
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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



ZACD GROUP LTD.

杰地集團有限公司*

(A company incorporated in Singapore with limited liability)

(Stock Code: 8313)

**MAJOR TRANSACTION
PROVISION OF GUARANTEE**

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

A letter from the Board is set out in pages 6 to 18 of this circular.

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

CHARACTERISTICS OF GEM

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

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

CONTENT

	<i>Page</i>
DEFINITIONS.....	1
LETTER FROM THE BOARD	6
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP.....	19
APPENDIX II — GENERAL INFORMATION.....	21

DEFINITIONS

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

“AUM”	assets under management, which refers to moneys and assets contracted to, drawn down by, are under either the discretionary or non-discretionary authority granted by the customer to the company and in respect of which the company is carrying out investment management, as well as those that have been subcontracted to another party
“Announcement”	the announcement made by the Company dated 15 June 2022 regarding the provision of the Guarantee
“BBEC Development”	a proposed executive condominium housing development comprising approximately 360 to 380 residential units with communal facilities on the land parcel located at Bukit Batok West Avenue 8, Singapore
“BBEC Fund”	a closed-end real estate private equity fund established in April 2022, targeting the development of an executive condominium located at Bukit Batok West Avenue 8, of which the fund holding entity, ZACD (BBEC) Pte. Ltd., is a private company limited by shares incorporated in Singapore on 3 March 2021 and its entire nominal ordinary share capital is wholly-owned by ZACD Fund
“Board”	the board of Directors
“Borrower”	TQS (2) Development Pte. Ltd., a private company limited by shares and incorporated in Singapore on 25 March 2022 undertaking the development of the proposed BBEC Development
“Company”	ZACD Group Ltd., a public company incorporated in Singapore with limited liability, whose issued Shares are listed and traded on GEM (stock code: 8313)

DEFINITIONS

“Constitution”	the constitution of the Company (as amended from time to time), adopted on 13 December 2017 and which becomes effective from the Listing Date
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this circular, refers to ZACD Investments, Mr. Yeo and Ms. Sim. Mr. Yeo and Ms. Sim are a group of Controlling Shareholders by virtue of their relationships of being spouses and their decision to restrict their ability to exercise direct control over the Company by holding their interests through a common investment holding company, namely ZACD Investments
“Deed of Guarantee”	the deed of guarantee issued, on 15 June 2022, by the Company as the guarantor in favour of the Lender
“Development SPV(s)”	the investment vehicle(s) owned by the Investment SPV, the key real estate developer partner of the underlying real estate project and other Development SPV investors (if any) under the private equity structures
“Director(s)”	the director(s) of the Company
“EC”	executive condominium
“Facility Agreement”	the facility agreement dated 15 June 2022 entered into by and between the Borrower and the Lender and made available to the BBEC Development, which expression shall include all variations, amendments and supplements thereto, if any
“Finance Documents”	collectively, the Facility Agreement and any other document designated as such by the Lender and the Borrower
“GEM”	the GEM of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee in the aggregate of the principal amount of S\$29,980,000, to be provided by the Company to secure the loan facilities for the Borrower in respect of the BBEC Development, amounting to 10% of the total liabilities of the Borrower under the Facility Agreement in proportion of the shareholding of the BBEC Fund in the Borrower
“HDB”	The Housing and Development Board of Singapore
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the GEM Listing Rules)
“Investment SPV(s)”	the investment vehicle(s) managed by the Group under the private equity structures and the trust structures
“Latest Practicable Date”	25 July 2022, being the latest practicable date for ascertaining certain information for inclusion in this circular prior to the printing of this circular
“Lender”	Overseas-Chinese Banking Corporation Limited, Singapore
“Main Board”	the Main Board operated by the Stock Exchange
“Mr. Yeo”	Mr. Yeo Choon Guan (Yao Junyuan), the spouse of Ms. Sim, an executive Director, the chief executive officer and one of the Controlling Shareholders

