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ZACD GROUP LTD.

杰地集团有限公司*

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

(Stock Code: 8313)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

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*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*

ANNUAL FINANCIAL HIGHLIGHTS

For the year ended 31 December 2021

- The revenue of the Group increased by 5.1% or approximately S\$271,000 from approximately S\$5.3 million in 2020 to approximately S\$5.6 million in 2021. The increase was mainly attributable to the increase in fees in the investment management business segment mainly as a result of performance fees derived from BBW6 Fund and increase in project management fees. This was partially offset by the decrease in fees in property management services and financial advisory business segment.
- Staff costs decreased from approximately S\$6.8 million in 2020 to S\$4.2 million in 2021, representing a decrease of approximately S\$2.5 million or 37.5%. As at 31 December 2021, the Group had 33 employees as compared to 50 as at 31 December 2020.
- Other expenses, net decreased by 43.2% or approximately S\$1.3 million from approximately S\$3.0 million in 2020 to approximately S\$1.7 million in 2021. The decrease was mainly attributable to the decrease in professional fees of approximately S\$885,000 mainly due to a one-off corporate finance activity carried out during 2020, decrease in fees payment on referral programs on fund investors and corporate advisory mandates of approximately S\$307,000, and decrease in property repair and maintenance outsourcing expenses by approximately S\$164,000 as a result of the strategic re-alignment of the property management services.
- The Group reported a net profit of approximately S\$7.5 million in 2021 as compared with a net loss of approximately S\$20.3 million in 2020, representing a turn from loss to profit of approximately S\$27.7 million or 136.8%. The increase was mainly attributable to the reversal of impairment loss of approximately S\$7.6 million in respect of the advance by the Group to ZACD Australia Hospitality Fund following the substantial portion of the settlement proceeds received by the fund in September 2021 as compared to impairment loss of approximately S\$12.3 million in respect of the advance to this fund recognised in 2020 and the absence of impairment losses of approximately S\$3.7 million in respect of the Group's investment management fees receivables. There was also a decrease in the Group's expenses mainly on staff costs by approximately S\$2.5 million as a result of the drop in headcount and other expenses by approximately S\$1.3 million, and increase in revenue by approximately S\$271,000. The aggregated impact was partially offset by the decrease in other income and gains by approximately S\$466,000.
- Basic and diluted profit per share during 2021 was approximately S\$0.37 cents.

ANNUAL RESULTS

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

The Board of Directors (the “**Board**”) of the Company hereby announces the audited consolidated results of the Group for the financial year ended 31 December 2021 (the “**Annual Results**”), together with the comparative figures for the financial year ended 31 December 2020:

Consolidated statement of profit or loss and comprehensive income

For the year ended 31 December 2021

		Group	
	Note	2021 S\$'000	2020 S\$'000
Revenue	4	5,596	5,325
Other income and gains	4	911	1,377
Staff costs		(4,239)	(6,779)
Depreciation		(101)	(225)
Amortisation of right-of-use asset		(117)	(433)
Amortisation of capitalised contract costs	10	(97)	(93)
Reversal of (Impairment losses) on financial assets	5	7,417	(16,204)
Impairment loss on capitalised contract costs	10	–	(200)
Marketing expenses		(32)	(14)
Other expenses, net		(1,730)	(3,047)
Interest expense		(93)	(37)
Profit/ (Loss) before tax	6	7,515	(20,330)
Income tax (expense)/ credit	7	(54)	67
Profit/ (Loss) for the year attributable to owners of the Company		7,461	(20,263)
Other comprehensive (loss)/ income:			
<u>Items that will not be reclassified to profit or loss</u>			
Fair value changes on investment in equity securities		(281)	(828)
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		(41)	97
Other comprehensive loss for the year		(322)	(731)
Total comprehensive income/ (loss) for the year attributable to owners of the Company		7,139	(20,994)
Profit/ (Loss) per share attributable to owners of the Company			
Basic (cents)	8	0.37	(1.01)
Diluted (cents)	8	0.37	(1.01)

Consolidated statement of financial position
As at 31 December 2021

		Group	
	Note	2021 S\$'000	2020 S\$'000
Non-current assets			
Property, plant and equipment		229	236
Right-of-use asset		–	117
Investment in equity securities		1,188	1,469
Investment in fund entities		9	–
Prepayments, deposits and other receivables		259	281
Loans and related receivables	11	816	–
Total non-current assets		2,501	2,103
Current assets			
Trade receivables	9	3,246	4,940
Amounts due from ultimate holding company		–	5
Amounts due from related parties (non-trade)		1,703	1,177
Prepayments, deposits and other receivables		392	436
Capitalised contract costs	10	240	275
Loans and related receivables	11	14,342	–
Cash and cash equivalents		5,892	12,664
Total current assets		25,815	19,497
Current liabilities			
Other payables and accruals	12	1,348	1,429
Amount due to ultimate holding company		23	1
Amounts due to related parties (non-trade)		251	349
Lease liabilities		–	121
Bank borrowing	13	711	255
Income tax payable		53	–
Total current liabilities		2,386	2,155
Net current assets		23,429	17,342
Non-current liabilities			
Other payables and accruals	12	17	39
Bank borrowing	13	2,117	2,750
Deferred tax liabilities		66	65
Total non-current liabilities		2,200	2,854
Net assets		23,730	16,591
Equity			
Share capital	14	29,866	29,866
Reserves		(6,136)	(13,275)
Total equity		23,730	16,591

