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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

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

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

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

*This announcement will be published on the GEM website at **www.hkgem.com** and remain on the ''Latest Company Announcements'' page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at **www.zacdgroup.com**.*

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

* *for identification purposes only*

INTERIM FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group decreased by 6.7% or approximately S$295,000 from approximately S$4.4 million for the six months ended 30 June 2019 to approximately S$4.1 million for the six months ended 30 June 2020. The decrease was mainly attributable to the decrease in property management fees as a result of contracts had ceased and/or have not been renewed at the end of the contract term and lower dividends derived from the investment management business segment, partially offset by the increase in acquisition fee derived in the acquisitions and projects management business segment.

- The Group reported a net loss of approximately S$7.9 million for the six months ended 30 June 2020 as compared with a net loss of approximately $983,000 for the corresponding period in 2019. The further loss was mainly attributable to the allowance for impairment losses on the Group's trade receivables in respect of the investment management fees amounting to approximately S$3.7 million, allowance for impairment loss on the advance to ZACD (Development4) Ltd. of approximately S$2.3 million and increase in professional fees of approximately S$1.2 million mainly due to a one-off corporate finance activity carried out during the Review Period.

- No dividend was paid or proposed by the Company for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

- Basic and diluted loss per share during the six months ended 30 June 2020 was approximately S$0.40 cents (Six months ended 30 June 2019: loss of S$0.05 cents).

INTERIM RESULTS

This is an interim results announcement made by ZACD Group Ltd. (the "**Company**", together with its subsidiaries as the "**Group**").

The board of directors (the "**Board**") of the Company hereby announces the unaudited consolidated results of the Group for the six months ended 30 June 2020 (the "**Interim Results**"), together with the unaudited comparative figures for the six months ended 30 June 2019:

Unaudited consolidated statement of profit or loss and other comprehensive income For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 S$'000 (unaudited)	2019 S$'000 (unaudited)
Revenue	4	**4,090**	4,385
Other income and gains	4	**897**	423
Staff costs		**(3,847)**	(4,003)
Depreciation		**(133)**	(100)
Amortisation of right-of-use asset		**(259)**	(257)
Amortisation of capitalised contract costs		**(39)**	(4)
Impairment losses on financial assets	5	**(6,030)**	–
Impairment loss on capitalised contract costs	12	**(200)**	–
Marketing expenses		**(8)**	(11)
Other expenses, net		**(2,394)**	(1,398)
Interest expense		**(9)**	(18)
Loss before tax	5	**(7,932)**	(983)
Income tax expense	6	**(7)**	–
Loss for the period attributable to owners of the Company		**(7,939)**	(983)
Other comprehensive (loss)/income:			
<u>Items that will not be reclassified to profit or loss:</u>			
Fair value changes on investment in equity securities		**(515)**	101
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange differences on translation of foreign operations		**(66)**	3
Other comprehensive (loss)/income for the period		**(581)**	104
Total comprehensive loss for the period attributable to owners of the Company		**(8,520)**	(879)
Loss per share attributable to owners of the Company	7		
- Basic (cents)		**(0.40)**	(0.05)
- Diluted (cents)		**(0.40)**	(0.05)

Unaudited consolidated statement of financial position
As at 30 June 2020

	Note	30 June 2020 $'000 (unaudited)	31 December 2019 $'000 (audited)
Non-current assets			
Property, plant and equipment	9	**329**	435
Right-of-use asset		**291**	547
Investment in equity securities	10	**1,782**	2,297
Prepayments, deposits and other receivables		**292**	304
Deferred tax assets		**72**	12
Total non-current assets		**2,766**	3,595
Current assets			
Trade receivables	11	**4,856**	10,675
Amount due from ultimate holding company		**1**	1
Amounts due from related parties (non-trade)		**1,167**	6,899
Prepayments, deposits and other receivables		**773**	438
Capitalised contract costs	12	**318**	415
Loans and related receivables	13	**9,762**	–
Cash and cash equivalents	14	**13,093**	18,342
Total current assets		**29,970**	36,770
Current liabilities			
Trade payables, other payables and accruals		**2,801**	1,681
Amount due to ultimate holding company		**–**	1
Amounts due to related parties (non-trade)		**266**	276
Lease liabilities		**299**	436
Tax payable		**154**	172
Total current liabilities		**3,520**	2,566
Net current assets		**26,450**	34,204
Non-current liabilities			
Other payables		**66**	93
Lease liabilities		**–**	121
Deferred tax liabilities		**85**	–
Total non-current liabilities		**151**	214
Net assets		**29,065**	37,585
Equity			
Share capital	15	**29,866**	29,866
Reserves		**(801)**	7,719
Total equity		**29,065**	37,585

1. Corporate information

The Company is a company limited by shares, which is domiciled and incorporated in the Republic of Singapore ("**Singapore**"). The registered office of the Company, which is also its principal place of business, is located at 2 Bukit Merah Central #22-00, Singapore 159835.

The Company is an investment holding company. During the financial period, the Company's subsidiaries were principally engaged in the provision of the following services:

(i) investment management services, which includes (a) special purpose vehicle ("**SPV**") investment management and (b) fund management;
(ii) acquisitions and projects management services;
(iii) property management and tenancy management services; and
(iv) financial advisory services.

2. Bases of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and Singapore Financial Reporting Standards (International) ("**SFRS(I)**") as issued by the Singapore Accounting Standards Council ("**ASC**").