DEFINITIONS

“Ms. Sim”	Ms. Sim Kain Kain, the spouse of Mr. Yeo, an executive Director, the chairman of the Board and one of the Controlling Shareholders
“PRC”	the People’s Republic of China
“Qingjian”	Qingjian Realty (South Pacific) Group Pte Ltd., a subsidiary of CNQC International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1240)
“S\$”	Singapore dollars, the lawful currency of Singapore
“Security Documents”	collectively, the Deed of Guarantee, the Guarantors’ Undertaking, the Subordination Agreement, and all other documents to be executed by or involving the Company as guarantee, indemnity for the obligations of the Borrower under the Finance Document
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“TOP”	Temporary Occupation Permit issued by the Building and Construction Authority of Singapore

DEFINITIONS

“ZACD Capital”	ZACD Capital Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 25 October 2011, and a direct wholly-owned subsidiary of the Company and a member of the Group
“ZACD Fund”	ZACD Fund Holdings Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 15 March 2017, and a direct wholly-owned subsidiary of the Company and a member of the Group
“ZACD Investments”	ZACD Investments Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 15 June 2005, the issued share capital of which is owned by Mr. Yeo and Ms. Sim as to 51% and 49%, respectively and one of the Controlling Shareholders
“%”	per cent.

LETTER FROM THE BOARD



ZACD GROUP LTD.

杰地集團有限公司*

(A company incorporated in Singapore with limited liability)

(Stock Code: 8313)

Directors:

Executive Directors:

Ms. Sim Kain Kain (*Chairman*)

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

Mr. Mark Oh Keng Kwan (*Deputy Chief Executive Officer*)

Mr. Patrick Chin Meng Liong (*Chief Legal Officer*)

Ms. Yong Sze Wan, Cheryl (*Chief Financial Officer*)

Independent Non-executive Directors:

Mr. Kong Chi Mo

Dato' Dr. Sim Mong Keang

Mr. Lim Boon Yew

Non-executive Director:

Mr. Chew Hong Ngiap, Ken

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

2 Bukit Merah Central #22-00
Singapore 159835

*Principal Place of Business in
Hong Kong:*

20/F, Winbase Centre,
208 Queen's Road Central
Sheung Wan, Hong Kong

28 July 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION PROVISION OF GUARANTEE

1. INTRODUCTION

References are made to the Announcement.

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

* *for identification purpose only*

LETTER FROM THE BOARD

2. PROVISION OF THE GUARANTEE TO THE BORROWER FOR THE BBEC DEVELOPMENT

The land site of the BBEC Development was acquired by TQS (2) Development Pte. Ltd., a joint venture between CNQC–OS (2) Pte. Ltd. and SNC Realty Pte. Ltd. in March 2022 via a successful tender on the Government Land Sales Programme launched by the Housing & Development Board of Singapore. Qingjian had obtained the below loan facilities with the Lender for the Borrower, being the development holding company of BBEC Development.

Subsequent to the successful tender of BBEC Development, BBEC Fund was invited by Qingjian to participate in the investment in the BBEC Development by undertaking a 10% stake in the Borrower, with SNC Realty Pte. Ltd., CNQC–OS (2) Pte. Ltd. and BBEC Fund legally and beneficially own(s) 46%, 44% and 10% of the issued share capital of the Borrower, respectively.

The BBEC Development will be funded through loan facilities with the Lender by the Borrower, which is the Development SPV of the BBEC Development.

A brief summary of the Facility Agreement is set out below:

- | | |
|-------------|--|
| (a) Date | 15 June 2022 |
| (b) Parties | The Borrower, as the borrower;
The Lender, as the lender. |
| (c) Purpose | The loan facilities will be applied towards part of financing for the following: <ul style="list-style-type: none">(i) the purchase price of the land site of the BBEC Development;(ii) the payment of the differential premium charge payable by the Borrower to the relevant authority in respect of the BBEC Development;(iii) the payment of additional buyer's stamp duty for the BBEC Development; and(iv) the construction costs, goods and services tax and professional fees incurred or to be incurred by the Borrower in the completion of the BBEC Development. |

LETTER FROM THE BOARD

- (d) Loan facilities S\$299,800,000 comprising the following:
- (i) S\$212,800,000 being the land loan facility;
 - (ii) S\$12,690,000 being the differential premium facility;
 - (iii) S\$9,310,000 being the additional buyer's stamp duty facility;
and
 - (iv) S\$65,000,000 being the construction loan facility
- (e) Final maturity date All outstanding amount under the loan facilities shall be fully repaid by 31 March 2027 or within 6 months from the date of issuance of TOP of the BBEC Development, whichever is earlier
- (f) Interest rate The aggregate of 1.08% per annum and applicable compounded reference rate.
- (g) Repayment of loans The Borrower shall repay each loan in full on the final maturity date.