Notes to the consolidated financial statements
For the year ended 31 December 2021

1. Corporate information

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

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

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

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

2.1 Basis of preparation

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

The financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and explanatory notes below. The financial statements are presented in the Company’s functional currency, Singapore Dollar (“**S\$**”), and all values are rounded to the nearest thousand (**S\$’000**), except when otherwise indicated.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted all new and revised standards that are effective for annual financial year beginning on 1 January 2021. 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

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

(c) Property management and tenancy management

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

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

(d) Financial advisory

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

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

Geographical information

(a) Revenue from external customers

	Group	
	2021	2020
	S\$'000	S\$'000
Singapore	5,380	4,638
Malaysia	39	274
Australia	73	75
British Virgin Island	88	272
Other countries/jurisdictions	16	66
	5,596	5,325

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

(b) Non-current assets

	Group	
	2021	2020
	S\$'000	S\$'000
Singapore	181	271
Other countries/jurisdictions	48	82
	229	353

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

4. Revenue, and other income and gains

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

	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 revenue S\$'000
Year ended 31 December 2021						
Primary geographical markets						
Singapore	896	2,564	1,920	–	–	5,380
Malaysia	–	–	–	39	–	39
Australia	–	–	73	–	–	73
British Virgin Island	–	–	–	–	88	88
Other countries/jurisdictions	–	–	–	–	16	16
	896	2,564	1,993	39	104	5,596
Timing of services						
At a point in time	813	1,836	1,920	–	–	4,569
Over time	83	728	73	39	104	1,027
	896	2,564	1,993	39	104	5,596
Year ended 31 December 2020						
Primary geographical markets						
Singapore	563	1,205	1,248	1,395	227	4,638
Malaysia	17	–	–	39	218	274
Australia	–	–	75	–	–	75
British Virgin Island	–	–	–	–	272	272
Other countries/jurisdictions	–	–	–	–	66	66
	580	1,205	1,323	1,434	783	5,325
Timing of services						
At a point in time	496	587	1,209	–	–	2,292
Over time	84	618	114	1,434	783	3,033
	580	1,205	1,323	1,434	783	5,325

	Group	
	2021	2020
	S\$'000	S\$'000
Revenue		
Investment management		
- SPV investment management fees	896	580
- Fund management fees	2,564	1,205
Acquisitions and projects management fees	1,993	1,323
Property management and tenancy management fees	39	1,434
Financial advisory fees	104	783
	5,596	5,325
Other income and gains		
Interest income	139	25
Government grants <i>(Note (i))</i>	301	1,251
Foreign exchange differences, net	(6)	77
Income from transfer of unabsorbed capital allowances, losses and donations <i>(Note (ii))</i>	353	–
Others	124	24
	911	1,377

- (i) Government grants were received/are receivable by certain subsidiaries and the Company in connection with employment of Singaporean and/or non-Singaporean workers under Special Employment Credit, Wage Credit Scheme, Government-Paid Leave Schemes, Jobs Growth Incentive and Job Support Scheme provided by the Singapore Government and employment of Australian workers under JobKeeper Payment Scheme provided by the Australia Government. There were no unfulfilled conditions or contingencies relating to these grants.
- (ii) Subvention payments to be received from the Group's Singapore fund entities for the unabsorbed capital allowances, losses and donations transferred under the Group Relief System in the prior year under the Singapore tax system.

5. (Reversal of) impairment losses on financial assets

	Group	
	2021	2020
	S\$'000	S\$'000
(Reversal of) impairment in relation to ZACD Australia Hospitality Fund <i>(Note (a))</i> :		
Trade receivables (Note 9)	–	3,677
Loans and related receivables (Note 11)	(7,574)	12,337
	(7,574)	16,014
(Reversal of) impairment in relation to Property management and Project management <i>(Note (b))</i> :		
Trade receivables (Note 9)	(94)	190
	(7,668)	16,204
Impairment in relation to Financial advisory <i>(Note (c))</i> :		
Trade receivables (Note 9)	251	–
Total (reversal of) impairment losses for the year	(7,417)	16,204

- (a) Reference is made to the voluntary announcement dated 20 September 2019, the inside information and business update announcements dated 23 July 2020, 24 July 2020, 6 August 2020 and 23 August 2021 and the supplemental announcement dated 23 August 2021 of the Company in relation to ZACD Australia Hospitality Fund (the “**Fund**”) and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this Fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Group previously recorded allowance for impairment losses on the Group's trade receivables in respect of the investment management fees amounting to S\$3,677,000 and allowance for impairment loss on the bridging advance to ZACD (Development4) Ltd. of S\$12,337,000 pursuant to the Transaction with respect to the Australia Hotel Portfolio as elaborated in the Group's Annual Results for the year ended 31 December 2020. Pursuant to the Deed of Settlement, the Fund had received a substantial portion of the settlement proceeds according to the settlement schedule from the Defendants in September 2021. Following the settlement, the bridging advance extended by the Group to the Fund was repaid substantially and accordingly, the impairment loss of S\$7,574,000 was reversed by the Group.