The unaudited condensed consolidated financial information is presented in Singapore dollars ("**S$**") and all values are rounded to the nearest thousand (S$'000) except when otherwise indicated.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Interim Results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. Operating segment information

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

(a) Investment management

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

(i) SPV investment management

The Group provides investment management services to investors of real estate development projects by establishing and incorporating Investment SPV through which the investors participate in the project by subscribing convertible loans that are issued by the Investment SPV and/or entering into trust deeds with the Group's ultimate holding company under the trust structure. With respect to a major investor, the Group also derives revenue in return for providing a priority right to this investor to participate in the Group's real estate development projects. Post establishment and incorporation of the Investment SPV, the Group continues to provide investment management services to the investors by managing the Investment SPV up to the time of project completion. The Group also holds the establishment shares received from investors to remunerate its SPV investment management services provided, through dividend distribution from the relevant SPVs under the convertible loan structure. Under the trust structure, the Group derives performance fees from the profits made by the investors through dividend distribution received by the Group's ultimate holding company on behalf of investors.

(ii) Fund management

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

Under the contracts entered into with the private real estate funds, the Group is entitled to fund establishment fee and fund management fees based on a percentage of committed capital and performance fees based on a percentage of return on equity of the fund upon divestment of all investments in the fund or expiration or early termination of the fund life. The fund management fees are received quarterly or annually and are recognised on a straight-line basis over the contract terms. The fund establishment fees are recognised as and when the Group's rights and entitlement to the fees are established. Performance fees are not recognised until it is highly probable that a significant reversal of the cumulative amount of revenue recognised will not occur upon the resolution of any uncertainty.

(b) Acquisitions and projects management (Note 1)

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

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

(c) Property management and tenancy management

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

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

(d) Financial advisory

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

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that unallocated other income and gains as well as head office and corporate expenses are excluded from such measurement.

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2020	**2019**
	S$'000	S$'000
	(unaudited)	(unaudited)
Singapore	**3,668**	4,105
Malaysia	**217**	141
Australia	**41**	79
Other countries/jurisdictions	**164**	60
	4,090	4,385

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

(b) Non-current assets

	30 June 2020	**31 December 2019**
	S$'000	S$'000
	(unaudited)	(audited)
Singapore	**527**	750
Other countries/jurisdictions	**93**	232
	620	982

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

4. Revenue, and other income and gains

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

Six months ended 30 June 2020 (unaudited)	Investment management: SPV investment management S$'000	Investment management: Fund management S$'000	Acquisitions and projects management S$'000	Property management and tenancy management S$'000	Financial advisory S$'000	Total revenue S$'000
Primary geographical markets						
Singapore	**452**	**885**	**1,245**	**955**	**131**	**3,668**
Malaysia	**17**	**–**	**–**	**20**	**180**	**217**
Australia	**–**	**–**	**41**	**–**	**–**	**41**
Other countries/jurisdictions	**–**	**–**	**–**	**–**	**164**	**164**
	469	**885**	**1,286**	**975**	**475**	**4,090**
Timing of services						
At a point in time	**427**	**537**	**1,209**	**–**	**–**	**2,173**
Over time	**42**	**348**	**77**	**975**	**475**	**1,917**
	469	**885**	**1,286**	**975**	**475**	**4,090**

Six months ended 30 June 2019 (unaudited)	SPV investment management S$'000	Fund management S$'000	Acquisitions and projects management S$'000	Property management and tenancy management S$'000	Financial advisory S$'000	Total revenue S$'000
Primary geographical markets						
Singapore	753	1,004	377	1,688	283	4,105
Malaysia	121	–	–	20	–	141
Australia	–	–	79	–	–	79
Indonesia	1	3	–	–	–	4
Other countries/jurisdictions	3	4	–	–	49	56
	878	1,011	456	1,708	332	4,385
Timing of services						
At a point in time	843	640	16	–	–	1,499
Over time	35	371	440	1,708	332	2,886
	878	1,011	456	1,708	332	4,385

4. Revenue, and other income and gains

	Six months ended 30 June	
	2020	**2019**
	S$'000	S$'000
	(unaudited)	(unaudited)
Revenue		
Investment management		
— SPV investment management fees	**469**	878
— Fund management fees	**885**	1,011
Acquisitions and projects management service fees	**1,286**	456
Property management and tenancy management fees	**975**	1,708
Financial advisory fees	**475**	332
	4,090	4,385
Other income and gains		
Government grants*	**634**	119
Interest income	**12**	302
Foreign exchange differences, net	**190**	–
Others	**61**	2
	897	423

* *Government grants were received/are receivable by certain subsidiaries and the Company in connection with employment of Singaporean and/or non-Singaporean workers under Special Employment Credit, Wage Credit Scheme, Government-Paid Leave Schemes, Jobs Support Scheme and enhancement/scale up of business capabilities under Capability Development Grant provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.*

5. Loss before tax

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

	Six months ended 30 June	
	2020	**2019**
	S$'000	S$'000
	(unaudited)	(unaudited)
Auditor's remuneration	**100**	97
Dividend income from the establishment shares included in SPV investment management fees	**(410)**	(733)
Foreign exchange differences, net	**(190)**	24
Professional fees	**1,369**	78
Impairment loss on trade receivables (Note 11)	**3,677**	–
Impairment loss on loans and receivables (Note 13)	**2,353**	–

