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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 2022

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

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

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

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

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

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

** for identification purposes only*

ANNUAL FINANCIAL HIGHLIGHTS

For the year ended 31 December 2022

- The revenue of the Group decreased by 28.8% or approximately S\$1.6 million from approximately S\$5.6 million in 2021 to approximately S\$4.0 million in 2022. The decrease was mainly attributable to the higher fees derived from investment management and project management in 2021 where performance fees derived from BBW6 Fund and one-off project bonus fee derived from the developer SPV of BBW6 Fund in 2021, partially offset by the increase in acquisition fees in 2022.
- Staff costs decreased from approximately S\$4.2 million in 2021 to approximately S\$3.9 million in 2022, representing a decrease of approximately S\$386,000 or 9.1%. As at 31 December 2022, the Group had 34 employees as compared to 33 as at 31 December 2021.
- The Group reported a net loss of approximately S\$2.7 million in 2022 as compared to a net profit of approximately S\$7.5 million in 2021, representing a turn from profit to loss of approximately S\$10.2 million or 136.3%. The decrease was mainly attributable to the absence of reversal of impairment losses of financial assets of approximately S\$7.6 million in respect of the bridging advance by the Group to ZACD Australia Hospitality Fund was reversed following the substantial portion of the settlement proceeds received by the fund in September 2021, decrease in revenue by approximately S\$1.6 million, and the fair value loss of approximately S\$1.4 million was recognised as the premium price of the put option granted by the Company to TGL. This was partially offset by the decrease in staff costs by approximately S\$386,000 and increase in other income and gains by approximately S\$332,000.
- Basic and diluted loss per share during 2022 was approximately S\$0.14 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 2022 (the “**Annual Results**”), together with the comparative figures for the financial year ended 31 December 2021:

Consolidated statement of profit or loss and comprehensive income

For the year ended 31 December 2022

		Group	
	Note	2022 S\$'000	2021 S\$'000
Revenue	4	3,983	5,596
Other income and gains	4	1,243	911
Staff costs		(3,853)	(4,239)
Depreciation		(103)	(101)
Amortisation of right-of-use assets		(96)	(117)
Amortisation of capitalised contract costs	10	(91)	(97)
(Impairment losses)/ Reversal of impairment losses on financial assets	5	(205)	7,417
Marketing expenses		(62)	(32)
Other expenses, net		(1,786)	(1,730)
Interest expense		(91)	(93)
Fair value loss on financial derivative	14	(1,362)	–
(Loss)/ Profit before tax	6	(2,423)	7,515
Income tax expense	7	(284)	(54)
(Loss)/ Profit for the year attributable to owners of the Company		(2,707)	7,461
Other comprehensive (loss)/ income:			
<u>Items that will not be reclassified to profit or loss</u>			
Fair value changes on investment in equity securities		(468)	(281)
Fair value changes on investment in fund entities		413	–
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		(15)	(41)
Other comprehensive loss for the year		(70)	(322)
Total comprehensive (loss)/ income for the year attributable to owners of the Company		(2,777)	7,139
(Loss)/ Profit per share attributable to owners of the Company			
Basic (cents)	8	(0.14)	0.37
Diluted (cents)	8	(0.14)	0.37

Consolidated statement of financial position

As at 31 December 2022

	Note	Group	
		2022 S\$'000	2021 S\$'000
Non-current assets			
Property, plant and equipment		235	229
Right-of-use assets		635	–
Investment in equity securities		720	1,188
Investment in fund entities		1,897	9
Prepayments, deposits and other receivables		237	259
Loans and related receivables	11	–	816
Total non-current assets		3,724	2,501
Current assets			
Trade receivables	9	3,888	3,246
Amounts due from ultimate holding company		4	–
Amounts due from related parties (non-trade)		1,252	1,703
Prepayments, deposits and other receivables		250	392
Capitalised contract costs	10	464	240
Loans and related receivables	11	10,211	14,342
Cash and cash equivalents		7,661	5,892
Total current assets		23,730	25,815
Current liabilities			
Other payables and accruals	12	1,725	1,348
Amount due to ultimate holding company		–	23
Amounts due to related parties (non-trade)		224	251
Lease liabilities		250	–
Bank borrowing	13	747	711
Income tax payable		341	53
Total current liabilities		3,287	2,386
Net current assets		20,443	23,429
Non-current liabilities			
Other payables and accruals	12	6	17
Lease liabilities		432	–
Bank borrowing	13	1,357	2,117
Deferred tax liabilities		57	66
Financial derivative	14	1,362	–
Total non-current liabilities		3,214	2,200
Net assets		20,953	23,730
Equity			
Share capital	15	29,866	29,866
Reserves		(8,913)	(6,136)
Total equity		20,953	23,730

Notes to the consolidated financial statements For the year ended 31 December 2022

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 300 Beach Road The Concourse #34-05, Singapore 199555.