- (b) As at 31 December 2020, an allowance of S\$190,000 was made against the property management fee receivables from a few MCST customers on residential and industrial properties and project management fee receivable from a developer on a residential property. During the financial year ended 31 December 2021, the Group recovered a portion of these debts and accordingly reversed S\$94,000 of allowance for impairment losses.
- (c) As at 31 December 2021, an allowance of S\$251,000 was made against the financial advisory fee receivables. Management has reassessed and made necessary impairment losses for irrecoverable amounts.

6. Profit/ (Loss) before tax

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

	Group	
	2021	2020
	S\$'000	S\$'000
Auditor's remuneration	172	161
Professional fees	197	1,067
Referral fees	9	316
Travel and entertainment	154	194
Repair and maintenance services expense	–	163
Insurance expenses	126	154
IT services	57	152
Directors' fees	92	92
(Reversal of) impairment loss on loans and related receivables	(7,574)	12,337
Dividend income from the Establishment Shares included in SPV investment management fees	(623)	(479)
Performance fees included in fund management fees	(1,633)	–

7. Income tax expense/ (credit)

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2021 (2020: 17%). No provision for profits tax has been made in other countries/jurisdictions in which the Group operates as the Group did not generate any assessable profits arising in other countries/jurisdictions during the years ended 31 December 2020 and 2021.

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

	Group	
	2021	2020
	S\$'000	S\$'000
Current:		
- Provision for current year	53	—
- Overprovision in prior years	—	(144)
Deferred taxation:		
- Origination and reversal of temporary differences	1	77
Total tax expense/ (credit) for the year	54	(67)

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

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

	2021	2020
	S\$'000	S\$'000
Profit/ (Loss)		
Profit/ (Loss) for the purpose of calculating basic and diluted profit/ (loss) per share (profit/ (loss) for the year attributable to owners of the Company)	7,461	(20,263)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	2,000,000,000	2,000,000,000

9. Trade receivables

	Group	
	2021	2020
	S\$'000	S\$'000
Trade receivables	3,577	8,807
Less: allowance for impairment losses (Note 5)	(331)	(3,867)
	3,246	4,940

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

	Group	
	2021	2020
	S\$'000	S\$'000
At beginning of the year	3,867	–
Allowance for impairment losses (Note 5)	251	3,867
Written off allowance for impairment losses	(3,693)	–
Reversal of impairment losses no longer applicable (Note 5)	(94)	–
	331	3,867

Pursuant to the Announcements made by the Company mentioned in Note 5(a), management had reassessed the allowance for impairment loss of S\$3,677,000 in respect of the Group's investment management fee receivables recognised in the year ended 31 December 2020 to be irrecoverable and accordingly written off these debts.

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

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

	Group	
	2021	2020
	S\$'000	S\$'000
Within 1 month	342	1,065
1 to 2 months	19	78
2 to 3 months	15	99
Over 3 months	2,795	3,629
	3,171	4,871

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

	Group	
	2021	2020
	S\$'000	S\$'000
Dividend receivables	75	69
Neither past due nor impaired	342	1,065
Less than 1 month past due	19	78
1 to 3 months past due	2,810	3,728
	3,246	4,940

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

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

10. Capitalised contract costs

	Group	
	2021	2020
	S\$'000	S\$'000
Capitalised incremental costs of obtaining contracts – commission costs paid to agents		
At beginning of reporting year	275	415
Additions	62	153
Impairment loss	–	(200)
Amortisation	(97)	(93)
At end of reporting year	240	275

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

11. Loans and related receivables

	Group	
	2021	2020
	S\$'000	S\$'000
<u>Current</u>		
Bridging loan funded to:		
ZACD (Development4) Ltd.	4,711	12,128
ZACD Mount Emily Residential Development Fund	1,005	–
ZACD (Development2) Ltd.	1,590	–
ZACD LV Development Pte. Ltd.	11,610	–
Interest receivables on loan to:		
ZACD Mount Emily Residential Development Fund	123	–
ZACD (Development2) Ltd.	14	–
Advances to:		
ZACD (Development4) Ltd.	–	209
Less: allowance for impairment losses	(4,711)	(12,337)
	14,342	–

	Group	
	2021	2020
	S\$'000	S\$'000
<u>Non-current</u>		
Bridging loan funded to:		
ZACD (Development4) Ltd.	816	–

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

	Group	
	2021	2020
	S\$'000	S\$'000
At beginning of the year	12,337	–
Allowance for impairment losses (Note 5)	–	12,337
Transfer to impairment loss on Investment in fund entities	(52)	–
Reversal of impairment losses no longer applicable (Note 5)	(7,574)	–
	4,711	12,337

Bridging facility to ZACD (Development4) Ltd.

