

A background graphic consisting of a network of white lines connecting various colored dots (blue, purple, white) on a light blue to green gradient background.

# zacd

ZACD GROUP LTD.  
杰地集團有限公司\*

A company incorporated in Singapore with limited liability  
Stock code: 8313

2018  
ANNUAL  
REPORT

\* for identification purpose only

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

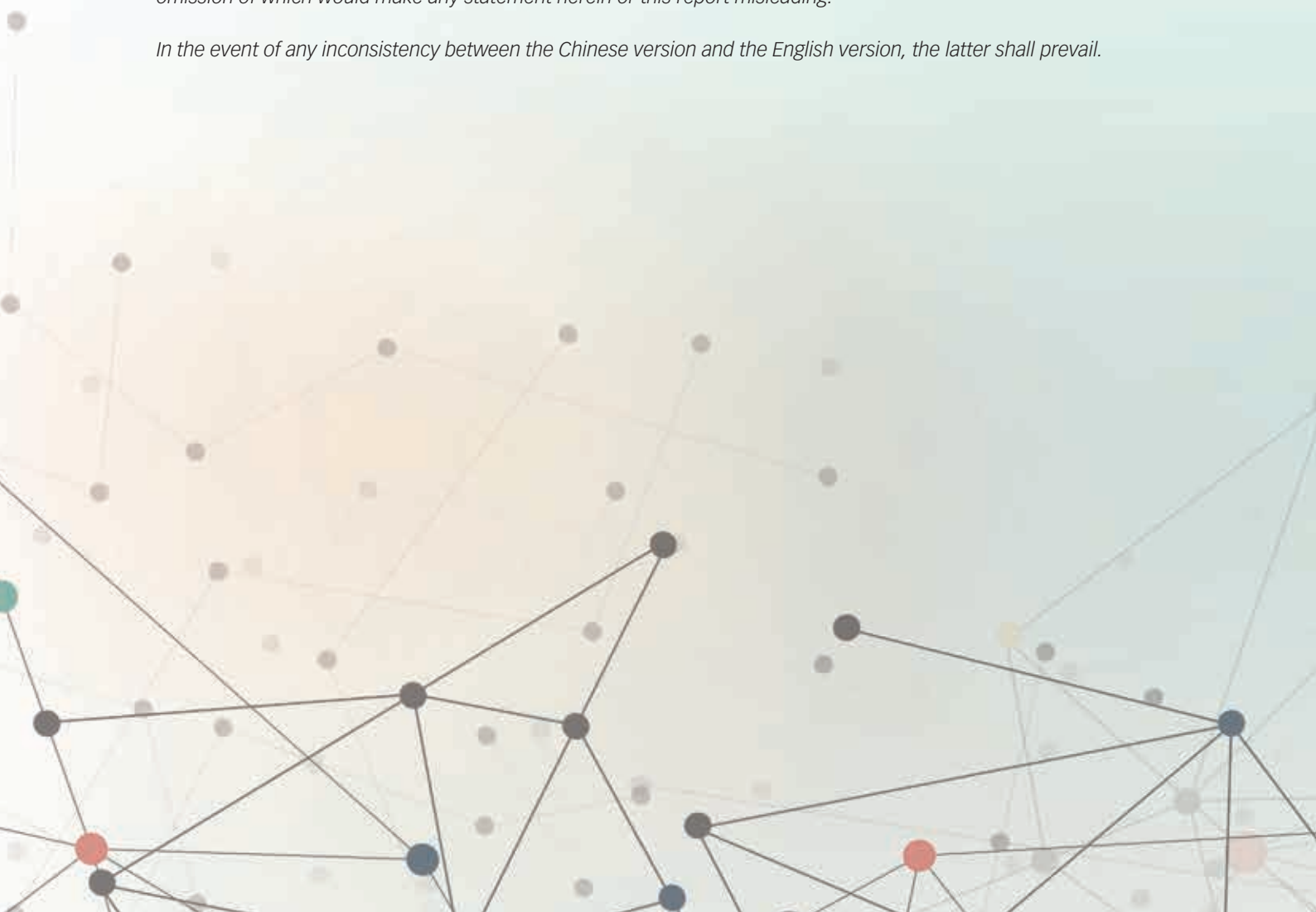
**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make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

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

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*This report, 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 report 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 report misleading.*

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



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## CHAIRMAN'S STATEMENT

*We aim to maintain our  
unique heritage as a leading  
integrated asset manager in  
Singapore with an expanded  
foot print in Asia Pacific*

**Landmark Tower**  
"Artist Impression"

# CHAIRMAN'S STATEMENT

## CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of ZACD Group Ltd. (the "Group"), I am pleased to present our annual report for the year ended 31 December 2018 ("FY2018"). FY2018 marked the first year of our listing on the GEM of the Stock Exchange of Hong Kong Limited. The Group is now equipped with a leaner structure after undergoing reorganisation and enhanced abilities in terms of business positioning, internal control, corporate governance practices and shareholder base to source for more attractive real estate investment opportunities for our investors. The listing has enabled the Group to explore new business and platform expansion and to explore opportunities across all our business segments. During FY2018, the Group was able to utilize the listing proceeds to invest and increase our human capital for business expansion and also deployment of bridging reserve fund to secure attractive projects. The Group has achieved phased progress despite lower net profit in FY2018. This was mainly due to the decrease in investment management revenue and increased expenses in expanding our business segments such as financial advisory services and fundraising platform. In addition, we see an increase in staff costs as a result of business expansion as well as the increase in professional and compliance fees subsequent to the listing.

## BUSINESS REVIEW

Our Group is an integrated asset manager headquartered in Singapore that offers solutions across the real estate value chain in Singapore and the rest of the Asia-Pacific region. Recognized for our innovative and acute business strategies, we have successfully gained first mover advantages ahead of the economic cycles.

Our Group revenue comprises of contribution from investment management services, project consultancy and management services, property management and tenancy management services, as well as our recent expansion into financial advisory services.

Revenue reached approximately S\$11.8 million in FY2018, decreased by approximately 36.6% from approximately S\$18.6 million in FY2017. This was mainly attributed by the realisation of a substantial portion of dividends from two of our highly profitable projects, namely 7000 Ang Mo Kio Avenue 5 and Flo Residence, in FY2017, leaving FY2018 with only the lesser residual portion to be realised and reported in the investment management business segment.

Nonetheless, there were milestones achieved in our investment management business segment in FY2018. During the year, we saw the successful closure of 'ZACD Income Trust', our first Asia Pacific income-producing real estate fund. Approximately over S\$34.1 million of funds were raised from investors to invest into Australia commercial (294 Bay Road, Melbourne) and hospitality (The Sebel West Perth Hotel) assets, among others. In FY2018, a development fund established by ZACD to acquire Singapore residential land, has seen the Group successfully lead a consortium to win the tender of a much sought-after en-bloc in Singapore - Landmark Tower. Landmark Tower is well-located next to the central business district. This project is acquired at an attractive entry cost and is expected to generate attractive returns to our investors amid an increasingly challenging and competitive market environment. The development fund has over 70 investors, and for the first time, attracted an institutional fund from Hong Kong, making our fund the largest stakeholder in the project. Our strong investment sourcing capability has enabled us to partner two other reputable developers in joining this consortium. ZACD continues to drive synergies from our integrated platform to deliver stellar performance to our investors in the real estate projects and funds under our management.