6. Income tax expense

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the six months ended 30 June 2020 (Six months ended 30 June 2019: 17%). No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

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

	Six months ended 30 June	
	2020	2019
	S$'000	S$'000
	(unaudited)	(unaudited)
Current:		
- Provision for current period	**4**	–
- Overprovision in prior years	**(22)**	–
Deferred taxation:		
- Origination of temporary differences	**25**	–
Income tax expense for the period	**7**	–

7. Loss per share attributable to owners of the Company

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

	Six months ended 30 June	
	2020	**2019**
	S$'000	S$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of calculating basic and diluted loss per share (loss for the period attributable to owners of the Company)	**(7,939)**	(983)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**2,000,000,000**	2,000,000,000

8. Dividends

No dividend was paid or proposed by the Company for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

9. Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired assets with aggregate cost of S$27,000 (Six months ended 30 June 2019: S$76,000) and disposed assets with net book value of nil (Six months ended 30 June 2019: S$44,000).

10. Investment in equity securities

	30 June 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
Unlisted equity shares, at fair value	**1,005**	1,299
Contractual rights over unlisted equity shares, at fair value	**777**	998
	1,782	2,297

During the six months ended 30 June 2020, the fair value change in respect of the Group's investment in equity securities recognised in other comprehensive income amounted to a loss of S$515,000 (Six months ended 30 June 2019: gain of S$101,000).

The financial assets have no fixed maturity date or coupon rate.

Investment in equity securities represent the establishment shares or contractual rights over the establishment shares to be awarded by the investors of Investment SPVs that the Group currently acts as a manager, as consideration for services rendered by the Group to the investors (that include independent third parties and the ultimate holding company) in relation to the establishment and incorporation of the Investment SPVs as real estate development investment structures. Through these Investment SPVs, the investors participate in real estate development projects by investing in convertible loans issued by the Investment SPVs.

Although the contractual rights over the establishment shares are earned by the Group upon the subscription of convertible loans in the Investment SPVs by the investors, the shares will only be received by the Group from the investors upon conversion of their convertible loans as and when the underlying real estate development project is substantially completed.

The Group receives dividend distributions from the Investment SPVs for the establishment shares it received from investors and as and when declared by the Investment SPVs. Such dividend distributions are included in the Group's SPV investment management fees (Note 4).

11. Trade receivables

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Trade receivables	**8,533**	10,675
Less: allowance for impairment losses (Note 5)	**(3,677)**	–
	4,856	10,675

Set out below is the movement in the allowance for impairment losses of trade receivables:

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
At beginning of reporting period	**–**	–
Allowance for impairment losses (Note 5)	**3,677**	–
At end of reporting period	**3,677**	–

The allowance was made against fund management fees receivables pursuant to the ZACD Australia Hospitality Fund. Pursuant to the announcements made by the Company on 23 and 24 July 2020 (Note 13), management has assessed these receivables as doubtful debts and has accordingly recorded a full allowance on the receivables.

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

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

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Within 1 month	**1,206**	7,241
1 to 2 months	**15**	215
2 to 3 months	**864**	141
Over 3 months	**2,771**	952
	4,856	8,549

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

	30 June 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
Dividend receivables	**–**	2,126
Neither past due nor impaired	**1,206**	7,241
Less than 1 month past due	**15**	215
1 to 3 months past due	**3,635**	1,093
	4,856	10,675

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.

As at 30 June 2020 and 31 December 2019, the Group had the following trade receivables from related parties which are repayable on credit terms similar to those offered to major customers of the Group.

	30 June 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
Ultimate holding company	**–**	63
Related parties*	**2,476**	4,583
	2,476	4,646

* Particulars of trade receivables due from related parties are as follows:

	30 June 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
BH-ZACD (Woodlands) Development Pte. Ltd.	**8**	8
Landmark JV Pte. Ltd.	**1,185**	1,185
Mandai 7 JV Pte. Ltd.	**570**	–
Publique Realty Pte. Ltd.	**120**	–
ZACD (CS) Ltd.	**61**	–
ZACD (Development2) Ltd.	**524**	682
ZACD (AMK) Pte. Ltd.	**1**	624
ZACD (Anchorvale) Pte. Ltd.	**1**	24
ZACD (Canberra) Pte. Ltd.	**1**	254
ZACD (CCK) Pte. Ltd.	**1**	111

ZACD (Frontier) Pte. Ltd.	**1**	91
ZACD (Woodlands3) Pte. Ltd.	**1**	17
ZACD (Woodlands12) Pte. Ltd.	**1**	1,005
ZACD (Woodlands) Pte. Ltd.	**1**	–
ZACD (Development4) Ltd.	**–**	582
	2,476	4,583

Relationships of the above related companies with the Group are set out in Note 16.

12. Capitalised contract costs

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Capitalised incremental costs of obtaining contracts – commission costs paid to agents		
At beginning of reporting period	**415**	–
Additions	**142**	474
Impairment loss	**(200)**	–
Amortisation	**(39)**	(59)
At end of reporting period	**318**	415

The impairment loss relates to commission fee expense previously incurred in relation to the ZACD Australia Hospitality Fund. With the latest updates as announced by the Company on 23 and 24 July 2020 (Note 13), management has impaired the unamortised commission fee expense in full.