In connection with the loan facilities above, the following shareholders of the Borrower, at the request of the Borrower and as agreed by the Lender, are to provide the proportionate guarantees amounting to 22.9%, 21.1%, 46% and 10% (the “**Shareholding Proportion**”) of the total liabilities of the Borrower under the Facility Agreement, respectively:

- (i) CNQC International Holdings Limited through its indirect wholly owned subsidiary, CNQC Realty (Future) Pte. Ltd., holds a 52% stake in CNQC-OS (2) Pte. Ltd.;
- (ii) Octava Pte. Ltd. which directly owns 70% of the issued share capital of Octava (S) Property Investments 3 Pte. Ltd., which together with Independent Third Parties directly holds a 48% stake in CNQC-OS (2) Pte. Ltd.;
- (iii) Santarli Holdings Pte. Ltd., a related company of SNC Realty Pte. Ltd.; and
- (iv) the Company which indirectly wholly owns BBEC Fund, the Investment SPV for the BBEC Development.

LETTER FROM THE BOARD

The Company, which indirectly holds a 10% stake in the BBEC Development through the Investment SPV, BBEC Fund, has entered into the following Security Documents in favor of the Lender, which were executed by all parties thereto and were dated by the Lender on 15 June 2022:

1) Deed of Guarantee

as the guarantor to which the Company guarantees to pay all due, owing or unpaid liabilities to the Lender by the Borrower provided that the maximum amount to which the Company shall be liable shall be limited to the aggregate of the principal amount of S\$29,980,000 and any interest, commission, fees and expenses accrued thereon, amounting to 10% of the total liabilities of the Borrower under the Facility Agreement in proportion of the shareholding of the BBEC Fund in the Borrower. The Guarantee will be in addition to any other separate proportionate guarantees provided by other guarantors to the Lender to guarantee to pay all due, owing or unpaid liabilities to the Lender by the Borrower, up to a maximum amount in their respective shareholding proportion.

2) Guarantors' Undertaking

as one of the guarantors with the Borrower to which the Company and other guarantors, which have provided on the same date of the Deed of Guarantee and Indemnity, agree to jointly and severally undertake to the Lender, among other things, (i) to perform certain obligations in relation to the BBEC Development undertaken by the Borrower, including but not limited to provide funding to the Borrower, as may be necessary from time to time on demand by the Lender to meet any cost in respect of the construction of the BBEC Development, and (ii) that all sums whatsoever from time to time due from or owing by the Borrower to the guarantors are subordinated to any debt of the Borrower under the Facility Agreement prior to the date on which the Lender becomes satisfied that such debt has been paid and discharged in full.

3. REASON AND BENEFITS OF THE PROVISION OF THE GUARANTEE

Reference is made to the voluntary announcement dated 13 June 2022 of the Company in relation to the establishment of a new fund, ZACD BBEC Fund (or the “**BBEC Fund**”) pursuant to the BBEC Fund's investment into the BBEC Development.

The Group is an asset manager headquartered in Singapore offering integrated solutions across the real estate value chain in Singapore and elsewhere in the Asia-Pacific region and is principally engaged, inter alia, in investment management services which are provided to the investors by managing the Investment SPVs through ZACD Fund as sponsor by holding the entire

LETTER FROM THE BOARD

nominal ordinary share capital of the relevant fund holding entities including but not limited to BBEC Fund, in all aspects including operation and financing from time to time when the Development SPVs are required.