As of 31 December 2018, our Group had 28 real estate projects and properties under our management with over S\$336 million of assets under management. The Group had about 250 accredited and institutional investors with repeated clients accounting for approximately 36.0% of our customer base. This is a testament to our robust track record and the strong loyalty and trust accorded to us by our clients.

## CHAIRMAN'S STATEMENT

With respect to other business divisions, namely project consultancy and management services, property management and tenancy management services and financial advisory services, we are continuing to improve their business performances and to optimize scales. During the year, significant progress was achieved in the financial advisory services, revenue in this segment had increased approximately 402.2% and with this, we have successfully established a new revenue stream and diversified from solely real estate related services.

Serving as a licensed fund manager in Singapore with corporate advisory and fund distribution capabilities in Hong Kong, we offer our clients and investors an integrated asset management platform throughout the real estate value chain with market accesses within and outside of Singapore, which we believe will give us a unique competitive advantage to continuously source for attractive investment opportunities for our fund investors and generate good returns for our shareholders.

### FUTURE PROSPECTS

We aim to maintain our unique heritage as a leading integrated asset manager in Singapore with an expanded footprint in Asia Pacific. In the coming years, we will increase our resources to source for more attractive real estate investment opportunities in the wider Asia Pacific region, to aggressively expand our investor base by diversifying into institutions and family offices, and to market to investors especially outside of Singapore. We will also look into possible merger and acquisition targets, where they can broaden our revenue base and strengthen our capabilities.

We also aim to innovate via the smart use of technology to enhance our business services and processes. We will continue to develop our people and improve service standards so that we can create the best customer experience for our clients. This will help us to sharpen our competitive edge as we transform the company into a strong and dynamic organisation.

On the macroeconomic front, the economy of Singapore is forecasted to continue growing at a brisk, albeit more moderate, pace this year on the back of a solid service sector, stronger investment and a sound labor market supporting private consumption. On the other hand, trade protectionism and slowing global economic momentum will weigh on the external sector and cloud the outlook with a lower GDP growth rate expected. With respect to the key property market in Singapore and overseas that the Group currently has invested into, we expect general stability in the coming year despite a more cautious outlook by the investors and house owners amid the prospects of rising interest rates, uncertain global trade outlook and tightening lending condition.

Nonetheless, ZACD will strive to be cautious and safeguard our shareholders' and investors' interests while remaining confident and relevant in the market.

### APPRECIATION

I would like to take this opportunity to express my gratitude to my fellow Board members for their valuable insights and guidance that have helped the Group to progress this far. I would also like to thank our shareholders, customers, business partners and suppliers for their strong support and trust in us over the years. Finally, I would like to acknowledge the contribution and dedication of our management and staff for staying focused and working hard in steering the Group to greater heights in the coming year!

**Sim Kain Kain**

*Chairman*

Singapore, 20 March 2019

## FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial statements is set out below.

<b>Results</b>	<b>For the financial year ended 31 December</b>			
	<b>2018</b>	2017	2016	2015
	<b>S\$'000</b>	S\$'000	S\$'000	S\$'000
Revenue	<b>11,786</b>	18,583	11,493	8,711
Profit before tax	<b>1,115</b>	6,439	3,413	6,040
Profit for the year attributable to owners of the Company	<b>1,081</b>	6,630	3,587	5,986
<b>Assets, liabilities and equity</b>	<b>As at 31 December</b>			
	<b>2018</b>	2017	2016	2015
	<b>S\$'000</b>	S\$'000	S\$'000	S\$'000
Total non-current assets	<b>4,581</b>	5,423	17,480	15,218
Total current assets	<b>32,906</b>	14,787	9,415	8,820
Total current liabilities	<b>2,173</b>	4,299	4,398	2,338
Net current assets	<b>30,733</b>	10,488	5,017	6,482
Total assets less current liabilities	<b>35,314</b>	15,911	22,497	21,700
Total non-current liabilities	<b>225</b>	443	172	489
Net assets/Total equity	<b>35,089</b>	15,468	22,325	21,211

## MANAGEMENT DISCUSSION AND ANALYSIS



### MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)

The following Management Discussion and Analysis (“MD&A”) for ZACD Group Ltd. (the “Company”, together with its subsidiaries as the “Group”) has been prepared and reviewed by the management for the year ended 31 December 2018, 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 and related notes to the financial statements for the year ended 31 December 2018. All amounts are expressed in Singapore Dollars unless otherwise stated.



## MANAGEMENT DISCUSSION AND ANALYSIS



294 Bay Road, Cheltenham

The Group's Management Discussion and Analysis is divided into the following sections:

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

### EXECUTIVE OVERVIEW

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. Currently, the Group is principally engaged in the following businesses: (i) investment management services, which are carried out as (a) SPV investment management (PE structures) and (b) fund management; (ii) project consultancy and management services; (iii) property management and tenancy management services; and (iv) financial advisory services.

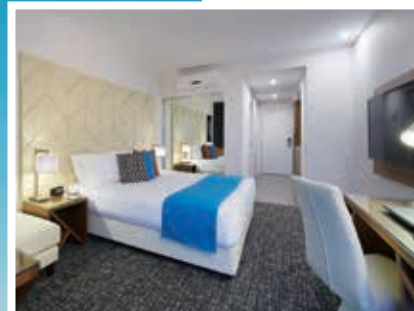
The Group has been listed on the GEM board of Hong Kong Exchange since 16 January 2018. In preparation for the listing, the Group underwent reorganisation which involved incorporation of the subsidiary companies, transfer of subsidiary companies into the Group, transfer of business into the Group, and share split in the holding company. This step was taken to acquire a lean business structure, to give swift response to market opportunities, and to maximise profit for investors and shareholders. The Group considers that the reorganisation has been properly and legally completed and settled, and complies with all applicable laws and regulations, and that all applicable regulatory approvals have been obtained.

In line with our strategy to explore real estate investment opportunities both within Singapore and the Asia-Pacific region, during the year, the Group has successfully established a fund, ZACD Income Trust of the desired fund size of S\$34.1 million to acquire real estate properties in Australia and Malaysia. The successful acquisition through the tender of Landmark Tower in Singapore was remarkable and seminal in the sense that the fund in which the Group set up, is the largest stakeholder in the project and the fund had attracted more than 70 investors including for the first time an institutional fund manager from Hong Kong; and that it accentuates our first time entering into joint venture with reputable partners in the real estate industry for a redevelopment project. This cannot be achieved without the deployment of the bridging reserve fund set up by the Group from the listing proceeds, serving to help us to secure attractive project prior to sufficient amount of the capital commitments from investors is realized. As of end 2018, this fund has secured commitment investment of S\$30 million.

## MANAGEMENT DISCUSSION AND ANALYSIS



**The Sebel  
West Perth Hotel**



Currently the Group is undergoing an exciting stage of evolution, operating in a dynamic market. During the year, we focused on putting the right infrastructure, capabilities and processes in place in key business areas to enable us to deliver long-term accelerated growth. The Group successfully managed a total of 30 investment structures under the PE structures and fund structures over 28 real estate projects and assets in Singapore, Malaysia, Indonesia and Australia. We also provided ongoing project consultancy and management services to a total of four real estate projects in Singapore, delivered ongoing property management services to 24 real estate projects in Singapore and Malaysia, and tenancy management services to four property owners in Singapore. The Group is exploring both local and international regions to secure more contracts to broaden its client base, and diversify its portfolio.