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 services;
- (iii) property management and tenancy management services; and
- (iv) financial advisory services.

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

2.1 Basis of preparation

The 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 2022. 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 distributed to the investors, and/or upon divestment of all investments in the fund or termination of the fund, whichever is earlier. 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	
	2022 S\$'000	2021 S\$'000
Singapore	3,327	5,380
Malaysia	37	39
Australia	179	73
British Virgin Island	440	88
Other countries/jurisdictions	–	16
	3,983	5,596

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

(b) Non-current assets

	Group	
	2022 S\$'000	2021 S\$'000
Singapore	220	181
Other countries/jurisdictions	15	48
	235	229

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 2022						
Primary geographical markets						
Singapore	706	1,414	1,207	–	–	3,327
Malaysia	–	–	–	37	–	37
Australia	–	–	179	–	–	179
British Virgin Island	–	440	–	–	–	440
	706	1,854	1,386	37	–	3,983
Timing of services						
At a point in time	640	739	1,207	–	–	2,586
Over time	66	1,115	179	37	–	1,397
	706	1,854	1,386	37	–	3,983
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

	Group	
	2022	2021
	S\$'000	S\$'000
Revenue		
Investment management		
- SPV investment management fees	706	896
- Fund management fees	1,854	2,564
Acquisitions and projects management fees	1,386	1,993
Property management and tenancy management fees	37	39
Financial advisory fees	–	104
	3,983	5,596
Other income and gains		
Interest income	590	139
Government grants <i>(Note (i))</i>	23	301
Foreign exchange differences, net	(4)	(6)
Gain on disposal of fixed assets	11	–
Income from transfer of unabsorbed capital allowances, losses and donations <i>(Note (ii))</i>	295	353
Operating lease income	4	–
Corporate business service fees <i>(Note (iii))</i>	324	100
Others	–	24
	1,243	911

- (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.*
- (iii) *Corporate business services rendered to external corporate clients by the Group. Services performed include reviewing and advising on financial reports and finance functions and processes, and making recommendations on areas of improvement to the corporate clients.*

5. Impairment losses/ (Reversal of impairment losses) on financial assets

	Group	
	2022 S\$'000	2021 S\$'000
Reversal of impairment in relation to ZACD Australia Hospitality Fund (<i>Note (a)</i>):		
Loans and related receivables (<i>Note 11</i>)	–	(7,574)
Reversal of impairment in relation to Property management and Project management (<i>Note (b)</i>):		
Trade receivables (<i>Note 9</i>)	–	(94)
Impairment in relation to Financial advisory (<i>Note (c)</i>):		
Trade receivables (<i>Note 9</i>)	177	251
Impairment in relation to amount due from a related party	28	–
Total impairment losses/ (reversal of impairment losses) for the year	205	(7,417)

- (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 for impairment losses 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 2022, an allowance for impairment loss of S\$177,000 (2021: S\$251,000) was made against the financial advisory fee receivables. Management has reassessed and made necessary impairment losses for irrecoverable amounts.

6. (Loss)/ Profit before tax

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

	Group	
	2022	2021
	S\$'000	S\$'000
Auditor's remuneration	162	172
Bad debts written off – trade	5	146
Professional fees	267	197
Travel and entertainment	186	154
Insurance expenses	124	126
IT services	53	57
Directors' fees	92	92
Fair value loss on financial derivative	1,362	–
Reversal of impairment loss on loans and related receivables	–	(7,574)
Dividend income from the Establishment Shares included in SPV investment management fees	(567)	(623)
Performance fees included in fund management fees	–	(1,633)
	1,362	(7,574)

7. Income tax expense

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% in 2022 (2021: 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 2021 and 2022.