Pursuant to the Announcements made by the Company mentioned in Note 5(a), the loan and related receivables extended by the Group to the Fund had been repaid substantially following the receipt of the settlement proceeds by the Fund from the Defendants in September 2021. Accordingly, the impairment loss of S\$7,574,000 was reversed by the Group.

Bridging facility to ZACD Mount Emily Residential Development Fund.

On 26 February 2021, the Company entered into a S\$5,000,000 short term bridging facility agreement (the “**Facility**”) with ZACD Mount Emily Residential Development Fund (the “**Borrower**”), a sub-fund registered under ZACD Capital Partners VCC. The Borrower is a single-purpose closed-ended real estate private equity fund set up in connection with a residential redevelopment project located at 2, 2A and 2B Mount Emily Road Singapore 228484, 4, 4A and 4B Mount Emily Road Singapore 228486 and 6, 6A and 6B Mount Emily Road Singapore 228487 (collectively the “**Mount Emily Properties**”). The Company will be the sponsor of the fund by way of indirectly holding the nominal share capital of ZACD Capital Partners VCC, being the corporate entity of the fund. The fund will be managed by ZACD Capital Pte. Ltd..

The Company has agreed to grant the Facility to the Borrower for drawdown from time to time by the Borrower for purposes of facilitating the Borrower to participate in tenders or sales on the Mount Emily Properties and matters related and ancillary thereto. Any drawdown on the Facility is subject to an interest 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. The Company may, at its sole and absolute discretion, reject any drawdown request by the Borrower.

Each Facility drawdown shall have a tenure commencing on the date of drawdown and continue until such date as the parties may mutually agree in writing but shall not be later than the expiry date of the fund life.

As at 31 December 2021, S\$1,005,000 has been drawn down on the Facility by the Borrower which bears interest at 6% per annum.

Bridging facility to ZACD (Development2) Ltd.

On 1 October 2021, the Company entered into a S\$1,600,000 short term bridging facility agreement (the “**Facility**”) with ZACD (Development2) Ltd. (the “**Borrower**”). The Borrower is the holding entity of a single-purpose closed-ended real estate private equity fund invested into the residential redevelopment located at 173 Chin Swee Road, Singapore 169878 (the “**Subject Property**”). The Company is 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 from time to time by the Borrower for the purposes of bridging the repayment of short term loans entered into by the Borrower with three third party lenders during 2020. Any drawdown on the Facility is subject to an interest 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. The Company may, at its sole and absolute discretion, reject any drawdown request by the Borrower.

Each Facility drawdown shall have a tenure commencing on the date of drawdown and continue until such date as the parties may mutually agree in writing but shall not be later than the expiry date of the fund life.

As at 31 December 2021, S\$1,590,000 has been drawn down on the Facility by the Borrower which bears interest at 6% per annum.

Advances to ZACD LV Development Pte. Ltd.

Reference is made to the announcement dated 17 December 2021 of the Company in relation to the establishment of a new fund for the tender success of a residential redevelopment site located at 6C and 6D Tanjong Rhu Road, Singapore (the “**La Ville Project**”). Following the successful tender of La Ville Project on 30 November 2021, the Group had made payments with respect to tender deposit and additional deposit pursuant to the tender terms, and stamp duties, totalling S\$11,610,000 as at 31 December 2021.

12. Other payables and accruals

	Group	
	2021	2020
	S\$'000	S\$'000
Other payables	19	103
Accruals	1,295	1,261
Deferred revenue	51	104
	1,365	1,468
Less: amounts classified as current liabilities	(1,348)	(1,429)
Amounts classified as non-current liabilities	17	39

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

Included in current and non-current other payables and accruals are hire purchase payables relating to finance lease of motor vehicles and copiers which amounted to S\$23,000 and S\$17,000 (2020: S\$19,000 and S\$39,000) respectively.

13. Bank borrowing

	Group	
	2021	2020
	S\$'000	S\$'000
<u>Current</u>		
Interest payable on bank loan	5	5
Temporary bridging loan	706	250
	711	255
<u>Non-current</u>		
Temporary bridging loan	2,117	2,750
Total bank borrowing	2,828	3,005

Temporary bridging loan (“TBL”)

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

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

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

14. Share capital

	Group	
	2021	2020
	S\$'000	S\$'000
Issued and paid up capital:		
2,000,000,000 ordinary shares on 31 December 2021 (2020: 2,000,000,000 shares)	29,866	29,866

There was no movement in the Group’s issued share capital during the period from 1 January 2020 to 31 December 2021.

15. Dividends

No dividend was paid or proposed by the Company for the financial year ended 31 December 2021 (31 December 2020: Nil).