### FINANCIAL REVIEW AND BUSINESS REVIEW

The Group reported a net profit after tax for the year ended 31 December 2018 of approximately S\$1.1 million, representing a significant decrease of approximately 83.7% as compared to that for the year ended 31 December 2017. The decrease was mainly attributable to a decrease in revenue mainly in the investment management business segment, an increase in staff costs as a result of business expansion and an increase in professional and compliance fees subsequent to the listing of the Company's shares on GEM. The decrease was mitigated by a drop in listing expenses, an increase in interest income derived from the bridging loans and higher foreign exchange gain.

Revenue reached approximately S\$11.8 million in 2018, decreased by approximately 36.6% from approximately S\$18.6 million in 2017, mainly attributable to the fact that a substantial portion of dividends from two highly profitable projects had been realized in 2017, leaving

## MANAGEMENT DISCUSSION AND ANALYSIS

only lesser residual portion realized and reported in 2018 in the investment management business segment as further elaborated below.

The following table sets forth the breakdown of our operating segment information for the years ended 31 December 2018 and 2017:

	Investment management					Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000	Project consultancy and management services S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	
<b>Year ended 31 December 2018</b>						
<b>Segment revenue</b>						
External customers	4,407	1,872	1,690	3,586	231	11,786
<b>Segment results</b>	3,409	338	1,255	(139)	(691)	4,172
<i>Reconciliation:</i>						
Other income and gains						1,466
Corporate and unallocated expenses						(4,523)
Profit before tax						1,115
<b>Year ended 31 December 2017</b>						
<b>Segment revenue</b>						
External customers	12,017	1,293	1,571	3,656	46	18,583
<b>Segment results</b>	10,459	(91)	1,275	(514)	(762)	10,367
<i>Reconciliation:</i>						
Other income and gains						270
Corporate and unallocated expenses						(4,198)
Profit before tax						6,439

## MANAGEMENT DISCUSSION AND ANALYSIS

### (a) Investment Management Services

Revenue decreased by approximately 52.8% from approximately \$13.3 million in 2017 to approximately S\$6.3 million in 2018. The decrease in revenue derived from the SPV investment management services is mainly attributable to substantial dividends amounted to approximately S\$8.4 million were derived from two Investment SPVs during 2017 which received their first tranche of dividends from the two highly profitable projects in Singapore, namely 7000 Ang Mo Kio Avenue 5 and Flo Residence which the Investment SPV respectively invests in. Majority of the dividends amounted to approximately S\$5.5 million derived from the successful partial exit of our investment property at 7000 Ang Mo Kio Avenue 5 was realized in 2017, leaving only a residual portion of dividends of approximately S\$0.9 million was realized in 2018. The delay in timing of distributions by our project developer partners, whom we did not have control over, for two profitable projects in Singapore, namely MEGA@Woodlands and Vue 8 Residence had also adversely affected the Group's revenue performance in 2018. Such decrease was partially offset by several other Investment SPVs receiving their first tranche dividends during 2018 from the real estate investment projects which the Investment SPVs invest. No new Investment SPVs was established as the Group focuses to expand fund structures instead, which is the Group's current adopted business model.

During the year, we derived fund management fees of approximately S\$1.9 million from several funds, which is approximately 44.8% higher than last year as a result of our focus to expand the fund structures. However, due to intense competitive bidding environment where the Group had participated in tenders or sales for land parcels and/or real estate assets for five residential and commercial developments in

Singapore and three residential and commercial developments in Australia while the Group only managed to successfully secure one residential development in Singapore at the desired price for our investors, resulted in lesser number of expected fund launches in 2018 and the imposition of higher Additional Buyer's Stamp Duty ("ABSD") by the Singapore Government on residential property purchases made on or after 6 July 2018 that had adversely affected investors' sentiment and prolonged fundraising efforts that resulted in longer closure of our funds during the year where our fund management fees are realized upon successful closure of the desired fund size.

### (b) Project Consultancy and Management Services

Revenue increased slightly by approximately 7.6% from approximately S\$1.6 million in 2017 to approximately S\$1.7 million in 2018. The revenue is recognised on a time-apportioned basis or based on project milestones over the contractual service period. This increase was mainly due to three new contracts secured, offset by lower revenue contribution from existing contracts which were ended during the year and last year. However, our strategic position as a business partner for new real estate projects will enable us to replace the would-be expired contracts. This can be achieved by diversifying our deal sourcing routes as we seek for broadening our client base in the region, expanding into Australia, Malaysia, Indonesia, Taiwan and other Asia Pacific countries and exploring opportunities in emerging markets to diversify our portfolio. Other than staff cost and project manager charges, this business segment did not incur any other particular expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS

### (c) Property Management and Tenancy Management Services

Revenue decreased slightly by approximately 1.9% from approximately S\$3.7 million in 2017 to approximately S\$3.6 million in 2018. The decrease was mainly attributable to six new contracts secured, offset by some contracts had ceased and/or not been renewed at the end of the contract term. The business segment has not reached its desired economies of scale which resulted in its continual loss registered in 2018, notwithstanding that the loss has improved compared to 2017. Beside staff and office rental costs, key expenses incurred by this business segment entail the administrative costs of managing properties. In this respect, the Group is exploring the possibility of setting up a centralised structure where related administrative functions can be housed to achieve cost efficiency. The Group is rallying to secure new contracts particularly in the prime areas of Singapore which construe higher management fee, expanding our existing offering via tender on facilities management on government-owned properties in Singapore and expanding business into Malaysia via acquisition for property management.

### (d) Financial Advisory Services

Revenue recorded for this business segment had increased tremendously from approximately S\$46,000 to approximately S\$0.2 million in 2018, representing an increase of approximately 402.2%. Being newly established in 2017, this business segment continued to record a loss of approximately S\$0.7 million, mostly from staff costs, office rental, travelling expenses and other operational costs. We are actively sourcing for more client mandates to bring this business segment to profit in 2019. We have expanded the team in corporate advisory by recruiting more experienced professional staff with wide client networks and are currently working on new mandates advising Singapore companies interested in raising capital and/or

seeking a listing in Hong Kong. The Group intends to continue expanding our corporate advisory team in Singapore and Hong Kong to manage and execute current advisory mandates and converting deal leads.

Other notable items are further elaborated as follows:

#### Other income and gains

Other income and gains saw an approximately 443.0% increase from approximately S\$0.3 million in 2017 to approximately S\$1.5 million in 2018. This increase was mainly due to approximately S\$0.7 million interest income derived from the bridging loans extended to ZACD Income Trust and ZACD (Development2) Ltd (the "Landmark Tower fund") and increase in foreign exchange gain of approximately S\$0.4 million. The Company and certain subsidiaries of the Company also received several government grants in connection with employment of senior Singaporean workers under Special Employment Credit and Wage Credit Scheme and enhancement/scale up of business capabilities under Capability Development Grant provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.

#### Staff costs

Staff costs consist of salaries, bonuses, commission, other allowances and retirement benefit scheme contributions. The total staff costs (including remuneration of the Directors and mandatory provident fund contributions) for 2018 amounted to approximately S\$7.2 million, up from approximately S\$6.8 million in 2017. The increase in staff costs was attributed to the expanded size of the executive board members pursuant to the listing and as a result of the recruitment of additional professional staff for business expansion.

As at 31 December 2018, the Group had 118 employees as compared to 105 at the previous financial year-end. Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus may be granted to eligible staff by reference to the Group's achievement as well as individual's performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Other expenses, net

Other expenses, net decreased by approximately 19.1% from approximately S\$4.8 million in 2017 to approximately S\$3.9 million in 2018. The decrease was mainly due to decrease in listing expenses from approximately S\$2.8 million in 2017 to approximately S\$1.0 million in 2018, partially offset by an increase of approximately S\$0.5 million in relation to professional fees, compliance services and listing fees subsequent to the listing of the Company's shares on GEM.