13. Loans and related receivables

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Current		
Bridging loan funded to:		
ZACD (Development4) Ltd.	**12,115**	–
Less: allowance for impairment losses (Note 5)	**(2,353)**	–
	9,762	–

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

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
At beginning of reporting period	**–**	–
Allowance for impairment losses (Note 5)	**2,353**	–
At end of reporting period	**2,353**	–

Bridging facility to ZACD (Development4) Ltd.

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

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

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

As at 30 June 2020, S$12,115,000 has been drawn down on the Facility by the Borrower.

Pursuant to the inside information and business update announcements dated 23 and 24 July 2020 of the Company, the Group had recognised allowance for impairment losses of approximately S$2,353,000 in respect of the loan to the Borrower.

14. Cash and cash equivalents

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Cash and bank balances	**13,093**	18,342

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and bank balances denominated in foreign currencies are as follows:

	30 June 2020 S$'000 (unaudited)	**31 December 2019** S$'000 (audited)
Hongkong dollar (HKD)	**641**	360
Australia dollar (AUD)	**1,385**	6,095

15. Share capital

	30 June 2020 S$'000 (unaudited)	31 December 2019 S$'000 (audited)
Issued and paid up capital:		
2,000,000,000 ordinary shares	**29,866**	29,866

A summary of the Group's issued share capital during the period ended 30 June 2020 and year ended 31 December 2019 is as follows:

	Number of ordinary shares	Nominal value of ordinary shares S$'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 (audited), 1 January 2020 and 30 June 2020 (unaudited)	**2,000,000,000**	29,866

16. Related party transactions

In addition to the transactions and balances detailed elsewhere in this announcement, the Group had the following material transactions with related parties during the six months ended 30 June 2020 and 2019:

	Notes	Six months ended 30 June 2020 S$'000 (unaudited)	Six months ended 30 June 2019 S$'000 (unaudited)
Investment management — dividend income:	(i)		
ZACD (Woodlands) Pte. Ltd.		**–**	186
ZACD (Woodlands2) Pte. Ltd.		**–**	274
ZACD (Pasir Ris) Pte. Ltd.		**66**	220
ZACD (Sennett) Pte. Ltd.		**–**	53
ZACD (CCK) Pte. Ltd.		**344**	–
		410	733
Investment management — fund management fees:	(ii)		
ZACD (BBW6) Ltd.		**57**	77
ZACD (Shunfu) Ltd.		**19**	19
ZACD (Shunfu2) Ltd.		**19**	19
ZACD Income Trust		**111**	211
ZACD (Development2) Ltd.		**54**	576
ZACD (CS) Ltd.		**513**	–

ZACD (Development4) Ltd.		**86**	–
		859	902
Acquisitions and projects management fees:	(iii)		
Landmark JV Pte. Ltd.		**–**	325
Mandai 7 JV Pte. Ltd.		**1,092**	–
Publique Realty Pte. Ltd.		**112**	–
		1,204	325
Property management and tenancy management fees:	(iv)		
BH-ZACD (Tuas Bay) Development Pte. Ltd.		**–**	41
Publique Realty (Jurong) Pte. Ltd.		**–**	111
		–	152
Corporate services expense:	(v)		
Magnificent Vine Group Holdings Pte. Ltd.		**–**	4
Repair and maintenance services expense:	(vi)		
Neew Pte. Ltd.		**125**	302
Rental expenses:	(vii)		
The ultimate holding company		**–**	70

Notes:

(i) The dividend income was derived from the establishment shares of the Investment SPVs when the Group's right to receive payment is established. In the opinion of the directors, the Group charged an investor a higher percentage of the establishment shares compared with other investors as the Group granted the investor a priority right to participate in real estate projects.

(ii) The fund management income included fund establishment fee and fund management fees and was related to the fund management services rendered by the Group. The fees were determined at terms stipulated in the respective service contracts.

(iii) Acquisitions and projects management fee income was related to acquisitions and projects management rendered by the Group to these related parties who are real estate developers. The fees were determined at terms stipulated in the respective service contracts.

(iv) The property management and tenancy management fee income was related to property management and tenancy management services provided in relation to the properties managed by the Group and was determined at terms stipulated in the respective service contracts.

(v) The corporate services expense was related to corporate and business support services rendered by the related party and was charged at terms mutually agreed between the relevant parties.

(vi) The repair and maintenance services expense was related to building maintenance works rendered by the related party and was charged at terms mutually agreed between the relevant parties.

(vii) The rental expenses were related to office space leased from the ultimate holding company.

The above transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

17. Commitments

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

18. Contingencies

On 20 March 2020, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$28,985,400 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to an industrial development project located at 7 Mandai Estate, Singapore (the "**Mandai Development**"). This amount represents 60.0% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (CS) Ltd (the "**Mandai Fund**"), by way of indirectly holding the nominal share capital of the corporate entity of the Mandai Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Mandai Development. Mandai Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 7 August 2019, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$150,744,796 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 173 Chin Swee Road, Singapore (the "**Landmark Development**"). This amount represents 39.2% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (Development2) Ltd. (the "**LT Fund**"), by way of indirectly holding the nominal share capital of the corporate entity of the LT Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, differential premium, construction cost and related development costs of the Landmark Development. LT Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 6 June 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$38,015,040 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a mixed-use development project located at Bukit Batok West Avenue 6, Singapore (the **"BBW6 Development"**). This amount represents 12.0% of the total liabilities of the underlying Development SPVs under a facility agreement in proportion of the shareholding of ZACD (BBW6) Ltd.'s (the **"BBW6 Fund"**) in the underlying Development SPVs. In terms of the above, the Company, acting as the sponsor of the BBW6 Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBW6 Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the BBW6 Development (the "**Previous Facility Agreement**"). BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