16. Commitments

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

17. Financial guarantees

On 22 June 2021, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$19,253,107 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 2, 4 and 6 Mount Emily Road Singapore (the “**Mount Emily Properties**”). This amount represents the total liabilities of the underlying Development SPV under the facilities agreements in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of ZACD Mount Emily Residential Development Fund (the “**Mount Emily Fund**”), a sub-fund registered under ZACD Capital Partners VCC, by way of indirectly holding the nominal share capital of the corporate entity of Mount Emily Fund, is required by the security agents to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, construction cost and related development costs of the Mount Emily Properties. Mount Emily Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

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

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

18. Contingent liabilities

Reference is made to the inside information and business update announcement dated 23 August 2021 in relation to ZACD Australia Hospitality Fund (the “**Fund**”) and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company for the Fund, and the relevant previous announcements as referred to therein (collectively, the “**Announcements**”). Pursuant to the Deed of Settlement, ZACD Australia Hospitality Fund received a substantial portion of the settlement proceeds according to the settlement schedule from the Defendants in September 2021. While the dispute between the Company, ZACD (Development4) Ltd. and the Defendants has been settled amicably, the Company is currently working with our lawyers in other recovery actions against iProsperity Group and its administrators to recover the remaining shortfall of the exposure by the Fund pursuant to the incident.

Subsequent to the Transaction with respect to the Australia Hotel Portfolio in early 2020, the Group was in the midst of setting up a separate investment fund to invest US\$10 million (“**ZACD US Fund**”) in a US hotel acquisition led by iProsperity Group. The deposit of US\$10 million for this acquisition was funded by ZACD US Fund as a bridging loan to iProsperity Group to fulfil its payment obligation of the deposit for the acquisition and shall be refunded by iProsperity Group if the acquisition fails to complete (the “**US Hotel Transaction**”). This US\$10 million deposit payment was in turn funded by an anchor investor through a bridging loan to ZACD US Fund as part of his early commitment to the fund and upon setup of the ZACD US Fund, US\$5 million will be converted into equity in the ZACD US Fund and US\$5 million will be repaid by ZACD US Fund to the anchor investor. The Company is currently working with our lawyers to pursue various recovery options against iProsperity Group and its administrators to recover this deposit.

Further external counsels are of the opinion, having studied the circumstances and documents surrounding the incidents of the ZACD Australia Hospitality Fund and the ZACD US Fund, that there exists no evidence of any negligence, fraud or dishonesty whatsoever on the part of the Group or any officer of the Company and its involved subsidiaries. Therefore, no provision for this contingent liability has been made in the Group’s financial statements as at 31 December 2021. As at 31 December 2021, legal fees incurred in relation to legal actions taken against the Defendants and iProsperity Group amounted to S\$1,032,000 (31 December 2020: S\$523,000) where S\$953,000 (31 December 2020: S\$Nil) had been borne by ZACD Australia Hospitality Fund, S\$Nil (31 December 2020: S\$509,000) is currently reflected as a recoverable asset from ZACD Australia Hospitality Fund, S\$2,000 is held as deposit by the Company’s lawyer

for ongoing filing fees and disbursements and S\$77,000 (31 December 2020: S\$14,000) was charged to the profit or loss.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis (“**MD&A**”) for the Group has been prepared and reviewed by the management for the year ended 31 December 2021, and includes information up to the date of the audit report (the “**Report Date**”). The MD&A should be read in conjunction with the Group’s audited financial statements, as well as with the related notes to the financial statements for the year ended 31 December 2021. All amounts are expressed in Singapore Dollars unless otherwise stated.

The Group’s MD&A is divided into the following sections:

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

EXECUTIVE OVERVIEW

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

FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net profit of approximately S\$7.5 million in 2021 as compared with a net loss of approximately S\$20.3 million in 2020, representing a turn from loss to profit of approximately S\$27.7 million or 136.8%. This was mainly attributable to the reversal of impairment loss of approximately S\$7.6 million in respect of the advance by the Group to ZACD Australia Hospitality Fund following the substantial portion of the settlement proceeds received by the fund in September 2021 as compared to impairment loss of approximately S\$12.3 million in respect of the advance to the fund recognised in 2020 and the absence of impairment losses of approximately S\$3.7 million in respect of the Group’s investment management fees receivables. There was also a decrease in the Group’s expenses mainly on staff costs by approximately S\$2.5 million as a result of the drop in headcount and other expenses by approximately S\$1.3 million mainly due to the decrease in professional fees incurred for corporate finance activity, fees on referral programs on fund investors and corporate advisory mandates, and property repair and maintenance outsourcing expenses. Amortisation of right-of-use asset decreased by approximately S\$316,000. Revenue increased by approximately S\$271,000 mainly attributable to higher fees from the investment management, and acquisitions and projects management business segments partially offset by the decrease in fees from the property management and financial advisory business segments. The aggregated impact was partially offset by the decrease in other income and gains by approximately S\$466,000.

Revenue

The revenue of the Group increased by 5.1% or approximately S\$271,000 from approximately S\$5.3 million in 2020 to approximately S\$5.6 million in 2021. The increase was mainly attributable to the increase in fees in investment management mainly from the performance fees derived from BBW6 Fund and increase in project management fee derived in the acquisitions and projects management segment. This was partially offset by the decrease in fees in the property management services and financial advisory business segment.