As disclosed in the prospectus of the Company dated 28 December 2017, in certain real estate projects, the Development SPV or the development holding company under a fund structure would also need to secure bank borrowings for the development of the real estate projects. Generally, the property developer would lead the discussions with the lending bank(s) and if required by the lending bank(s), the shareholders of the Development SPV or the development holding company under a fund structure (including the relevant Investment SPV or the fund holding entity or the ultimate shareholders of the Investment SPV or the fund holding entity) would provide a corporate and/or personal guarantee in proportion to their investment stakes in the Development SPV or the development holding company under a fund structure to the bank to secure such borrowing by the Development SPV or the development holding company under a fund structure. Typically, such guarantee would be proportionate to the stake of the Investment SPV in the Development SPV or the development holding company under a fund structure. It is a common market practice in Singapore for participating shareholders in a property development business venture to each provide their proportionate guarantees to banks for the borrowings of such business venture in proportion to their respective shareholding in such business venture. This is because the banks usually require some recourse to the shareholders and non-recourse external loan finance is extremely rare in the market in Singapore.

The Borrower is the Development SPV of the BBEC Development. BBEC Fund is the Investment SPV of the Group for the BBEC Development which is indirectly wholly owned by the Company through ZACD Fund, acting as the sponsor and investment manager of the BBEC Fund by way of holding the nominal share capital of the corporate entity of the BBEC Fund. Under the private placement memorandum of the BBEC Fund, the sponsor's commitment is to directly or through one or more of its associates, initially subscribe for all the ordinary shares of the BBEC Fund to facilitate the establishment of the BBEC Fund, the Investment SPV as an investment platform for investors. Notwithstanding that there is no other requirement than to hold the nominal ordinary share capital of the BBEC Fund through ZACD Fund acting as the sponsor by the Company nor any particular requirement to take up any guarantee for the BBEC Fund, a lender typically requires a guarantee from the ultimate shareholder(s) of the property development company where in respect of the Guarantee, the Company would be required by the Lender to provide the Guarantee. Although the provision of Guarantee may not have immediate monetary benefits to the Company, it will have direct commercial benefits to the Company by sustaining the performance of the BBEC Fund and thus the investment management business of the Company (the "**IM Business Benefits**"), as more particularly described in paragraph 3(1)(b) below.

LETTER FROM THE BOARD

Generally in a property development venture such like the Borrower, the development process is over a long period of time typically over 4 to 5 years and during this process, there are many operational issues, legally, financially and/or commercially, arise from time to time that need to be collectively resolved by the joint venture partners satisfactorily, such that the venture can progress to fruition smoothly. Therefore, based on the Company's past experience for all the projects that the investment management business has involved with Qingjian and other developer partners, typically over and above the contractual duties owed to each other, there are also strong commercial interest for the joint venture partners to work closely with each other and act amicably to satisfy the operational needs and business necessities arise from time to time in the best interest of the partnership as a whole to ensure the best possible project outcome, which in turn will benefit each of the joint venture partner.

Following the notification by the Borrower of their discussion with the Lender on the financing loan facilities by furnishing the Company with a draft facility letter issued by the Lender to the Borrower in end April 2022, at the request of the Borrower and as agreed by the Lender, the shareholders of the Borrower as stated in paragraph headed "2. Provision of the Guarantee to the Borrower for the BBEC Development" above in this circular, the proportionate guarantees provided by CNQC International Holdings Limited, by Octava Pte. Ltd., by Santarli Holdings Pte. Ltd. and by the Company in their respective Shareholding Proportion are to continuously secure the loan facilities for the Borrower in respect of the BBEC Development as a continuing security. Such request of the Borrower for proportionate guarantees were not unreasonable as it aligned with market norms and acted in a manner that the contingent guarantee liability exposure among the shareholders of the Borrower would be consistent with their respective Shareholding Proportion in the Borrower pursuant to which the investment return from the BBEC Development will be distributed, which to certain extent reflects that all relevant parties thereto are acting in the best interest not only for the Borrower but also for the other joint venture partners as a whole.