### Income tax (expense)/credit

No significant provision for profits tax was recorded for the year ended 31 December 2018. The Group benefited from progressive tax system in each tax jurisdiction, whereas under Singapore's one-tier system, dividend income is tax-exempted when it is received by shareholders.

### Profit for the year attributable to owners of the Company

As a result of the foregoing, we recorded profit for the year attributable to owners of the Company of approximately S\$1.1 million in 2018 and approximately S\$6.6 million in 2017, representing a drop by approximately 83.7%.

If the one-off listing expenses were excluded, the Group would have recorded a higher profit of approximately S\$2.1 million in 2018 (2017: S\$9.4 million).

	Group	
	2018	2017
	S\$'000	S\$'000
<b>Profit for the year</b>	<b>1,081</b>	6,630
Listing expenses	<b>1,037</b>	2,751
<b>Profit before listing expenses</b>	<b>2,118</b>	9,381

### LIQUIDITY AND CAPITAL RESOURCES

The Group adopts a prudent financial management approach towards its treasury policy and this maintained a healthy liquidity position throughout the financial year. The management of the Group regularly reviews the recoverable amount of trade receivables by performing ongoing credit assessments and monitoring prompt recovery and if necessary, to make adequate impairment losses for irrecoverable amounts. As at 31 December 2018 and 2017, the Group had no banking facilities or borrowings, hence no gearing ratio of the Group was presented.

### Cash and cash equivalents

Cash and cash equivalents amounted to approximately S\$7.7 million and approximately S\$2.6 million as at 31 December 2018 and 2017, respectively which were placed with major banks in Singapore and Hong Kong. The increase is mainly attributable to the unutilised proceeds received from the listing of the Company's shares on GEM. The cash balance is denominated in Singapore Dollar, Hong Kong Dollar, Australian Dollar and Chinese Renminbi. By becoming a global company with international operation, the Group is exposed to foreign currency exchange rate risk. The Group mitigates this risk by implementing working capital management.

### Trade receivables

Total trade receivables amounted to approximately S\$4.2 million and approximately S\$6.4 million as at 31 December 2018 and 2017, respectively. It comprises trade receivables of approximately S\$3.7 million and dividends receivable of approximately S\$0.5 million as at 31 December 2018, as compared to approximately S\$3.3 million and approximately S\$3.1 million respectively in 2017.

Trade receivables increased slightly from approximately S\$3.3 million as at 31 December 2017 to approximately S\$3.7 million as at 31 December 2018, mainly contributed by the uncollected revenue from the project consultancy and management business segment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Net current assets

The Group benefited from stronger net current assets of approximately S\$30.7 million as at 31 December 2018 compared to approximately S\$10.5 million as at 31 December 2017. This increase was mainly due to increase in bridging loans and related receivables of approximately S\$20.0 million and increase in cash and cash equivalents of approximately S\$5.1 million. This was however partially offset by decrease in amount due from related parties of approximately S\$3.6 million, and decrease in deferred listing expenses of approximately S\$1.0 million. The current ratio (calculated by current assets divided by current liabilities) of the Group increased from 3.4 times as at 31 December 2017 to 15.1 times as at 31 December 2018.

### Current liabilities

Current liabilities comprised trade payables, other payables, accruals, tax payable and amount due to a shareholder and related parties. The Group's total current liabilities as at 31 December 2018 and 2017 amounted to approximately S\$2.2 million and approximately S\$4.3 million, respectively. The decrease in current liabilities is largely attributable to the decrease in accruals on listing expenses subsequent to the listing of the Company's shares on GEM.

### 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\$3.4 million and approximately S\$5.0 million as at 31 December 2018 and 31 December 2017, 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 2018 compared to 2017 was mainly due to the realisation of the fair value as the Group recorded dividend payouts from Investments SPVs during the year and revisions made to future dividend distributions expected to be received by the Group for certain projects.

### Contingent liabilities

On 6 June 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$38,015,040 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a mixed-use development project located at Bukit Batok West Avenue 6, Singapore (the "BBW6 Development"). This amount represents 12% of the total liabilities of the underlying Development SPVs under a facility agreement in proportion of the shareholding of ZACD (BBW6) Ltd.'s (the "BBW6 Fund") in the underlying Development SPVs.

In terms of the above, the Company, acting as the sponsor of the BBW6 Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBW6 Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the BBW6 Development. BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

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

### Commitments

The Group's operating lease commitments for leased properties increased from S\$0.7 million at end 2017 to S\$1.1 million at end of 2018. This amount entirely relates to office rental arrangements with related parties. There are no other significant capital and lease commitments.

### Charge on assets

The Group did not have any charges on its assets as at 31 December 2018 (2017: NIL).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Human resources

We believe that human resources represent an essential component to support the growth of the Group as a whole, across all business segments. The Group has developed into its current stage because it is well supported by strong management and a dedicated team. In line with our business expansion strategy, we plan to increase our staff strength, especially at managerial level, in order to source and undertake more projects.

### Dividends

No final dividend was paid or proposed by the Company for the year ended 31 December 2018 (2017: S\$4,000,000), but an interim dividend of S\$1,000,000 was declared for the nine months ended 30 September 2018. This was settled in cash using internal cash resources.

### BUSINESS OUTLOOK

As the recovery of the Singapore private residential property prices and demand gathered pace in the first half of 2018, the government surprised the market by implementing a new round of market curbs in July as a pre-emptive measure against potential overheating. The latest market curbs included a 5% increase of the ABSD and a tightened Loan-to-Value ("LTV") ratio by 5%, even when buying the first home. These measures will most likely cast a dimmer outlook for the private residential property market as buying demand and price growth could be capped in 2019.

Likewise, it is estimated that Hong Kong's pricy property market may continue to cool in 2019 as property prices are forecasted to weaken by continued poor affordability, rising mortgage rates and slowing demand from Chinese buyers. Furthermore, the Hong Kong real estate market may be negatively impacted by the projected slower Chinese economy.

In Australia, following a tumultuous 12 months for Australian property market, the market looks set to turn a corner in 2019. Tighter lending conditions brought on by the Australian Prudential Regulation Authority, combined with more cautious banks following the bruising royal commission, led to a decrease in mortgage volume in most markets with loan clearance rates plummeted to less than 50 per cent in some major cities. As a result, residential real estate prices in most major cities are expected to weaken.

In this regard, the Group intends to strengthen its position by expanding its business, both in the local Singapore market, and internationally in the Asia Pacific region to maintain market competitiveness. Our listing status has enabled us to have access to the equity capital markets to fulfil our capital needs. Total net proceeds raised from the Company's listing approximated HK\$125.2 million (or equivalent to approximately S\$21.6 million) after deducting underwriting commissions and listing related expenses.

The listing proceeds have been allocated to cover different areas of the Group's business expansion, the majority of which is for setting up a bridging reserve fund. This bridging reserve fund will better allow us to participate in more tenders or sales for land parcels and/or real estate assets. To support these growth strategies, additional staff and professionals will be hired to lead and manage the expanding business. The Group is also open for partnership with other companies in the industry, as and when the opportunity arises.



## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF PROCEEDS

Total net proceeds raised from the Company's listing approximated HK\$125.2 million after deducting underwriting commissions and all related expenses.