The following table presents the breakdown of our operating segment information for the years ended 31 December 2021 and 2020:

Year ended 31 December 2021	<u>Investment management</u>		Acquisitions and projects management S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
Segment revenue						
External customers	896	2,564	1,993	39	104	5,596
Segment results	587	1,633	1,099	57	(1,263)	2,113
<i>Reconciliation:</i>						
Other income and gains						911
Corporate and unallocated income						4,491
Profit before tax						7,515

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

(a) Investment Management Services

i) SPV investment management

Revenue increased from approximately S\$580,000 in 2020 to approximately S\$896,000 in 2021, representing an increase of approximately S\$316,000 or 54.5%. The increase was mainly due to dividends derived from eight Investment SPVs in 2021 as compared to three Investment SPVs in 2020 and higher performance fees. The majority of the investment projects set up by the Group from 2010 to 2015 that were under the SPV investment management structures are maturing or have matured. There was no investment SPV established from 2016 as the Group is now focusing on expanding fund structures in line with the Group's current business model.

ii) Fund management

Revenue increased from approximately S\$1.2 million in 2020 to approximately S\$2.6 million in 2021, representing an increase of approximately S\$1.4 million or 112.8%. During 2021, the Group derived performance fees of approximately S\$1.6 million from BBW6 Fund following the legal completion of the fully sold mixed-use development project and realised establishment fees of approximately S\$197,000 from a new development fund (the "**Mount Emily Residential Development Fund**") that was established in 2021. While during 2020, the Group realised subscription fees of approximately S\$529,000 from a new development fund (the "**Mandai Fund**") that was established in early 2020.

(b) Acquisitions and Projects Management Services

Revenue increased from approximately S\$1.3 million in 2020 to approximately S\$2.0 million in 2021 representing an increase of approximately S\$670,000 or 50.6%. The increase was mainly attributed to a project management bonus fee of approximately S\$1.5 million derived from the developer SPV of BBW6 Fund following the legal completion of the fully sold mixed-use development project. The Group derived lower acquisition fee in 2021 with acquisition fee of approximately S\$180,000 derived from the developer SPV of Mount Emily Residential Development Fund following its efforts to secure and complete the acquisition of the freehold site in Mount Emily Singapore for residential development while acquisition fee of approximately S\$1.1 million was derived from the developer SPV of Mandai Fund that jointly established with an external business partner, following its efforts to secure and complete the acquisition of a freehold site in Mandai Singapore for industrial development in 2020.

(c) Property Management and Tenancy Management Services

Revenue decreased from approximately S\$1.4 million in 2020 to approximately S\$39,000 million in 2021, representing a decrease of approximately S\$1.4 million or 97.3%. Reference is made to the voluntary announcement dated 28 December 2020 where the property management contracts that are for residential and industrial properties were either ceased at the end of the contract term or novated to independent third party managing agents by December 2020. Since the strategic re-alignment of this business segment, there has not been new contracts entered as the Group is still evaluating the strategic direction of this business segment.

(d) Financial Advisory Services

Revenue decreased from approximately S\$783,000 in 2020 to approximately S\$104,000 in 2021, representing a decrease of approximately S\$679,000 or 86.7%. The decrease was mainly due to the slowdown in the corporate advisory activities as a result of the COVID-19 pandemic and tighter listing requirements by The Exchange which have adversely affected the sentiment of Singapore-based companies pursuing a potential listing in Hong Kong. In addition, reference is made to the voluntary announcement dated 30 November 2021 where the Board resolved to cease the SFC Regulated Activities, the Group will closely monitor the COVID-19 post-pandemic situation and may consider recommencing this business activity if the business climate changes for the better. 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 decreased from approximately S\$1.4 million in 2020 to approximately S\$911,000 in 2021, representing a decrease of approximately S\$466,000 million or 33.8%. The decrease was mainly due to government grants in relation to the payout of Jobs Support Scheme announced by the Singapore Government in 2020 to provide cashflow support to businesses during the period of economic uncertainty affected by the COVID-19 outbreak and the majority of these government grants were paid out in 2020 and a decrease in foreign exchange gain, partially offset by an increase in income from the transfer of unabsorbed tax losses to some of its fund entities and increase in interest income derived from the bridging loan extended to ZACD Mount Emily Residential Development Fund in 2021.

Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs decreased from approximately S\$6.8 million in 2020 to S\$4.2 million in 2021, representing a decrease of approximately S\$2.5 million or 37.5%.

As at 31 December 2021, the Group had 33 employees as compared to 50 as at 31 December 2020. While headcount decreased mainly in the property management services as a result of the strategic re-alignment of this business segment in December 2020, the Group continues to recruit professional staff to expand its business segments of investment management and acquisitions and projects management for growth though remaining cautious in the implementation of its business expansion plan. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonuses may be granted to eligible staff depending on the Group's achievements as well as the individual's performance.