Notwithstanding the reasonableness of the request of the proportionate guarantees, the Board has taken into consideration of the possible costs and benefits on whether or not the Company agrees to provide the Guarantee analysed as follows:

- (1) if the Company agrees to provide the Guarantee:
 - a. Possible costs:

The Company's corporate guarantee exposure amounts to 10% of the total liabilities of the Borrower under the Facility Agreement in proportion of the shareholding of the BBEC Fund in the Borrower. However, such corporate guarantee exposure should be considered in light of the credit risk of the Borrower associated with Facility Agreement as the Company may only incur liabilities upon

LETTER FROM THE BOARD

a call on the Guarantee arising in the event of default of the Borrower under the Facility Agreement. In this regard, the Board considers that the Borrower's credit risk is remote after the Company's assessment on the BBEC Development's potential performance, not limit to but including reviewing the preliminary development budget costs and the estimated gross development value of the BBEC Development that were made known to the Company. Base on the Company's past experience on real estate development projects, the Company has assessed that the preliminary development costs are conclusive and competitive, and aligned to market practices. The demand for EC is expected to remain buoyant, driven by rising prices of private residential properties as well as higher HDB resale prices. Therefore, the BBEC Development is expected to generate keen interest from first time home buyers and HDB upgraders in the development region as there has not been launches of EC projects in the region since 2017. In this regard, the Company has assessed that the estimated gross development value is achievable and aligned to the housing pricing trend in Singapore. The potential sale proceeds arising from the sale of the residential units in the BBEC Development will be more than sufficient to cover the development costs as well as repay the loan facilities and any interest and fees accrued thereon and the Borrower has the ability in maintaining an adequate cash flow and reserve of the working capital.

b. Possible benefits:

The proportionate guarantees will facilitate the development of the BBEC Development, and will in turn benefit the investment management business of the Group as it will be able to derive investment management income from managing the BBEC Fund. BBEC Fund has an AUM of approximately S\$11.5 million and is managed by ZACD Capital, acting as the fund manager. In providing the fund management services to BBEC Fund by ZACD Capital, the Group is entitled to (i) an establishment fee equivalent to 3% of capital commitment; (ii) a fund management fee equivalent to 0.5% per annum of the committed capital for a period of five (5) years; and (iii) a performance fee equivalent to 10% of the net proceeds from the realisation of investments after full repayment of the invested capital to the investors.

By maintaining the Group's business relationship with Qingjian, the Group may collaborate with Qingjian on more new projects in the future which the Group may have the opportunity to participate if the Group maintains a good business relationship with Qingjian (the "**Qingjian Benefits**") including one (1) new Singapore real estate project that the parties are currently collaborating.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Group has cooperated with Qingjian on total fifteen (15) real estate projects, out of which nine (9) including the BBEC Development are within the investment management business segment which enable the Group to enjoy the IM Business Benefits from such projects, one (1) is within the acquisitions and projects management business segment where the Group derives revenue from charging the developers of Qingjian a fixed, pre-negotiated fee determined with reference to market rates and subject to arms-length commercial negotiations, which is also one of the businesses that the Group is principally engaged, and five (5) are within both the investment management business and the acquisitions and projects management business segments.

(2) if the Company does not agree to provide the Guarantee:

a. Possible costs:

As disclosed in the “Risk Factors” section of the Company’s prospectus dated 28 December 2017, the Group cannot assure that it will continue to collaborate with its real estate developer partners including but not limited to Qingjian on new real estate projects, as the continuation of the Group’s business relationship depends on various factors such as cost efficiencies, common investment direction and business goals. If the Group does not collaborate with them on new real estate projects in the future, the Group will need to obtain new real estate projects from other alternative real estate developer partners. If the Group is unable to find new real estate projects quickly, the Group will manage fewer real estate projects within the investment management business segment, and the Group’s financial position and results of operations may be materially and adversely affected.

It may affect the commercial benefits of maintaining the business relationship with Qingjian, which is one of our key real estate developer partners with more than eleven (11) years of the business relationship starting from 2010. Qingjian has been the most active developer partner over other developer partners of the Company with more note-worthy and attractive projects that the Company can potentially cooperate with and is considered by the Board the developer partner that the Company has strongest business ties with that cannot be replaced easily by any other developer partner to date.