The use of proceeds is further elaborated as follows:

Total net proceeds raised S\$21.6 million (HK\$125.2 million)		IPO proceed allocated S\$'000	Utilisation in the Review Period %
BRIDGING RESERVE FUND	<ul style="list-style-type: none"> <li>Increase investment sourcing capabilities</li> <li>Areas of utilization:               <ol style="list-style-type: none"> <li>Tenders or sales for land parcels and real estate assets in Singapore and Australia</li> <li>Take up the investment stake of real estate projects with real estate developer partners</li> </ol> </li> </ul>	8,900	100.0% (Note 1)
INVESTMENT MANAGEMENT	<ul style="list-style-type: none"> <li>Develop investor network by recruiting experienced managers</li> <li>Expand research and consultancy capabilities</li> <li>Hire supporting staff to smoothen general operations in Singapore</li> </ul>	3,400	12.5%
PROJECT CONSULTANCY & MANAGEMENT	<ul style="list-style-type: none"> <li>Establish client service centre</li> <li>Potential acquisition of project management companies</li> <li>Upgrade software system on workflow processing</li> <li>Purchase commercial vehicle to support business activities</li> </ul>	900	15.7%
PROPERTY & TENANCY MANAGEMENT	<ul style="list-style-type: none"> <li>Hiring more real estate developer relationship managers</li> <li>Recruiting building construction and architectural professional</li> <li>Expand expertise to assist new potential real estate projects acquired through use of bridging reserve fund</li> </ul>	3,300	30.2%
FINANCIAL ADVISORY	<ul style="list-style-type: none"> <li>Enhance product marketing and distribution in Hong Kong</li> <li>Expand Type 1 regulated activities by dealing in a wider range of securities</li> </ul>	3,500	6.2%
GENERAL WORKING CAPITAL	<ul style="list-style-type: none"> <li>General working capital</li> </ul>	1,600	100.0%

*Note 1:* The Group utilized the entire bridging reserve fund and S\$3.46 million of the unused proceeds was temporarily used to fund the facility to ZACD Income Trust. The entire loan is expected to be repaid by ZACD Income Trust within the next six months when the financing of one of the Australian properties held by the trust is completed.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### **EXECUTIVE DIRECTORS**

Ms. Sim Kain Kain (Chairman)  
 Mr. Yeo Choon Guan (Yao Junyuan) (CEO)  
 Mr. Wee Hian Eng Cyrus (Deputy CEO)  
 Mr. Siew Chen Yei (CFO)  
 Mr. Darren Chew Yong Siang (Zhou Yongxiang) (COO)

#### **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

### AUDIT COMMITTEE

Mr. Kong Chi Mo (Chairman)  
 Dato' Dr. Sim Mong Keang  
 Mr. Lim Boon Yew

### REMUNERATION COMMITTEE

Dato' Dr. Sim Mong Keang (Chairman)  
 Ms. Sim Kain Kain  
 Mr. Kong Chi Mo  
 Mr. Lim Boon Yew

### NOMINATION COMMITTEE

Mr. Lim Boon Yew (Chairman)  
 Mr. Yeo Choon Guan (Yao Junyuan) (CEO)  
 Mr. Kong Chi Mo  
 Dato' Dr. Sim Mong Keang

### AUTHORISED REPRESENTATIVES

Mr. Siew Chen Yei (CFO)  
 Mr. Ip Pui Sum

### JOINT COMPANY SECRETARIES

#### **As to Hong Kong Law**

Mr. Siew Chen Yei (CFO)  
 Mr. Ip Pui Sum

#### **As to Singapore Law**

Mr. Tan Kim Swee Bernard (Chen Jinrui Bernard)

### COMPLIANCE OFFICER

Mr. Siew Chen Yei (CFO)

### COMPLIANCE ADVISER

Innovax Capital Limited

### AUDITOR

Ernst & Young LLP

### REGISTERED OFFICE

2 Bukit Merah Central #22-00  
 Singapore 159835

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

2 Bukit Merah Central #22-00  
 Singapore 159835

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2029, Level 20, Infinitus Plaza  
 199 Des Voeux Road Central  
 Sheung Wan, Hong Kong

### PRINCIPAL BANK

United Overseas Bank  
 UOB Plaza  
 80 Raffles Place  
 Singapore 048624

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN SINGAPORE

Tricor Singapore Pte Ltd  
 80 Robinson Road  
 #02-00  
 Singapore 068898

### HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
 Level 22, Hopewell Centre  
 183 Queen's Road East  
 Hong Kong

### STOCK CODE

8313

### COMPANY'S WEBSITE

[www.zacdgroup.com](http://www.zacdgroup.com)

## DIRECTORS' PROFILE



### STANDING LEFT TO RIGHT:

**MR. KONG CHI MO** Independent Non-executive Director  
**MR. LIM BOON YEW** Independent Non-executive Director  
**MR. CHEW HONG NGIAP, KEN** Non-executive Director  
**DATO' DR. SIM MONG KEANG** Independent Non-executive Director

### SITTING LEFT TO RIGHT:

**MR. DARREN CHEW YONG SIANG (ZHOU YONGXIANG)** Executive Director and Chief Operating Officer  
**MS. SIM KAIN KAIN** Executive Director and Chairman  
**MR. YEO CHOON GUAN (YAO JUNYUAN)** Executive Director and Chief Executive Officer  
**MR. WEE HIAN ENG CYRUS** Executive Director and Deputy Chief Executive Officer  
**MR. SIEW CHEN YEI** Executive Director and Chief Financial Officer

## DIRECTORS' PROFILE

### MR. YEO CHOON GUAN (YAO JUNYUAN) (姚俊沅) ("Mr. Yeo") Executive Director and Chief Executive Officer

Aged 47, was appointed as the Director on 8 November 2016 and was re-designated as the Executive Director and Chief Executive Officer on 12 July 2017. He is also one of the Controlling Shareholders. As one of the Founders, Mr. Yeo is primarily responsible for overseeing the operations and strategic planning and development of the Group. He is also a Director of all of the subsidiaries. Mr. Yeo co-founded ZACD International Pte. Ltd. ("**ZACD International**") with Ms. Sim through ZACD Investments Pte. Ltd. ("**ZACD Investments**") in 2011. He has over eleven (11) years of experience in investing in the industrial property development section in Singapore.

Mr. Yeo completed the Singapore-Cambridge General Certificate of Education Normal Level in 1988 and the Singapore-Cambridge General Certificate of Education Ordinary Level in 1989. He also obtained a Certificate of Marketing (Parts I and II) from the Stamford Group of Colleges of Further Education in Singapore and Malaysia in June 1994.

Mr. Yeo was awarded the Public Service Medal in 2015 by the President of Singapore and has been serving as the Chairman of Tampines North Citizens' Consultative Committee since 1 July 2016. He was also awarded the Teochew Entrepreneurs Award in 2016 and in 2018, he was named a grand winner of the Prestige Award Category, the top-tier category of the inaugural ASEAN Teochew Entrepreneur Awards.