Impairment losses on financial assets

Reference is made to the voluntary announcement dated 20 September 2019, the inside information and business update announcements dated 23 July 2020, 24 July 2020, 6 August 2020 and 23 August 2021 and the supplemental announcement dated 23 August 2021 of the Company in relation to ZACD Australia Hospitality Fund (the “**Fund**”) and ZACD (Development4) Ltd., an indirect wholly-owned special purpose fund vehicle of the Company is the fund holding entity of this Fund pursuant to the Transaction with respect to the Australia Hotel Portfolio (the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. Pursuant to the Announcements, the Group recorded allowance for impairment losses on the Group’s trade receivables in respect of the investment management fees amounting to approximately S\$3.7 million and allowance for impairment loss on the bridging advance to the Fund of approximately S\$12.3 million pursuant to the Transaction with respect to the Australia Hotel Portfolio as elaborated in the Group’s Annual Results for the year ended 31 December 2020. During 2021, pursuant to the Deed of Settlement, the Fund had received a substantial portion of the settlement proceeds according to the settlement schedule from the Defendants in September 2021. Following the settlement, the bridging advance extended by the Group to the Fund was repaid substantially and accordingly, the impairment loss of approximately S\$7.6 million was reversed by the Group.

Other expenses, net

Other expenses, net decreased from approximately S\$3.0 million in 2020 to approximately S\$1.7 million in 2021, representing a decrease of approximately S\$1.3 million or 43.2%. The decrease was mainly attributable to the decrease in professional fees of approximately S\$885,000 mainly due to a one-off corporate finance activity carried out during 2020, decrease in fees payment on referral programs on fund investors and corporate advisory mandates of approximately S\$307,000, and decrease in the property repair and maintenance outsourcing expenses of approximately S\$164,000 as a result of the strategic re-alignment of the property management services.

Income tax expense

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the current year. The Group benefited from progressive tax system in each tax jurisdiction, whereas under Singapore’s one-tier system, dividend income is tax-exempted when received by shareholders.

LIQUIDITY AND CAPITAL RESOURCES

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

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

Bank borrowings

As at 31 December 2021, the Group had bank borrowing amounted to approximately S\$2.8 million (31 December 2020: S\$3.0 million). The bank borrowing is a 5-year temporary bridging loan under Enterprise Financing Scheme (“EFS”) as announced at Solidarity Budget 2020 by the Singapore government. The EFS is enhanced to help SMEs with their working capital needs. The decrease was mainly attributable to loan repayment of approximately S\$177,000 during 2021. As at 31 December 2021, the gearing ratio of the Group, calculated based on the Group’s total bank borrowing divided by total equity was approximately 0.12 : 1 (31 December 2020: 0.18 : 1).

Cash and cash equivalents

Cash and cash equivalents amounted to approximately S\$5.9 million and approximately S\$12.7 million as at 31 December 2021 and 2020 respectively, which were placed with major banks in Singapore and Hong Kong. The decrease was mainly attributable to the bridging advances to ZACD Mount Emily Residential Development Fund of approximately S\$1.0 million, ZACD (Development2) Ltd. of approximately S\$1.6 million, and ZACD LV Development Pte. Ltd. of approximately S\$11.6 million. This was partially offset by repayment of bridging advance extended to ZACD Australia Hospitality Fund of approximately S\$7.6 million. The cash balance is denominated in Singapore Dollar, Hong Kong Dollar and Australian Dollar. By becoming a global company with international operations, the Group is exposed to foreign currency exchange rate risks. The Group mitigates this risk by implementing working capital management.

During the year, the Group’s operations are financed principally by revenue generated from its businesses and available bank balances and cash. The Directors will continue to closely monitor the development of the COVID-19 pandemic and assess its impact on the financial position, and operational results of the Group. We believed that the Group’s ongoing liquidity requirements will be satisfied by using funds from the available cash and a combination of generated cash from its businesses and the repayment from the bridging advances.

Trade receivables

Total trade receivables amounted to approximately S\$3.2 million and approximately S\$4.9 million as at 31 December 2021 and 2020 respectively. It comprises of trade receivables of approximately S\$3.2 million and dividends receivables of approximately S\$75,000 as at 31 December 2021, as compared to approximately S\$4.9 million and approximately S\$69,000 respectively in 2020.

Trade receivables decreased from approximately S\$4.9 million as at 31 December 2020 to approximately S\$3.2 million as at 31 December 2021, mainly contributed by the decrease in revenue in the property management services and financial advisory services, the allowance for impairment losses of approximately S\$251,000 in respect of the Group's financial advisory fee receivables and approximately S\$139,000 of bad debts written off in respect of the Group's financial advisory fees receivables.

Net current assets

The net current assets of the Group increased from approximately S\$17.3 million as at 31 December 2020 to approximately S\$23.4 million as at 31 December 2021. This increase was mainly due to the increase in bridging advances extended to the fund entities of approximately S\$15.2 million and increase in amount due from related parties of approximately S\$526,000, partially offset by the decrease in cash and cash equivalents of approximately S\$6.8 million and decrease in trade receivables by approximately S\$1.7 million. The current ratio (calculated by current assets divided by current liabilities) of the Group increased from 9.0 times as at 31 December 2020 to 10.8 times as at 31 December 2021.