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

On 16 January 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$152,800,000 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential real estate project located at Shunfu Road in Singapore (the "**Shunfu Development**"). This amount represents 20.0% of the total liabilities of the underlying Development SPV under a facility agreement in proportion of the shareholding of ZACD (Shunfu) Ltd. and ZACD (Shunfu2) Ltd.'s (the "**Shunfu Funds**") in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the Shunfu Funds by way of indirectly holding the nominal share capital of the corporate entity of the Shunfu Funds, are required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Shunfu Development. Shunfu Funds are managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis ("**MD&A**") for the Group has been prepared and reviewed by the management for the six months ended 30 June 2020 (the "**Review Period**"). All amounts are expressed in Singapore Dollars unless otherwise stated.

The Group's MD&A is divided into the following sections:
(1) Executive Overview;
(2) Financial Review and Business Review;
(3) Business Outlook; and
(4) Use of Proceeds

EXECUTIVE OVERVIEW

The Group managed a total of 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 seven 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.

FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net loss of approximately S$7.9 million for the six months ended 30 June 2020 as compared with a net loss of approximately $983,000 for the corresponding period in 2019. The further loss was mainly attributable to the allowance for impairment losses on the Group's trade receivables in respect of the investment management fees amounting to approximately S$3.7 million, allowance for impairment loss on the advance to ZACD (Development4) Ltd. of approximately S$2.3 million and increase in professional fees of approximately S$1.2 million mainly due to a one-off corporate finance activity carried out during the Review Period.

Revenue

The unaudited revenue of the Group decreased by 6.7% or approximately S$295,000 from approximately S$4.4 million for the six months ended 30 June 2019 (the "**Previous Period**") to approximately S$4.1 million for the Review Period. The decrease was mainly attributable to the decrease in property management fees as a result of contracts that had ceased and/or have not been renewed at the end of the contract term and lower dividends derived from the investment management business segment, partially offset by the increase in acquisition fee derived in the acquisitions and projects management business segment.

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

Period ended 30 June 2020 (unaudited)	**Investment management**					
	SPV investment management S$'000	**Fund management S$'000**	**Acquisitions and projects management S$'000**	**Property management and tenancy management S$'000**	**Financial advisory S$'000**	**Total S$'000**
Segment revenue						
External customers	**469**	**885**	**1,286**	**975**	**475**	**4,090**
Segment results	**272**	**(3,716)**	**625**	**(59)**	**(328)**	**(3,206)**
Reconciliation:						
Other income and gains						**897**
Corporate and unallocated expenses						**(5,623)**
Loss before tax						**(7,932)**

Period ended 30 June 2019 (unaudited)	**Investment management**					
	SPV investment management S$'000	**Fund management** S$'000	**Acquisitions and projects management** S$'000	**Property management and tenancy management** S$'000	**Financial advisory** S$'000	**Total** S$'000
Segment revenue						
External customers	878	1,011	456	1,708	332	4,385
Segment results	457	573	210	(166)	(392)	682
Reconciliation:						
Other income and gains						423
Corporate and unallocated expenses						(2,088)
Loss before tax						(983)

(a) Investment Management Services

i) SPV investment management

The unaudited revenue decreased from approximately S$878,000 for the Previous Period to approximately S$469,000 for the Review Period, representing a decrease of approximately S$409,000 or 46.6%. The decrease was mainly due to dividends derived from two Investment SPVs for the Review Period as compared to four Investment SPVs for the Previous Period. The majority of the investment projects set up by the Group from 2010 to 2015 that were under the SPV investment management structures are maturing or have matured. There was no investment SPV established from 2016 as the Group is now focusing on expanding fund structures which is in line with the Group's current business model.

ii) Fund management

The unaudited revenue in fund of the Group decreased from approximately S$1.0 million for the Previous Period to approximately S$885,000 for the Review Period, representing a decrease of approximately S$126,000 or 12.5%. During the Review Period, the Group realised subscription fees of approximately S$476,000 from a new development fund (the "**Mandai Fund**") that was established in early 2020. While during the Previous Period, the Group realised establishment fees of approximately S$560,000 from Landmark Tower Fund and subscription fees of approximately S$81,000 from ZACD Income Trust. The Group derived lower management fees of approximately S$100,000 from ZACD Income Trust for the Review Period as compared to the Previous Period mainly due to the Group realising the management fees from the Australia assets' net property income for the first time in the Previous Period following the acquisition of the Australia assets by ZACD Income Trust and performance on the hospitality asset was affected by the bush fires in late 2019 and the COVID-19 outbreak, leading to lower management fees from the Australia assets' net property income for the Review Period.

(b) Acquisitions and Projects Management Services

The unaudited revenue increased from approximately S$456,000 for the Previous Period to approximately S$1.3 million for the Review Period, representing an increase of approximately S$830,000 or 182.0%. The increase was mainly attributed to an acquisition fee of approximately S$1.1 million derived from the developer SPV which the fund vehicle of the Company that was jointly established with an external business partner, following its efforts to secure and complete the acquisition of a freehold site in Mandai Singapore for industrial development in the Review Period.