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

	Group	
	2022	2021
	S\$'000	S\$'000
Current:		
- Provision for current year	293	53
Deferred taxation:		
- Origination and reversal of temporary differences	(9)	1
Total tax expense for the year	284	54

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

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

	2022 S\$'000	2021 S\$'000
(Loss)/ Profit		
(Loss)/ Profit for the purpose of calculating basic and diluted (loss)/ profit per share ((loss)/ profit for the year attributable to owners of the Company)	(2,707)	7,461
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	
	2022 S\$'000	2021 S\$'000
Trade receivables	4,396	3,577
Less: allowance for impairment losses	(508)	(331)
	3,888	3,246

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

	Group	
	2022 S\$'000	2021 S\$'000
At beginning of the year	331	3,867
Allowance for impairment losses (Note 5)	177	251
Written off allowance for impairment losses	-	(3,693)
Reversal of impairment losses no longer applicable (Note 5)	-	(94)
	508	331

As at 31 December 2022, an allowance for impairment loss of S\$177,000 was made against financial advisory fees receivables. Management has reassessed and made necessary impairment losses for irrecoverable amounts.

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	
	2022	2021
	S\$'000	S\$'000
Within 1 month	668	342
1 to 2 months	19	19
2 to 3 months	1	15
Over 3 months	3,200	2,795
	3,888	3,171

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

	Group	
	2022	2021
	S\$'000	S\$'000
Dividend receivables	–	75
Neither past due nor impaired	668	342
Less than 1 month past due	19	19
1 to 3 months past due	3,201	2,810
	3,888	3,246

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	
	2022	2021
	S\$'000	S\$'000
Capitalised incremental costs of obtaining contracts – commission costs paid to agents		
At beginning of reporting year	240	275
Additions	315	62
Amortisation	(91)	(97)
At end of reporting year	464	240

11. Loans and related receivables

	Group	
	2022	2021
	S\$'000	S\$'000
<u>Current</u>		
Bridging loan funded to:		
ZACD (Development4) Ltd.	5,527	4,711
ZACD Mount Emily Residential Development Fund	–	1,005
ZACD (Development2) Ltd.	1,690	1,590
ZACD LV Development Pte. Ltd.	–	11,610
ZACD LV Development Fund	7,153	–
Interest receivables on loan to:		
ZACD Mount Emily Residential Development Fund	–	123
ZACD (Development2) Ltd.	112	14
ZACD LV Development Fund	440	–
Less: allowance for impairment losses	(4,711)	(4,711)
	10,211	14,342
	S\$'000	S\$'000
	2022	2021
	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	
	2022	2021
	S\$'000	S\$'000
At beginning of the year	4,711	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	4,711

Bridging facility to ZACD (Development4) Ltd.

Pursuant 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”) made by the Company and as mentioned in the Company’s annual report for the year ended 31 December 2021, the loan and related receivables extended by the Group to the Fund had been repaid substantially with S\$816,000 to be received up to two years from the Deed of Settlement following

the receipt of the settlement proceeds by the Fund from the Defendants in September 2021 and accordingly, the impairment loss of approximately 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 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 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 2022, the loan and related receivables extended by the Group to the fund had been full repaid.

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**”) with a supplemental on 1 June 2022 to increase the facility to S\$1,750,000. 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 “**Landmark Development**”). 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 2022, S\$1,690,000 has been drawn down on the Facility by the Borrower which bears interest at 6% per annum.

Advances to ZACD LV Development Pte. Ltd. and Bridging facility to ZACD LV Development Fund

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 on behalf of ZACD LV Development Pte. Ltd., the Development SPV of the La Ville Project.

On 1 February 2022, the Company entered into a S\$18,000,000 short term bridging facility agreement (the “**Facility**”) with ZACD LV 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 the beginning of 2022 in connection with the redevelopment of the La Ville Project. 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 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 purposes of facilitating the Borrower to participate in land parcel sales on La Ville Project 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 2022, S\$7,153,000 has been drawdown on the Facility by the Borrower which bears interest at 6% per annum.

12. Other payables and accruals

	Group	
	2022	2021
	S\$'000	S\$'000
Other payables	19	19
Accruals	1,611	1,295
Deferred revenue	101	51
	1,731	1,365
Less: amounts classified as current liabilities	(1,725)	(1,348)
Amounts classified as non-current liabilities	6	17

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\$9,000 and S\$6,000 (2021: S\$23,000 and S\$17,000) respectively.