Any failure of maintaining the Qingjian Benefits may in all probability jeopardise the continuous cooperation as well as future cooperation with Qingjian. The Directors believe that the return of BBEC Development will be attractive as with

LETTER FROM THE BOARD

the previous projects that partnered with Qingjian with consistently good return to the investors of the Company based on the track record and in turn has contributed positively and significantly to the investment management business of the Company.

In particular, (a) it may potentially affect the performance of the BBEC Fund indirectly in view that the other three (3) parties who have agreed to provide the proportionate guarantees and together own 90% shareholding in the Borrower, can be in a position to effect major resolutions without necessarily obtaining the consent of BBEC Fund to affect the return of BBEC Fund's investment stake in the BBEC Development, or initiate and negotiate to impose additional requirements or conditions on the BBEC Fund being the minority shareholder of the Borrower, such as levying a fee commercially for the additional corporate guarantee that they have to provide in the BBEC Fund's Shareholding Proportion in view of the non-cooperation of the BBEC Fund on common investment direction and business goals of BBEC Development; and (b) further less opportunities of collaboration with Qingjian on real estate projects may in turn affect the acquisitions and projects management services business of the Group, which is project-based, in such potential projects and result in potential future losses of the revenue that may be derived from the acquisitions and projects management services business segment.

b. Possible benefits:

There is no corporate guarantee exposure and liabilities to the Company where the probability of the Guarantee being called upon is remote based on the Company's assessment on the Borrower's credit risk and other securities available to the Lender as analysed above.

Having considered that (i) the provision of the proportionate guarantees by all joint venture partners aligns with the industry practice, (ii) the reasonable commercial obligations arising from the business necessity that the joint venture partners may consider to comply with among themselves in the best interest of all the joint venture partners as a whole to ensure the best possible project outcome, which in turn will benefit each of the joint venture partner, (iii) as confirmed by Qingjian, the Facility Agreement and the corresponding proportionate guarantees including the Deed of Guarantee are under normal commercial terms as compared to similar bank loans of other real estate development projects that Qingjian entered into with the Lender or other banks, (iv) the contingent guarantee liability exposure among the shareholders of the Borrower would be consistent with their respective Shareholding Proportion in the Borrower pursuant to which the investment return from the BBEC Development will be distributed and the Guarantee

LETTER FROM THE BOARD

does not impose any additional liability in excess to the Shareholding Proportion of the Company, (v) the nature of the provision of the Guarantee is similar to other funds the Group had managed before and from the Group's past experience and industry understanding, it is common and usual practice for property development projects that proportionate guarantees are to be provided from the shareholders of the borrower in addition to mortgage and any other securities that the lender holds for the real estate property, and (vi) the possible costs and benefits on whether or not the Company agrees to provide the Guarantee including but not limited to the commercial benefits to be derived by the Company from ensuing the performance of the BBEC Fund (i.e. the IM Business Benefits) as well as maintaining the business relationship with Qingjian (i.e. the Qingjian Benefits), the Directors consider that the provision of the Guarantee and the terms and conditions of the Security Documents are under normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

4. INFORMATION ON BBEC DEVELOPMENT AND RELEVANT PARTIES

As at the Latest Practicable Date, the BBEC Development was beneficially held as to 46% by SNC Realty Pte. Ltd., as to 44% by CNQC-OS (2) Pte. Ltd. and as to 10% by BBEC Fund. The Borrower is the registered proprietor of the leasehold estate of 99 years in the land parcel of the BBEC Development and undertake the development of the BBEC Development.

SNC Realty Pte. Ltd. is a subsidiary of Santarli Realty Pte. Ltd. Santarli Realty Pte. Ltd. and Santarli Holdings Pte. Ltd. are owned by a group of common individual shareholders, Lee Boon Teow, Chan Thiam Seng and Sim How Tiong. Santarli Holdings Pte. Ltd. is a leading and well-established contractor and builder in Singapore has provided on the same date of the Deed of Guarantee the similar guarantee with the liability amounting to 46% of the total liabilities of the Borrowers in proportion of the shareholding in the Borrowers.