### MS. SIM KAIN KAIN (沈娟娟) ("Ms. Sim") Executive Director and Chairman of the Board

Aged 53, was appointed as the Director on 8 November 2016 and was re-designated as the Executive Director and the Chairman of the Board on 12 July 2017. She is one of the Founders and also one of the Controlling Shareholders. Ms. Sim is primarily responsible for the marketing activities of the Group and the overall administrative management and the co-ordination of the Group's operational activities. She is also a Director of ZACD (Australia) Pty Ltd, ZACD Financial Group Limited ("**ZACD Financial**"), ZACD Fund Holdings Pte. Ltd. ("**ZACD Fund**"), ZACD Group Holdings Limited, ZACD International, ZACD Posh Pte. Ltd. and ZACD (China) Co., Ltd. ("**ZACD China**")

Ms. Sim co-founded ZACD International with Mr. Yeo through ZACD Investments in 2011. She has around twenty-one (21) years of experience in international property investments. Prior to joining the Group, Ms. Sim worked as a Business Development Manager at HSR and helped to manage the International Project Sales division from 1994 to 1995. She worked as Associate Director in International Sales Division at Colliers International Singapore from 1995 to 2000. Ms. Sim founded SLP International Property Consultants Pte. Ltd. with Mr. Yeo in April 2003 to engage in the real estate agency business.

## DIRECTORS' PROFILE

### **MR. WEE HIAN ENG CYRUS (黃獻英) ("Mr. Wee")** Executive Director and Deputy of Chief Executive Officer

Aged 51, has over twenty (20) years of management experience and over thirteen (13) years of real estate industry experience covering a broad spectrum across sales & marketing, project development and investment.

Mr. Wee started his real estate career in 2001 with Isshin Realty as a General Manager, specializing as a real estate operator and developer that maintains an inclusive and dynamic structure to provide high quality advices and services to clients worldwide. Mr Wee proceeded to join Surbana International Consultants Pte Ltd in 2007 as Vice President, where he was responsible for the growth and profitability of Company's consultancy business. Mr Wee was then promoted to Senior Vice President, CEO's Office in 2011 and as Deputy Managing Director, Singapore in 2014. Prior to joining ZACD Group Ltd., Mr Wee was with One Marina Property Services Pte Ltd as a Chief Executive Officer. He was responsible for the Company's relevance to the business community such as the accomplishment of One Marina's mission and vision and the accountability of One Marina to its diverse NTUC's group. Mr Wee would provide directions to the Board to enable the execution of its growth plans so as to ensure profitability of the business functions.

Mr. Wee obtained his Bachelor's Degree of Engineering (Lower Honours in Electrical & Electronic) from the National University of Singapore in 1992.

### **MR. SIEW CHEN YEI (蕭勁毅) ("Mr. Siew")** Executive Director and Chief Financial Officer

Aged 42, was appointed as the Director on 8 November 2016 and was re-designated as the Executive Director and Chief Financial Officer on 12 July 2017. Mr. Siew is also the Company Secretary, Authorised Representative and Compliance Officer of the Company. Mr. Siew is primarily responsible for driving all aspects of the financial stewardship for the Group including capital raising, financial reporting and treasury. In addition to that, he is also the Head of Financial Services for the Group and looks after our financial advisory service business and development of new fund products especially outside of Singapore market. He is also a Director of ZACD Financial, ZACD Fund and ZACD China, and a responsible officer of ZACD Financial in respect of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Siew has over fifteen (15) years of experience in corporate finance, mergers and acquisitions, accounting and audit.

Mr. Siew obtained a Bachelor of Arts Degree in Financial Analysis from the University of Newcastle Upon Tyne in the United Kingdom in July 1998 and a Master of Business Administration Degree from London Business School to The University of London in the United Kingdom in August 2009. He became an associate of the Institute of Chartered Accountants in England and Wales in the United Kingdom in November 2001 and a Chartered Accountant with the Malaysian Institute of Accountants in July 2002.

## DIRECTORS' PROFILE

### MR. DARREN CHEW YONG SIANG (ZHOU YONGXIANG) (周永祥) ("Mr. Chew") Executive Director and Chief Operating Officer

Aged 37, has over fifteen (15) years of management experience and eight (8) years of real estate industry experience covering a broad spectrum across sales & marketing, project development and investment.

Mr. Chew started his real estate career in 2010 with SLP International Property Consultants Pte. Ltd. ("**SLPI**"), specializing in industrial sales and marketing. He was subsequently made Key Executive Officer ("**KEO**") of SLP Scotia Pte. Ltd. (previously called SLP Realty Pte. Ltd.) in 2016, and subsequently appointed as Managing Director ("**MD**") of SLPI in 2018.

Mr. Chew concurrently joined ZACD Investments Pte. Ltd. as a director since 2016, representing the company in development projects and investment activities. Prior to his real estate career, Mr. Chew was awarded a Singapore Armed Forces (SAF) Scholarship by the Ministry of Defence, and served nine (9) years in various management roles as a Naval Officer.

Mr. Chew obtained his Bachelor's Degree of Science in Real Estate (Honours) from the National University of Singapore in 2006. Mr. Chew is an alumni member of Dunman High School and Victoria Junior College. Presently, he is undertaking his Masters of Business Administration from INSEAD in 2018.

### MR. CHEW HONG NGIAP, KEN (周宏业) ("Mr. Chew") Non-executive Director

Aged 28, has three (3) years of legal and management experience and one (1) year of real estate industry experience covering sales & marketing, project development and investment. Mr. Chew has served at the Singapore offices of a regional law firm, global bank and a regional investment management firm. He is presently a project manager with Elitist Development Pte. Ltd. involved in the management of Elitist Development's investment, legal, sales & marketing and project development divisions.

Mr. Chew was admitted as a solicitor in Singapore, New South Wales, Australia, England and Wales, respectively and obtained a degree of Bachelor of Laws Second Class (Upper Division) Honours from the University of Queensland in Australia. Presently, he is undertaking his Master of Science in Real Estate from the National University of Singapore.

## DIRECTORS' PROFILE

### MR. KONG CHI MO (江智武) (“Mr. Kong”) Independent Non-executive Director

Aged 43, was appointed as the Independent Non-executive Director on 13 December 2017. Mr. Kong is primarily responsible for providing independent advice and guidance to the Board.

Mr. Kong has over twenty (20) years of experience in accounting, auditing, financial management, corporate finance, investor relations, company secretarial affairs and corporate governance. Presently, Mr. Kong holds the position of Independent Non-executive Director in AK Medical Holdings Limited, Huazhang Technology Holding Limited, Aowei Holding Limited and Starlight Culture Entertainment Group Limited whereas in China Vanadium Titano-Magnetite Mining Company Limited (“**China Vanadium**”), he holds the position of Company Secretary and Authorised Representative. All these public companies are listed on the main board of the Hong Kong Stock Exchange. Prior to this, he was the Independent Non-executive Director of CAA Resources Limited, a company also listed on the main board of the Hong Kong Stock Exchange, from April 2013 to August 2017. Mr. Kong was the executive director and chief financial officer of China Vanadium from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited (an indirect wholly-owned subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited, a company of which is listed on the main board of the Hong Kong Stock Exchange) from June 1997 to March 1998, and as an associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong obtained his Bachelor’s Degree in Business Administration from The Chinese University of Hong Kong in December 1997. Mr. Kong has been a fellow of The Association of Chartered Certified Accountants since February 2008, a member of The Hong Kong Institute of Directors since May 2010, a fellow of each of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators since February 2012, an ordinary member of Hong Kong Securities and Investment Institute since October 2017 and a full member of Hong Kong Investor Relations Association since November 2017. Mr. Kong was also awarded the Chartered Governance Professional qualification of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in September 2018.

## DIRECTORS' PROFILE

### DATO' DR. SIM MONG KEANG (沈茂強) ("Dr. Sim") Independent Non-executive Director

Aged 50, was appointed as the Independent Non-executive Director on 13 December 2017. Dr. Sim is primarily responsible for providing independent advice and guidance to the Board.