13. Bank borrowing

	Group	
	2022	2021
	S\$'000	S\$'000
<u>Current</u>		
Interest payable on bank loan	3	5
Temporary bridging loan	744	706
	747	711
<u>Non-current</u>		
Temporary bridging loan	1,357	2,117
Total bank borrowing	2,104	2,828

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 which was in September 2020, 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. Financial derivative

	Group	
	2022	2021
	S\$'000	S\$'000
Fair value loss on financial derivative	1,362	–

Following the grant of put option by the Company as announced on 28 December 2022, the fair value loss of S\$1,362,000 was recognised as the premium price of the put option granted to Top Global Limited (“**TGL**”).

15. Share capital

	Group	
	2022	2021
	S\$'000	S\$'000
Issued and paid up capital:		
2,000,000,000 ordinary shares on 31 December 2022 (2021: 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 2021 to 31 December 2022.

16. Dividend

No dividend was paid or proposed by the Company for the financial year ended 31 December 2022 (31 December 2021: Nil).

17. Commitments

Reference is made to the announcement dated 28 December 2022 where the Company had granted a put option to an investor, TGL subscribing in ZACD LV Development Fund. On the same day, the Company and TGL entered into an arrangement pursuant to which the Company will pay TGL a coupon payment at the rate of 8% per annum on the amount of TGL's capital contribution to ZACD LV Development Fund less fee rebates given to TGL, payable quarterly in arrears commencing from 4 January 2023 (the "**TGL Drawdown Date**") and shall continue until the fourth anniversary of the TGL Drawdown Date. The total coupon payments aggregate to S\$1,920,000.

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

18. Financial guarantees

On 27 June 2022, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$129,086,250 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential redevelopment project located at 6C and 6D Tanjong Rhu Road, Singapore (the "**La Ville Development**"). This amount represents 75.0% 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 ZACD LV Development Fund (the "**LV Development Fund**"), a sub-fund registered under ZACD Capital Partners VCC, by way of indirectly holding the nominal share capital of the corporate entity of LV Development 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, development charge, construction cost and related development costs of the La Ville Development. LV Development Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

On 15 June 2022, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$29,980,000 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a residential real estate project located at Bukit Batok West Avenue 8, Singapore (the "**BBEC Development**"). This amount represents 10.0% of the total liabilities of the underlying

Development SPV under a facility agreement in proportion of the shareholding of ZACD (BBEC) Pte. Ltd. (the “**BBEC Fund**”) in the underlying Development SPV. In terms of the above, the Company, acting as the sponsor of the BBEC Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBEC Fund, 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 BBEC Development. BBEC Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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 “**ZACD Landmark Fund**”), by way of indirectly holding the nominal share capital of the corporate entity of the ZACD Landmark 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. ZACD Landmark Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

19. 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 2022. As at 31 December 2022, legal fees incurred in relation to legal actions taken against the Defendants and iProsperity Group amounted to S\$1,292,000 (31 December 2021: S\$1,032,000) where S\$1,210,000 (31 December 2021: S\$953,000) had been borne by ZACD Australia Hospitality Fund, S\$Nil (31 December 2021: S\$2,000) is held as deposit by the Company’s lawyer for ongoing filing fees and S\$82,000 (31 December 2021: S\$77,000) had been expensed off.

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

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 2022, 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 2022. 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 28 investment structures under the PE structures and fund structures over 27 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. The Group provided ongoing acquisitions and projects management services to four real estate projects in Singapore and two real estate projects in Australia, delivered ongoing tenancy management services to a property owner in Malaysia. The Group is currently providing corporate support and fund administration services to a family office with an asset-under-management of approximately USD100 million.

FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net loss of approximately S\$2.7 million in 2022 as compared with a net profit of approximately S\$7.5 million in 2021, representing a turn from profit to loss of approximately S\$10.2 million or 136.3%. This was mainly attributable to the absence of reversal of impairment losses of approximately S\$7.7 million in 2022. In 2021, impairment loss of approximately S\$7.6 million in respect of the bridging advance by the Group to ZACD Australia Hospitality Fund was reversed following the substantial portion of the settlement proceeds was received by the fund in September 2021. There was also a decrease in the Group’s revenue by approximately S\$1.6 million. Following the grant of the put option to Top Global Limited as announced on 28 December 2022, the Group recorded a fair value loss of approximately S\$1.4 million. This was partially offset by the decrease in staff costs by approximately S\$386,000 and increase in other income by approximately S\$330,000.