CNQC-OS (2) Pte. Ltd. is beneficially held as to 52% by CNQC Realty (Future) Pte. Ltd. and as to 48% by Octava (S) Property Investments 3 Pte. Ltd. CNQC Realty (Future) Pte. Ltd. is a subsidiary indirectly wholly owned by CNQC International Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1240), with major businesses in real estate, construction, and lifestyle smart home/smart communities application etc and has provided on the same date of the Deed of Guarantee the similar guarantee as the ultimate beneficial owner of CNQC Realty (Future) Pte. Ltd. with the liability amounting to 22.9% of the total liabilities of the Borrower in proportion of the effective shareholding in the Borrower. Octava (S) Property Investments 3 Pte. Ltd. is a subsidiary of Octava Pte. Ltd. which is owned by three (3) individual shareholders, Joseph Tey Wei Jin, Lee Kok Leong and Pang Sze Khai. Octava Pte. Ltd., a company based in Singapore with multiple investments across diverse industries, focusing mainly on real estate investment, property development, financial technology and lifestyle concepts and has

LETTER FROM THE BOARD

provided on the same date of the Deed of Guarantee the similar guarantee with the liability amounting to 21.1% of the total liabilities of the Borrower in proportion of the effective shareholding in the Borrower.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Santarli Holdings Pte. Ltd., CNQC International Holdings Limited, Octava Pte. Ltd. and the ultimate beneficial owners are Independent Third Parties.

5. FINANCIAL EFFECTS OF GRANTING THE GUARANTEE ON THE GROUP

There is no immediate effect on the earnings, assets and liabilities of the Group on the date of granting the Guarantee. However, the Company, as the guarantor, will be responsible, if the Borrower fail to make payments when due in accordance with the terms of the Facility Agreement, to make payment of the loan facilities maximally approximately in the aggregate of the principal amount of S\$29,980,000 amounting to 10% of the total liabilities of the Borrower under the Facility Agreement and any interest, commission, other banking charges, costs and expenses accrued thereon (if any).

In the event that the Borrower were to default in making payments under the Facility Agreement, the Company's liabilities would be increased by maximally approximately S\$29,980,000 plus any interest, commission, other banking charges, costs and expenses accrued thereon being the amount guaranteed under the Deed of Guarantee, and the same will be recorded to the Group's statement of financial position.

Having considered the past financial performance of the projects partnered with Qingjian, there was no defaulted in repayment to the lenders or banks. The potential sale proceeds arising from the sale of the residential units in the BBEC Development will be more than sufficient to repay the loan facilities and any interest accrued thereon and the Borrower has the ability in maintaining an adequate cash flow and reserve of the working capital, the Directors considers that there will not be any material effect on the earnings, assets and liabilities of the Group for the provision of the Guarantee unless the Company is required to perform the obligations under the Deed of Guarantee.

6. IMPLICATIONS UNDER THE GEM LISTING RULES

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

LETTER FROM THE BOARD

7. WRITTEN SHAREHOLDERS' APPROVAL

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

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

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

8. RECOMMENDATION

The Directors are of the view that the terms of the Security Documents and the transactions contemplated thereunder are normal commercial terms and are within the ordinary course of business which are fair and reasonable and the entering into the Security Documents is in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 were set out in the annual report of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/financial-reports/>).

Financial information of the Group for the three months ended 31 March 2022 was set out in the first quarterly report 2022 of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/announcements-circulars/>).

2. STATEMENT OF INDEBTEDNESS

As at 25 July 2022, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had an outstanding bank loan of approximately S\$2.5 million which was unsecured and to use for working capital purposes.

As at 25 July 2022, the contingent liabilities incurred by the Group for provision of the guarantees to the Development SPVs were approximately S\$588 million.

Save as otherwise disclosed above, and apart from intra-group liabilities, the Group did not have, as at 25 July 2022, any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group managed a total of 29 investment structures under the PE structures and fund structures over 28 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. The Group provided ongoing acquisitions and projects management services to three real estate

projects in Singapore and two real estate projects in Australia, delivered ongoing tenancy management services to one property owner in Malaysia. The Group is currently providing corporate support and fund administration services for a family office with an asset-under-management of approximately USD100 million.

