, was appointed as an executive Director and the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of the Company on 12 July 2017 and a Deputy Chief Executive Officer of the Company on 11 March 2020.
- (v) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 6:30 p.m. on any weekday (except public holidays) at the office of the Company in Hong Kong at Unit 1610, Level 16, Man Yee Building, 60-68 Des Voeux Road Central, Central, Hong Kong up to and including the date falling on 14 days from the date of this circular:

- (i) the Constitution;
- (ii) the material contracts referred to in the paragraph headed “Material Contracts” above in this Appendix;
- (iii) the service contracts referred to in the paragraph headed “Directors’ service contract” above in this Appendix;
- (iv) the prospectus;
- (v) the annual report of the Company for the two years ended 31 December 2018 and 2019;
- (vi) the first quarterly report of the Company for the three months ended 31 March 2020;
- (vii) the interim report 2020 of the Company for the six months ended 30 June 2020; and
- (viii) this circular and a copy of each circular issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).