Revenue

The revenue of the Group decreased by 28.8% or approximately S\$1.6 million from approximately S\$5.6 million in 2021 to approximately S\$4.0 million in 2022. The decrease was mainly attributable to the decrease in fees in investment management mainly due to the performance fees of approximately S\$1.6 million derived from BBW6 Fund in end 2021 and the one-off project bonus fee of approximately S\$1.5 million derived from the developer SPV of BBW6 Fund in September 2021, partially offset by the increase in acquisition fees from approximately S\$380,000 in 2021 to approximately S\$1.2 million in 2022 and increase in establishment fees from approximately S\$202,000 in 2021 to approximately S\$739,000 in 2022.

The following table presents the breakdown of our operating segment information for the years ended 31 December 2022 and 2021:

Year ended	<u>Investment management</u>			Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management	Acquisitions and projects management			
31 December 2022	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue						
External customers	706	1,854	1,386	37	–	3,983
Segment results	226	793	300	1	(276)	1,044
<i>Reconciliation:</i>						
Other income and gains						1,243
Fair value loss on financial derivative						(1,362)
Corporate and unallocated expenses						(3,348)
Loss before tax						(2,423)

Year ended	<u>Investment management</u>			Property management and tenancy management	Financial advisory	Total
	SPV investment management	Fund management	Acquisitions and projects management			
31 December 2021	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	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

(a) Investment Management Services

i) SPV investment management

Revenue decreased from approximately S\$896,000 in 2021 to approximately S\$706,000 in 2022, representing a decrease of approximately S\$190,000 or 21.2%. The decrease was mainly due to the decrease in performance fees and lower dividend income. 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 decreased from approximately S\$2.6 million in 2021 to approximately S\$1.9 million in 2022, representing a decrease of approximately S\$710,000 or 27.7%. The decrease was mainly due to 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 in 2021. This was partially offset by the fees of S\$440,000 when the Group was appointed to perform fund administration and corporate services for a family office client in 2022. During 2022, the Group realised establishment fees of approximately S\$270,000 and S\$424,000 from two new development funds, ZACD BBEC Fund and ZACD LV Development Fund respectively that were established during 2022, and establishment fees of approximately S\$45,000 from Mount Emily Residential Development Fund as compared to establishment fees of approximately S\$197,000 was realised from Mount Emily Residential Development Fund which was established during 2021.

(b) Acquisitions and Projects Management Services

Revenue decreased from approximately S\$2.0 million in 2021 to approximately S\$1.4 million in 2022 representing a decrease of approximately S\$607,000 or 30.5%. The decrease was mainly attributed to a one-off 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 in 2021. The Group derived higher acquisition fee in 2022 with acquisition fee of approximately S\$1.2 million from the developer SPV of ZACD LV Development Fund following its efforts to secure and complete the acquisition of the freehold site in La Ville Singapore for residential development in end June 2022 as compared to acquisition fee of approximately S\$180,000 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 in June 2021. During 2021, the Group also derived project management fee of approximately S\$200,000 from the developer SPV of ZACD Mandai Fund following its sales launch in March 2021. There was no further project management fee derived in 2022 from the projects currently managed by the Group as the development of the projects is ongoing.

(c) Property Management and Tenancy Management Services

Revenue decreased from approximately S\$39,000 in 2021 to approximately S\$37,000 in 2022, representing a decrease of approximately S\$2,000 or 5.1%. 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

Reference is made to the voluntary announcement dated 30 November 2021 where the Board resolved to cease the SFC Regulated Activities. Since the cessation, there has not been new advisory mandates entered. The Group will closely monitor the COVID-19 post-pandemic situation and the rising interest rates and the inflation rates, 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 increased from approximately S\$911,000 in 2021 to approximately S\$1.2 million in 2022, representing an increase of approximately S\$332,000 or 36.4%. The increase was mainly due to short-term corporate services provided to two external corporate clients and interest income derived from the bridging loans extended to the fund structures managed by the Group which are mainly ZACD LV Development Fund, ZACD Landmark Fund and ZACD BBEC Fund during 2022. This was partially offset by the decrease in government grants mainly in relation to the payout of Jobs Support Scheme announced by the Singapore Government and JobKeeper Payment Scheme announced by the Australia Government to provide cashflow support to businesses during the period of economic uncertainty affected by the COVID-19 pandemic as they were paid out by 2021.

Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. Total staff costs decreased from approximately S\$4.2 million in 2021 to approximately S\$3.9 million in 2022, representing a decrease of approximately S\$386,000 or 9.1%.