Dr. Sim has accumulated over twenty-one (21) years worth of experience in investment and business management. In June 2010, Dr. Sim was appointed as the Managing Director and the Chief Executive Officer of WE Holdings Ltd, a company listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), after it was acquired through a reverse takeover by Plexus Components, which is owned by Dr. Sim. Since September 2015, Dr. Sim has been a Non-independent Non-executive Director of Global Invacom Group Limited, a company listed on the Mainboard of SGX-ST and the AIM Market of the London Stock Exchange and principally engaged in providing satellite communication equipment. He is mainly responsible for providing high level oversight of management and operation.

Dr. Sim obtained a Diploma in Electronic Engineering from Ngee Ann Polytechnic in 1990, a Bachelor of Commerce Degree from Murdoch University, Australia in March 1998 and a Degree of Doctor of Philosophy in Business Administration from Honolulu University, the United States of America in November 2015.

### MR. LIM BOON YEOW (林文耀) ("Mr. Lim") Independent Non-executive Director

Aged 44, has more than nineteen (19) years of experience in the financial printing industry, specialising in business development, sales and marketing, strategy formulation and general management. He has worked in Singapore, Hong Kong and Beijing, the PRC. Presently, he is the managing director of A. Plus International Financial Press Limited ("**API**"), a subsidiary of A. Plus Group Holdings, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Lim joined API in January 2012 as the general manager and head of sales and marketing and was appointed as the director of API in February 2013. Prior to that position, Mr. Lim worked at another financial printing company in Singapore, Hong Kong & the PRC from January 2000 to December 2011 where his last position was an assistant general manager, sales and marketing.

Mr. Lim obtained a Bachelor of Engineering degree from the Nanyang Technological University, Singapore, in July 1999 and a Master of Business Administration degree from The University of Chicago Booth School of Business, the United States of America, in March 2008. Mr. Lim is on the executive committee of the Singapore Chamber of Commerce (Hong Kong). He also serves on the committee of the Chicago Booth Alumni Club of Hong Kong.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



### ABOUT THIS REPORT

We are pleased to present ZACD Group Ltd.'s Environmental, Social and Governance ("ESG") Report (the "Report") for 2018. The Group, as an asset manager offering integrated solutions across the real estate value chain in Singapore and the Asia-Pacific region, has always endeavoured to emulate and implement industry best practices and responsible corporate social responsibility ("CSR") initiatives underpinned by our corporate values of transparency, partnership and sustainability.

#### Reporting Framework & Board Statement

This report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" of the GEM Listing Rules Appendix 20.

In line with the Reporting Framework, our Board of Directors wishes to state that it considers sustainability

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



issues as part of its strategic formulation, and has, in close interaction with the management, determined the material ESG factors relevant to the organisation and oversees the management and monitoring of these material ESG factors. Apart from determining the material ESG factors set out in this report, the Board also determines the Group's response to the attendant risks and opportunities.

### STAKEHOLDER ENGAGEMENT

We believe building trusted relationships with stakeholders is key to sustainable business growth.

We interact with a diverse range of stakeholders which include our customers/investors, employees, business partners, shareholders, regulators and government agencies and local communities. Our approach is to proactively engage with our stakeholders who have an interest in our business and who can impact or influence our operations, business approach and strategies. Through our regular engagements with them, we are able to gain invaluable insights on their expectations and concerns, and use these findings to make informed management decisions in shaping our policies and strategies. This in turn will drive greater value for our stakeholders.

A summary of our stakeholders and how we engage with them is presented below.

STAKEHOLDERS	TOPICS & CONCERNS	HOW WE ENGAGE	HOW WE ACT
Customers/Investors	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Information transparency</li> <li>• Protection of interests</li> <li>• Shorter turnaround time in response to feedback or complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and phone and email correspondences</li> </ul>	<ul style="list-style-type: none"> <li>• Timely distribution of information</li> <li>• Safeguard measures in protecting confidentiality of customer information</li> <li>• Consistent and open communication in establishing mutual trust between the Group and customers/investors</li> </ul>

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDERS	TOPICS & CONCERNS	HOW WE ENGAGE	HOW WE ACT
Employees	<ul style="list-style-type: none"> <li>• Career development</li> <li>• Fair wages</li> <li>• Health and safety</li> <li>• Work-life balance</li> <li>• Employee engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Provide training budget per department</li> <li>• Register employees for relevant training programmes and seminars</li> <li>• HR Dialogue Sessions/ Town Hall Sessions</li> <li>• Team Bonding activities</li> </ul>	<ul style="list-style-type: none"> <li>• Implement Flexible Work Arrangement ("FWA") and Family Care Leave ("FCL") to increase work-life balance</li> <li>• Conduct Employee Happiness Index Survey</li> <li>• Provide training sponsorships</li> <li>• Conduct Leadership Retreat to groom next batch of leaders</li> <li>• Merit-based performance appraisal for equal opportunity</li> </ul>
Business Partners	<ul style="list-style-type: none"> <li>• Resource sharing</li> <li>• Mutual growth and development</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and phone and email correspondences</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate opportunities for increased cooperation between business partners and the Group</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>• Access to the Group's operational and financial performance</li> </ul>	<ul style="list-style-type: none"> <li>• AGMs</li> <li>• Annual Reports</li> <li>• Investor meetings and roadshows</li> </ul>	<ul style="list-style-type: none"> <li>• Investor feedback via relationship managers</li> </ul>
Regulators and government agencies	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Social responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory licensing and filings</li> <li>• Notices and meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure regulatory compliance</li> </ul>
Community	<ul style="list-style-type: none"> <li>• Improving and empowering local communities</li> <li>• Environment protection</li> </ul>	<ul style="list-style-type: none"> <li>• Charitable activities</li> <li>• Community involvement projects</li> </ul>	<ul style="list-style-type: none"> <li>• Organize CSR programmes</li> <li>• Corporate sponsorship and donations</li> <li>• Employee volunteering</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIAL FACTORS

Our approach to sustainability centres on the management of the environmental, social and economic impacts of our business operations and their potential effect on our stakeholders. Our strategy is to manage our most significant sustainability impacts, risks and opportunities with the aim to create long-term value for all stakeholders.

We have selected the ESG factors through an internal materiality analysis undertaken by us. The first step entailed identifying potential material topics, with feedback garnered from relevant stakeholders, which were then prioritised with regards to their environmental and social impact on ZACD Group Ltd and our stakeholders.

## ENVIRONMENTAL

We are committed to minimising the environmental impact of our business through reduction of our carbon footprint, efficient use of resources and conservation through reusing and recycling waste.

### ASPECT A1: Emissions

Due to the nature of our operations where we adhere closely to existing measures spearheaded by Singapore government agencies to protect the environment, there are limited additional actions within our control that could effectively and meaningfully improve the environment. The impact of emissions from our operations is minimal, arising mainly from office electricity consumption, general office waste and staff business travel. We are of the opinion that our actions have met our objectives during the year of review.

### ASPECT A2: Use of Resources

#### Energy Consumption

The Group generally does not require the usage of large amounts of resources for the day-to-day office operations. The Group has established energy and water saving initiatives in our daily operations. These include ensuring electrical appliances are switched off when they are not in use, automatic power-off of the air-conditioning systems after office hours and turning off lights at the end of the working day. In our office, we have no control over the source of electricity generation and thus we do not monitor GHG emission as a KPI. Instead, we monitor our electricity consumption by kWh. The electricity consumed by the Group in our 100-staff office averages at a healthy rate of 5,000kWh per month.