Current liabilities

Current liabilities comprised of other payables, accruals, lease liabilities, bank borrowing, interest payable from bank borrowing, income tax payables and amount due to ultimate holding company and related parties. The Group's total current liabilities as at 31 December 2021 and 2020 amounted to approximately S\$2.4 million and approximately S\$2.2 million respectively.

Investment in equity securities

The establishment shares were accounted for as investment in equity securities and were measured at fair value. The investment in equity securities amounted to approximately S\$1.2 million and approximately S\$1.5 million as at 31 December 2021 and 31 December 2020 respectively. The fair value was determined based on future dividend distributions expected to be received by the Group based on the Investment SPV's projected distributable profits, the current stage of the real estate development project and its sale progress, as well as the discount rate. The decrease in fair value in 2021 compared to 2020 was mainly due to the realisation of the fair value as the Group recorded dividend payouts from the Investment SPVs during the year, with revisions made to future dividend distributions expected to be received by the Group for certain projects.

Charges on assets

As at 31 December 2021, the Group did not have any charges on assets.

Financial guarantees

Please refer to note 17 Financial guarantees in the notes to the announcement.

Contingent liabilities

Please refer to note 18 Contingent liabilities in the notes to the announcement.

Commitments

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

Dividends

No dividend was paid or proposed by the Company for the financial year ended 31 December 2021 (31 December 2020: Nil).

Share option

On 13 December 2017, the Group has conditionally adopted a share option scheme (the “**Share Option Scheme**”) under which employees of the Group including directors and other eligible participants may be granted options to subscribe for shares of the Group. No options have been issued under the Share Option Scheme as at 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this announcement, no significant event that would materially affect the Group’s operating and financial performance took place subsequent to 31 December 2021 and up to the date of this announcement.

BUSINESS OUTLOOK

Singapore's economy grew 5.9% in the fourth quarter of 2021, bringing a full-year growth to 7.2%, according to advance estimates from the Ministry of Trade and Industry released on January 3, 2022.

Private residential property prices rose in Q4 2021 for the seventh consecutive quarter. This represents an increase of 5.0%, comparable to the 1.1% increase in the previous quarter. For the whole of 2021, private residential property prices increased by 10.6%, comparable to the 2.2% increase in 2020.

In December 2021, the Singapore government announced a package of measures to cool the private residential and HDB resale markets which kicked in on 16 December 2021. They include an Additional Buyer’s Stamp Duty (“**ABSD**”) hike, lower Loan-To-Value (“**LTV**”) limits and tighter Total Debt Servicing Ratio (“**TDSR**”) threshold. Analysts predict that the growth in private home prices will likely moderate at flat to 3% for the coming year following the implementation of the new cooling measures, which is historically similar to the market behaviour after the 2018 round of curbs implemented by the Singapore government.

The successful tender for the collective sale of La Ville, a freehold residential development at Tanjong Rhu secured by the Group in end November 2021 is expected to generate strong interest given its prime location at the city fringe and within walking distance to the MRT station. It also offers access to various lifestyle destinations in the immediate vicinity.

Another ongoing project, the residential redevelopment site at Mount Emily acquired by Mount Emily Fund in 2021, is scheduled to launch in the second half of 2022 as an upmarket boutique development. It is expected to attract investors looking for a freehold asset in a central location at a competitive price and affordable investment quantum.

The sales of Foodfab@Mandai, the freehold industrial project acquired by Mandai Fund, had performed well since the launch in March 2021, bringing total sales to over 60%. This momentum is expected to continue with a more optimistic outlook for 2022 with demand for food factories remain strong, fuelled by the demand for food delivery services.

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

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

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

CORPORATE GOVERNANCE PRACTICES

The Board has adopted the principles and the code provisions of Corporate Governance Code ("**CG Code**") contained in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2021 and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 15 to the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

INTERESTS OF THE COMPLIANCE ADVISER

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

AUDIT COMMITTEE

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

The Audit Committee currently consists of all three of the independent non-executive Directors, namely Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew and the chairman is Mr. Kong Chi Mo.

The Audit Committee with senior management have reviewed the audited consolidated results of the Group for the year ended 31 December 2021 and this announcement with the external auditor of the Company.

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

The annual report for the year ended 31 December 2021 will be despatched to the shareholders and available on the Company's website (www.zacdgroup.com) and the designated website of the Exchange (www.hkexnews.hk) in due course.

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

Singapore, 10 March 2022

As at the date of this announcement, the Board of the Company comprises four (4) executive Directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain, Mr. Siew Chen Yei and Mr. Patrick Chin Meng Liong; three (3) independent non-executive Directors, namely, Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew; and one (1) non-executive Director, namely Mr. Chew Hong Ngiap, Ken.