(c) Property Management and Tenancy Management Services

The unaudited revenue decreased from approximately S$1.7 million for the Previous Period to approximately S$975,000 for the Review Period, representing a decrease of approximately S$733,000 or 42.9%. The decrease was mainly attributable to the decrease in revenue in the property management services where contracts had ceased and/or have not been renewed at the end of the contract term. Besides staff costs, key expenses incurred by this business segment entail the administrative costs of managing properties. In this respect, the Group is in the midst of setting up a centralised structure where related administrative functions can be housed to achieve cost efficiency. The Group is rallying to secure new contracts particularly in the prime areas of Singapore which construe higher management fee, expanding our existing offering via tender on facilities management on government-owned properties in Singapore.

(d) Financial Advisory Services

The unaudited revenue increased from approximately S$332,000 for the Previous Period to approximately S$475,000 for the Review Period, representing an increase of approximately S$143,000 or 43.1%. There were new corporate advisory mandates executed in the Review Period and adding on to the ongoing corporate advisory mandates, this contributed to higher incremental fee income realised in the Review Period. We are actively sourcing for more client mandates to bring this business segment to profit. The Group intends to continue to expand the corporate advisory team in Singapore and Hong Kong to manage and execute current advisory mandates and converting deal leads. The Group continues to focus on the new business segment in the family office management, particularly with family offices located in the Southeast Asia region.

Other income and gains

Other income and gains saw an approximately 112.1% increase from approximately S$423,000 for the Previous Period to approximately S$897,000 for the Review Period. The increase was mainly due to government grants in relation to the payout of Jobs Support Scheme announced by the Singapore Government to provide cashflow support to businesses during this period of economic uncertainty affected by the COVID-19 outbreak and foreign exchange gain, partially offset by lower interest income derived from bridging loans extended to ZACD Income Trust, ZACD (Development2) Ltd. and ZACD (Shunfu2) Ltd. as the bridging loans were fully repaid in 2019.

Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs for the Review Period decreased by S$156,000 as compared to Previous Period.

As at the end of Review Period, the Group had 85 employees as compared to 113 as at the end of the Previous Period. While headcount decreased mainly in the property management services with the majority being site staff due to some property management contracts had ceased and/or have not been renewed, the Group continues to recruit professional staff to expand its business segments for growth though remaining cautious in the implementation of its business expansion plan. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonuses may be granted to eligible staff depending on the Group's achievements as well as the individual's performance.

Impairment losses on financial assets

The Group recorded allowance for impairment losses on the Group's trade receivables in respect of the investment management fees amounting to approximately S$3.7 million, allowance for impairment loss on the advance to ZACD (Development4) Ltd. of approximately S$2.3 million as elaborated below.

Reference is made to the voluntary announcement dated 20 September 2019, the positive profit alert announcement dated 2 March 2020, the inside information and business update announcements dated 23 July 2020, 24 July 2020 and 6 August 2020 and the profit warning announcement dated 29 July 2020 of the Company in relation to the establishment of a new fund, ZACD Australia Hospitality Fund and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this new fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the "**Announcements**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. Pursuant to the Announcements, iProsperity Group had failed to pay the Additional Deposit for the Transaction due to severe financial difficulties which may constitute to a default in the

Transaction. Such potential default casts significant uncertainty in whether the Transaction could further proceed. The Directors are of the view that if the Transaction was not able to proceed, the collectability of the acquisition fee receivable from the investment vehicle of the Australia Hotel Portfolio and the fund management fees receivables from the ZACD Australia Hospitality Fund (collectively, the "**Investment Management Fees Receivables**") would be impacted. In addition, the recoverability of the advance from the Group to ZACD Australia Hospitality Fund is also at risk. As such, the Group had recognised allowance for impairment losses in the Review Period of approximately S$3.7 million in respect of the Investment Management Fees Receivables from the ZACD Australia Hospitality Fund and the investment vehicle of the Australia Hotel Portfolio and approximately S$2.3 million in respect of the advance by the Group to ZACD Australia Hospitality Fund (collectively the "**Impairment Losses**").

Other expenses, net

Other expenses, net increased by approximately 71.2% from approximately S$1.4 million for the Previous Period to approximately S$2.4 million for the Review Period. The increase was mainly attributable to the increase in professional fees of approximately S$1.2 million mainly due to a one-off corporate finance activity carried out during the Review Period, partially offset by the decrease in the property repair and maintenance outsourcing expenses as a result of the decrease in the number of property management contracts.

Income tax expense

The increase in income tax expense for the Review Period was mainly attributable to the increase in the deferred tax liabilities as a result of capitalised contract cost, partially offset by deferred tax assets on tax losses from some of the fellow subsidiaries. Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the Review Period. No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the Review Period.

Loss for the period attributable to owners of the Company

As a result of the foregoing, we recorded a net loss for the period attributable to the owners of the Group of approximately S$7.9 million for the Review Period as compared to a net loss of approximately S$983,000 for the Previous Period.

If the Impairment Losses and the one-off impairment loss on the capitalised contract costs were excluded, the loss of the Group would be approximately S$1.7 million for the Review Period and approximately S$983,000 in Previous Period, representing an increase of loss by approximately S$726,000 or 73.9%.