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

Despite the economic uncertainty affected by the COVID-19 pandemic, we view this as an opportunity to grow and expand the Group's pipeline projects for our investment management business and acquisitions and projects management business including source, identify and acquire assets with attractive returns and looking at more distressed assets with redevelopment/turnaround potential when a profitable opportunity arises.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, save as disclosed in the section headed "Corporate Governance and Other Information" of the first quarterly report 2022 of the Company (Pages 28 to 32) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/announcements-circulars/>), none of the Directors or the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

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

As at the Latest Practicable Date, save as disclosed in the section headed "Corporate Governance and Other Information" of the first quarterly report 2022 of the Company (Pages 32 to 33) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/announcements-circulars/>), no person, other than the Directors and the chief executive of the Company, whose interests are set out in the section "Director's and chief executive's interests and short positions in Shares and underlying Shares and debentures of the Company and its associated corporation" above, had or was deemed to have any interests and short positions in the Shares, underlying Shares or

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

3. DISCLOSURE OF OTHER INTERESTS

Directors' service contract

As at the Latest Practicable Date, save as disclosed in the section headed "Directors' Service Contracts and Letters of Appointment" in Annual Report 2021 (Page 43) of the Company posted on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.zacdgroup.com/shareholders/financial-reports/>), none of the Directors had any proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one (1) year without payment of compensation (other than statutory compensation).

Directors' competing interests

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

Directors' interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

Directors' interests in contracts or arrangements of significance

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

4. MATERIAL CONTRACTS

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

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

5. LITIGATION

As at the Latest Practicable Date, apart from the major legal claims, announced by the Company on the 24 July 2020 and 6 August 2020, brought by the Company against the Trust lawyer and the firm of solicitors, these claims having been settled as between the parties therein in favour of the Company as has been already announced as well. At present there is no pending litigation filed in any Court in which any of the members of the Group are engaged in or are threatened with.

6. GENERAL

- (i) The registered office, head office and the principal place of business in Singapore of the Company is 2 Bukit Merah Central, #22-00, Singapore 159835.
- (ii) The principal place of business of the Company in Hong Kong is 20/F, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong.
- (iii) One joint company secretary in Hong Kong and one joint company secretary in Singapore of the Company were appointed:
 - (a) Mr. Ip Pui Sum was appointed as one of the joint company secretaries of the Company in Hong Kong on 12 July 2017. Mr. Ip has been the founding partner of Sum, Arthur & Co., Certified Public Accountants since 1993 whose scope of services includes the provision of financial statement audit, accounting and company secretary services. Mr. Ip has been appointed as the company secretary of various companies listed on the Main Board. Mr. Ip obtained a higher diploma in accountancy from the Hong Kong Polytechnic University in November 1982 and a master's degree in business administration from Henley Management College and Brunel University in May 1997. Mr. Ip is a Certified Public Accountant

(Practising) in Hong Kong, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Chartered Governance Institute and the Hong Kong Chartered Governance Institute; and

(b) Mr. Tan Kim Swee Bernard, was appointed as one of the joint company secretaries of the Company in Singapore on 8 November 2016. He is a practicing solicitor in Singapore. He has over twenty-one (21) years of experience in legal practice including the professional secretarial services sector in Singapore. He obtained a Bachelor of Laws degree from the National University of Singapore in August 2000.

(iv) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

7. DOCUMENTS AVAILABLE

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.zacdgroup.com) from the date of this circular up to 14 days thereafter:

- (i) the material contracts referred to in the paragraph headed “Material Contracts” above in this Appendix;
- (ii) the annual report of the Company for the three years ended 31 December 2019, 2020 and 2021;
- (iii) the first quarterly report 2022 of the Company for the three months ended 31 March 2022;
- (iv) the interim report 2021 of the Company for the six months ended 30 June 2021;
- (v) this circular and a copy of each circular issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up); and
- (vi) Deed of Guarantee.