As at 31 December 2022, the Group had 34 employees as compared to 33 as at 31 December 2021. The average employee headcount during 2022 was 32 while 40 during 2021. Staff costs remains the biggest cost element of the Group. After the outbreak of COVID-19, the Group further streamlined its operations to control this cost element. The Group continues to recruit professional staff to expand its business segments for growth though remaining cautious in the implementation of its business expansion plan. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonuses may be granted to eligible staff depending on the Group's achievements as well as the individual's performance.

Impairment losses/ (Reversal of impairment losses) on financial assets

During 2022, the Group recorded allowance for impairment loss of approximately S\$205,000 mainly on the Group's trade receivable in respect of the financial advisory fees. Management has reassessed and made necessary impairment loss for irrecoverable amounts. During 2021, the bridging advance extended by the Group to ZACD Australia Hospitality Fund was repaid substantially following the substantial portion of the settlement

deeds received by the fund in September 2021 and accordingly, the impairment loss of approximately S\$7.6 million was reversed by the Group.

Other expenses, net

Other expenses, net increased from approximately S\$1.7 million in 2021 to approximately S\$1.8 million in 2022, representing a slight increase of approximately S\$56,000 or 3.2%. The increase was mainly due to the increase in professional fees. Other expenses, net consist of professional fees, travelling and entertainment expenses, rental expenses from short-term lease and other expenses.

Fair value loss on financial derivative

Reference is made to the announcement dated 28 December 2022 where the Company had granted a put option to an investor, TGL subscribing in ZACD LV Development Fund. Following the grant of the put option, the fair value loss of approximately S\$1.4 million was recognised as the premium price of the put option.

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 borrowing

As at 31 December 2022, the Group had bank borrowing amounted to approximately S\$2.1 million (31 December 2021: S\$2.8 million). The bank borrowing is a 5-year temporary bridging loan commencing from September 2020 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\$722,000 during 2022. As at 31 December

2022, the gearing ratio of the Group, calculated based on the Group's total bank borrowing divided by total equity was approximately 0.10 : 1 (31 December 2021: 0.12 : 1).

Cash and cash equivalents

Cash and cash equivalents amounted to approximately S\$7.7 million and approximately S\$5.9 million as at 31 December 2022 and 2021 respectively, which were placed with major banks in Singapore, Hong Kong and Australia. The increase was mainly attributable to the repayment of the bridging advances extended to ZACD Mount Emily Residential Development Fund of approximately S\$1.1 million and ZACD LV Development Fund of approximately S\$4.5 million, and collection of debts from the Group's customers during 2022. This was partially offset by the Company's investment into two development funds managed by the Group of approximately S\$1.5 million, cash used in operations mainly on staff costs and repayment of bank borrowing and related interest costs of approximately S\$797,000. 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 2022, the Group's operations are financed principally by the revenue generated from its businesses and available bank balances and cash. The Directors will continue to closely monitor the post COVID-19 recovery, the rising interest rates and the inflation rate and assess the 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.

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\$720,000 and approximately S\$1.2 million as at 31 December 2022 and 31 December 2021 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 2022 compared to 2021 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.

Investment in fund entities

During 2022, the Company invested S\$900,000 and S\$575,000 into two development funds managed by the Group, Mount Emily Residential Development Fund and ZACD BBEC Fund respectively. The respective subscription by the Company to the two development funds constitute to 9.28% in Mount Emily Residential Development Fund and 5.0% in ZACD BBEC Fund, were accounted for as investment in fund entities and were measured at fair value. The investment in fund entities amounted to approximately S\$1.9 million and approximately S\$9,000 as at 31 December 2022 and 31 December 2021 respectively. The fair value was determined based on future dividend distributions expected to be received by the Group based on the funds' projected distributable profits, the current stage of the real estate development project in which the fund invested in and its sale progress, and the discount rate.

Trade receivables

Total trade receivables amounted to approximately S\$3.9 million and approximately S\$3.2 million as at 31 December 2022 and 2021 respectively. It comprises of trade receivables of approximately S\$3.9 million and dividend receivables of approximately S\$Nil as at 31 December 2022, as compared to approximately S\$3.2 million and approximately S\$75,000 as at 31 December 2021.