	Group	
	2020	2019
	S$'000	S$'000
Loss for the period	**(7,939)**	(983)
Impairment Losses	**6,030**	–
Impairment loss on capitalised contract costs	**200**	–
Loss before Impairment Losses	**(1,709)**	(983)

LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent financial management approach towards its treasury policy and this maintained a healthy liquidity position throughout the financial year. The management of the Group regularly reviews the recoverable amount of trade receivables by performing ongoing credit assessments and by monitoring prompt recovery, making adequate impairment losses for irrecoverable amounts if necessary. As at 30 June 2020 and 31 December 2019, the Group had no banking facilities or borrowings, hence no gearing ratio of the Group was presented.

Cash and cash equivalents

Cash and cash equivalents amounted to approximately S$13.1 million and approximately S$18.3 million as at 30 June 2020 and 31 December 2019 respectively, which were placed with major banks in Singapore and Hong Kong. The decrease was mainly attributable to the advance extended to ZACD Australia Hospitality Fund at approximately S$12.1 million during the Review Period, partially offset by the repayment of bridging loan from Mandai Fund and repayment of advance from ZACD (Development2) Ltd. totalling approximately S$5.0 million and the collection of dividends receivables of approximately S$2.1 million during the Review Period. The cash balance is denominated in Singapore Dollar, Hong Kong Dollar and Australian Dollar. By becoming a global company with international operations, the Group is exposed to foreign currency exchange rate risks. The Group mitigates this risk by implementing working capital management.

Investments in equity securities

The establishment shares were accounted for as investments in equity securities and were measured at fair value. The investments in equity securities amounted to S$1.8 million and S$2.3 million as at 30 June 2020 and 31 December 2019, respectively. The fair value was determined based on future dividend distributions expected to be received by the Group based on the Investment SPV's projected distributable profits, the current stage of the real estate development project and its sale progress, as well as the discount rate. The decrease in fair value as at 30 June 2020 as compared to as at 31 December 2019 was mainly due to the realisation of dividends from two Investment SPVs.

Trade receivables

Total trade receivables amounted to approximately S$4.9 million and approximately S$10.7 million as at 30 June 2020 and 31 December 2019 respectively. It comprises of trade receivables of approximately S$4.9 million as at 30 June 2020 as compared to trade receivables of approximately S$8.6 million and dividends receivables of approximately S$2.1 million as at 31 December 2019.

Trade receivables decreased from approximately S$8.6 million as at 31 December 2019 to approximately S$4.9 million as at 30 June 2020, mainly attributed by the allowance for impairment losses on the Investment Management Fees Receivables of approximately S$3.7 million.

Charges on assets

As at 30 June 2020, the Group did not have any charges on assets.

Contingent liabilities

On 20 March 2020, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$28,985,400 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to an industrial development project located at 7 Mandai Estate, Singapore (the "**Mandai Development**"). This amount represents 60.0% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (CS) Ltd (the "**Mandai Fund**"), by way of indirectly holding the nominal share capital of the corporate entity of the Mandai Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Mandai Development. Mandai Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 7 August 2019, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$150,744,796 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 173 Chin Swee Road, Singapore (the "**Landmark Development**"). This amount represents 39.2% of the total liabilities of the underlying Development SPV under a facility agreement in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the ZACD (Development2) Ltd. (the "**LT Fund**"), by way of indirectly holding the nominal share capital of the corporate entity of the LT Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, differential premium, construction cost and related development costs of the Landmark Development. LT Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 6 June 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$38,015,040 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a mixed-use development project located at Bukit Batok West Avenue 6, Singapore (the **"BBW6 Development"**). This amount represents 12.0% of the total liabilities of the underlying Development SPVs under a facility agreement in proportion of the shareholding of ZACD (BBW6) Ltd.'s (the **"BBW6 Fund"**) in the underlying Development SPVs. In terms of the above, the Company, acting as the sponsor of the BBW6 Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBW6 Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the BBW6 Development (the "**Previous Facility Agreement**"). BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

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

On 16 January 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S$152,800,000 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential real estate project located at Shunfu Road in Singapore (the "**Shunfu Development**"). This amount represents 20.0% of the total liabilities of the underlying Development SPV under a facility agreement in proportion of the shareholding of ZACD (Shunfu) Ltd. and ZACD (Shunfu2) Ltd.'s (the "**Shunfu Funds**") in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the Shunfu Funds by way of indirectly holding the nominal share capital of the corporate entity of the Shunfu Funds, are required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the Shunfu Development. Shunfu Funds are managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

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

Dividends
No dividend was paid or proposed by the Company for the six months ended 30 June 2020 (Six months ended 30 June 2019: Nil).

Share option
On 13 December 2017, the Group has conditionally adopted a share option scheme (the ''**Share Option Scheme**'') under which employees of the Group including directors and other eligible participants may be granted options to subscribe for shares of the Group. No options have been issued under the Share Option Scheme as at 30 June 2020.

BUSINESS UPDATE WITH RESPECT TO THE AUSTRALIA HOTEL PORTFOLIO

In respect of the Announcements of the Company in relation to ZACD Australia Hospitality Fund, the Company and ZACD Australia Hospitality Fund are currently working with the Solicitors to seek claims on the ZACD Deposit and all other losses from the Trust Lawyer and iProsperity Group. The Company will make further announcement as and when appropriate pursuant to the requirements under the GEM Listing Rules.

Subsequent to the Transaction with respect to the Australia Hotel Portfolio, the Group was in the midst of setting up a separate investment fund to invest US$10 million ("**ZACD US Fund**") in a US hotel acquisition led by iProsperity Group. The deposit of US$10 million for this acquisition was funded by ZACD US Fund as a bridging loan to iProsperity Group to fulfil its payment obligation of the deposit for the acquisition and shall be refunded by iProsperity Group if the acquisition fails to complete. This US$10 million deposit payment was funded by an anchor investor through a bridging loan to ZACD US Fund as part of his early commitment to the fund and upon setup of the ZACD US Fund, US$5 million will be converted into equity in the ZACD US Fund and US$5 million will be repaid by ZACD US Fund to the anchor investor. The Company is currently working with the lawyers to seek various recovery actions against iProsperity Group and its administrators to recover this deposit.

BUSINESS OUTLOOK

Since the outbreak of COVID-19, the Singapore government has taken emergency public health measures and various actions to prevent the spread of COVID-19. The measures include the closure of workplace premises, retail outlets except for those necessary to support the daily living needs of the population in Singapore (the "**Circuit Breaker Period**"). The Circuit Breaker Period had ended on 1 June 2020 with further measures by the Singapore government to embark on a three-phased approach to resume activities safely.

The Group's principal place of business is in Singapore, such measures will lead to disruption to the normal operations of the Group in Singapore and may have an impact on the Group's performance and business expansion plans. The Group will continue to strengthen its cost control measures substantially in order to mitigate the adverse impact from the COVID-19 outbreak. The Group will continue to monitor the situation with the COVID-19 outbreak and the risks and uncertainties faced by the Group as a result thereof and make further adjustments to its operations and business strategies as and when required.

The impact on our Singapore investment projects will be experiencing slower progress than expected in particular the residential projects. The sales launch of the redevelopment project, The Landmark acquired by LT Fund is delayed as the project face supply chain disruptions due to the COVID-19 pandemic.

With respect to our global investments, the Australia real estate assets invested by ZACD Income Trust experienced business disruptions as the hospitality industry was impacted by global travel bans and restrictions. We hope to see improvement on the performance of the hospitality asset in the later part of the year with the gradual re-opening of the economy in Australia as well as across the world. However, substantial downside risks still remain such as the second/third wave of the COVID-19 infections and the ending of the Australia government's financial support package.

Despite the economic uncertainty affected by the COVID-19 outbreak, 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.

We also plan to extend our portfolio of estates under management and continue to participate actively in government tenders on facilities management on government-owned properties in Singapore.

The Group intends to continue to expand the corporate advisory team in Singapore and Hong Kong to manage and execute current advisory mandates and converting deal leads. The Group continues to focus on the new business segment in the family office management, particularly with family offices located in the Southeast Asia region.

USE OF PROCEEDS

Total net proceeds raised from the Company's listing in January 2018 approximated HK$125.2 million (S$21.6 million) after deducting underwriting commissions and all related expenses. On 13 March 2020, the Directors resolved to change the use and allocation of the unutilised net proceeds to the bridging reserve fund to further enhance the competitive advantages of the investment management business and to expand the Group's future fund product offerings by further expanding the use of the bridging reserve fund as an initial investment capital to help the Group to seed-fund potential real estate projects where required. For details, please refer to the Company's announcement dated 13 March 2020.

Set out below are details of the use of proceeds up to 30 June 2020:

	Original allocation of net proceeds S$'000	**The reallocation of the use of net proceeds** S$'000	**Revised use of net proceeds** S$'000	**Utilised amount up to 30 June 2020** S$'000
Bridging reserve fund	8,900	7,235	16,135	16,135 (100%)
Investment management	3,400	(2,651)	749	749 (100%)
Acquisitions and projects management *(Note 1)*	900	(325)	575	575 (100%)
Property & tenancy management	3,300	(1,589)	1,711	1,711 (100%)
Financial advisory	3,500	(2,670)	830	830 (100%)
General working capital	1,600	–	1,600	1,600 (100%)
	21,600	**–**	**21,600**	**21,600** (100%)

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

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the principles and the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules. During the six months ended 30 June 2020 and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

INTERESTS OF THE COMPLIANCE ADVISER

Neither the Group's compliance adviser, Innovax Capital Limited, nor any of its directors, employees or close associates had any interests in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee was established pursuant to a resolution of the directors passed on 13 December 2017 in compliance with Rule 5.28 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing the financial information and providing advice in respect of financial reporting process; (iii) overseeing the risk management and internal control systems of the Group; and (iv) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of all three of the independent non-executive Directors, namely Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew and the chairman is Mr. Kong Chi Mo. The Audit Committee with senior management have reviewed the Interim Results announcement of the Group.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE EXCHANGE AND THE COMPANY

The interim report for the six months ended 30 June 2020 will be despatched to the shareholders and available on the Company's website (www.zacdgroup.com) and the designated website of the Exchange (www.hkexnews.hk) in due course.

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

Hong Kong, 11 August 2020

As at the date of this announcement, the Board of the Company comprises five (5) executive directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain, Mr. Wee Hian Eng Cyrus, Mr. Siew Chen Yei, and Mr. Darren Chew Yong Siang; three (3) independent non-executive directors, namely, Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew; and one (1) non-executive director, namely Mr. Chew Hong Ngiap, Ken.