Trade receivables increased from approximately S\$3.2 million as at 31 December 2021 to approximately S\$3.9 million as at 31 December 2022, mainly contributed by the acquisition fee income of approximately S\$1.2 million and establishment fee income of approximately S\$424,000 realised in 2022, partially offset by the allowance for impairment losses of approximately S\$177,000 in respect of the Group's financial advisory fee receivables recognised in 2022 and the collection of debts from the Group's customers.

Net current assets

The net current assets of the Group decreased from approximately S\$23.4 million as at 31 December 2021 to approximately S\$20.4 million as at 31 December 2022. This decrease was mainly due to the net repayment of the bridging advances extended to the fund entities of approximately S\$4.1 million, decrease in amount due from related parties by approximately S\$451,000, increase in other payables and accruals by approximately S\$377,000 and increase in lease liabilities by approximately S\$250,000, partially offset by the increase in cash and cash equivalents by approximately S\$1.8 million and increase in trade receivables by approximately S\$642,000. The current ratio (calculated by current assets divided by current liabilities) of the Group decreased from 10.8 times as at 31 December 2021 to 7.2 times as at 31 December 2022.

Current liabilities

Current liabilities comprised of other payables, accruals, lease liabilities, bank borrowing, interest payable from bank borrowing, income tax payable and amount due to related parties. The Group's total current liabilities as at 31 December 2022 and 2021 amounted to approximately S\$3.3 million and approximately S\$2.4 million respectively.

Charges on assets

As at 31 December 2022, the Group did not have any charges on assets.

Commitments

Please refer to note 17 Commitments in the notes to the announcement.

Financial guarantees

Please refer to note 18 Financial guarantees in the notes to the announcement.

Contingent liabilities

Please refer to note 19 Contingent liabilities in the notes to the announcement.

Dividends

No dividend was paid or proposed by the Company for the financial year ended 31 December 2022 (31 December 2021: 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 2022.

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 2022 and up to the date of this announcement.

BUSINESS OUTLOOK

The Singapore economy grew by 2.1% on a year-on-year basis in Q4 2022 and 3.6% for the whole of 2022, and is predicated to grow by 0.5% to 2.5% in 2023 by the Singapore government. According to URA’s estimates, private residential property price index increased from 187.1 points in Q3 2022 to 188.2 points in Q4 2022, making its 11th consecutive quarterly increase. Private residential property prices increased by 8.4% for the whole of 2022. URA also estimated that private residential property prices in the Rest of Central Region or RCR and Core Central Region or CCR are expected to continue to rise, with upsides supported by low unsold inventory and higher rents in the market.

The collective sale of La Ville, a freehold residential development at Tanjong Rhu, Singapore and Mount Emily Properties, a freehold residential development at Mount Emily Road, Singapore, both secured by the Group and completed the legal acquisition in June 2022 and June 2021 respectively, are currently progressing well with construction expected to commence in the second half of 2023. Sales launch is in plan in the later part of 2023 for the two projects located in the RCR and CCR respectively and expected to be well received on account of their location, pricing and other attributes.

Jadescape, the private residential project invested by the Shunfu Funds has achieved TOP in Q4 2022 and with the project fully sold, the Group is looking forward to receive a portion of performance fees in 2023.

The development of Foodfab@Mandai, the freehold industrial project acquired by Mandai Fund was fully sold in 2022 and slated to be completed in Q1 2023. With the project’s performance surpassed its initial return projections, the Group is looking forward to receive fees from project management and performance fees in 2023.

With the recovery of COVID-19 and relax of government and borders measures, we have started conducting investors forum in Singapore and hosted festive session with our distinguished fund investors in Indonesia in the beginning of 2023 and will also be planning to roll out more investors engagement activities to keep our fund investors, project partners and business partners updated on our latest offerings and insights to the on-going market transformation in Singapore, giving them the necessary knowledge to make favourable investment decisions or partnerships.

The Group will continue to source more projects across various real estate sectors to present more diverse offerings to our investors and business partners. In addition to expanding our real estate acquisitions and projects management business and investment management business, the Group is working on expanding our property management services as well as growing the family office management business as we see that Singapore is working to enhance the family office ecosystem through partnerships with the public and private sectors.

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 2022 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 2022.

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 2022 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 2022 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, 9 March 2023

As at the date of this announcement, the Board of the Company comprises five (5) executive directors, namely, Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain, Mr. Mark Oh Keng Kwan, Mr. Patrick Chin Meng Liong and Ms. Yong Sze Wan, Cheryl; 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.