#### Water Consumption

While we do not consume a significant amount of water for it to be a material issue, we are nonetheless mindful of its value as a resource. A central water pipeline is controlled by the building management so no KPI is available. Nonetheless, staff are encouraged to reduce water wastage by turning off taps promptly and to use water efficiently. We also utilize a water filtration system at our main office, which obviates the need for externally-purchased and wasteful bottled water.

#### Waste Management

##### Hazardous waste

The Group's operations do not produce hazardous waste.

##### Non-hazardous waste

General waste from daily activities are cleared by our in-house personnel and collected by the building's outsourced contractor. No KPI is available.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ASPECT A3: The Environment and Natural Resources

To reduce our carbon footprint, in addition to our initiatives of efficient use of resources listed above, we also take the approach to reduce, reuse and recycle office waste. Our staff are reminded to send documents via email correspondences to reduce printing, avoid paper wastage by utilising both sides of the paper and to dispose office waste in the appropriate recycling bins provided. Staff are also encouraged to be mindful of their personal carbon footprint by considering carpooling and the use of public transportation in their daily commute to work and meetings.

## SOCIAL

### ASPECT B1: Employment and Labour Practices

Our people are our most valuable asset and form the core of our organisation. Our top priorities are to attract, recruit, retain and develop our human resources which are particularly important, given the strong, ongoing competition for talents globally.

We take a holistic view towards both recruitment and retention that looks beyond the provision of competitive financial rewards. We also aim to deliver professional and personal development, meaningful career path, work-life balance and to build an inclusive culture that allow our people to develop high-quality, long-term careers with us.

#### Employment

We employed 31 new employees as at 31 December 2018 of whom 52% were female and 48% were male. Full-time employees accounted for 100% of our workforce. Employees aged 31-50 years old accounted for 48% of the staff strength, with staff under 30 years old and above 50 years old accounting for 38% and 14% respectively. Staff turnover rate for the year under review is 37%.

### Summary of Employee Profile

Gender	
Male:	15
Female:	16
Age Distribution	
Under 30:	12
31 – 50:	15
Above 50:	4
Employment Category	
Senior:	6
Middle:	9
Junior:	16
Geographical	
Singapore:	26
Hong Kong:	5

### Diversity and Inclusion

The Group believes in Equal Employment Opportunity. Our human resources policies and procedures provide for equal opportunity and fairness in employment decisions. We do not discriminate on the basis of race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status.

Furthermore, we recognise the value a diverse workforce can potentially bring in terms of creativity, dynamism and the provision of new perspectives which are critical in delivering our broad range of services and meeting the evolving needs of our global clientele.

During the reporting period, the Group did not receive any complaints about discriminatory practices.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Welfare and Benefits

We offer competitive compensation and benefits to our employees. Employees are entitled to annual leave as well as sick and hospitalisation leave in accordance with prevailing regulations. On top of these, full-time staff including new hires, are eligible for other employment benefits such as birthday, marriage and family care leave as well as flexible work arrangements to enhance work-life balance. Staff are also entitled to examination leave which enable them to pursue further studies and at the same time to encourage life-long learning for personal and professional growth.

In 2019, we will also be implementing the Flexible Work Arrangement (“FWA”) scheme for our employees who will have the option of working at alternative work stations such as in the comforts of their homes. All these welfare benefits aim to boost employees work-life satisfaction, as well as enhance motivation and productivity at work.

## Employee Engagement

The Group advocates employee engagement and we demonstrate this through numerous ways. Town Hall Sessions are held annually for our Board of Directors to announce the Group’s directions and financial performance to all employees. Our employees are given the opportunity to voice out concerns directly to our BODs in relation to their fields of scope during the open-mic dialogue session.

HR Dialogue sessions are held biannually to announce new initiatives or amendments to existing company policies, as well as to provide a platform for colleagues to voice out concerns or suggestions pertaining to employee benefits. Employee engagement is a two-way process that should be consistently measured to highlight potential gaps in the process as well as to boost employee retention. The Group addresses this by implementing online Employee Happiness Index Surveys periodically to gather feedback on employees’ work experiences, as well as feedback on Company events, systems or policies.

The Group revels in corporate and festive celebrations to inculcate social bonding among employees. Monthly birthday celebrations are held in conjunction with Social Day or ZACD Fit Day. Monthly team bonding budgets are set aside to encourage inter-department bonding sessions. The Group was also inspired by social media applications such as Tinder and has implemented a new initiative backed by our Marketing team dubbed “Celebrity of the Day”. Through this fun initiative, our Marketing team will circulate a short, interesting biography self-written by each individual staff member daily to fellow colleagues.

## ASPECT B2: Health and Safety

The Group recognises the importance of providing all our employees, sub-contractors and visitors with a safe and healthy work environment to prevent workplace injuries and illness. We undertake various measures to comply with all statutory health and safety requirements. Furthermore, the Group is open to adopting all other reasonably practicable means to reduce or eliminate terror threats, hazards and the risk of injury to its employees and others (such as visitors, contractors, workers and member of public) and the risk of damage to its property.

The objectives of the Security & Workplace Safety and Health Policy aim to:

- Prevent injury or illness in the workplace;
- Ensure compliance with regulatory requirements;
- Continually improve the standard of health, safety and security within the workplace;
- Do everything that is reasonably practicable to protect the physical property both of the Company and of staffs, contractors and all visitors to the Company; and
- Integrate health, safety and security into the Group’s management structure, systems and strategies.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's Security and Workplace Safety & Health performance is continually assessed through communication and measuring performance, so that continual improvements and setting of relevant objectives and targets can be implemented.

All managers and supervisors are responsible and accountable for the safety and health of our employees, sub-contractors and company property under their control. Managers and supervisors are responsible for ensuring compliance to all regulations, procedures and safe work practices in all work places, work-sites at all times.

The Workplace Safety Policy for all staff states:

- Maintain a clean and orderly work area,
- Report all injuries and work-related incidents and accidents promptly,
- Actively participate in safety improvement activities,
- Be responsible for the prevention of injury to oneself as well as to fellow colleagues,
- Work with contractors and suppliers to embrace the secure movement,
- Eliminate and minimize terror threats to our staff and the public by ensuring control measures are in place,
- Follow and comply to the Group and our client's safety requirements and relevant Codes of Practice,
- Value the safety and security of our employees, visitors and customers and mitigate risks, including those posed by terrorism, by preparing our employees and protecting our workplace,
- Maintain a strong safety programme that protects the health, safety and security of its staff, its property and the public from risk of harm, including that arising from terrorism.

### Standard Operating Procedures and Checklist

1. Risk Assessment Team: To identify and evaluate the associated Security & WSH hazards including but not limited to potential terror threats and formulate necessary control measures to minimize the identified risk to an acceptable level. (Hazard Identification – Risk Evaluation – Risk Control)
2. All employees are briefed and/or have been sent for courses or training on our Safe Work Procedure such as, but not limited to Office Ergonomics, Electrical Safety, Use of Ladder, Use of Hand Tool, Working at Height, Painting Works, Handling of Materials on Site, Housekeeping, Heat Stress and Haze, Vehicle Safety and Contingency Response Plan for a Terror Attack (Run, Hide, Tell & Press, Tie & Tell).
3. Regular tool-box meeting is conducted during the full duration of the project by the Safety Supervisor.
4. Regular Risk Assessment check during the period of every project.
5. Basic and Sufficient Safety equipment such as, Safety Helmet, Safety Harness and Safety shoes are provided for all Site-Employee. (PPE)
6. Control measures are being implemented as planned and behavior is corrected when necessary.
7. On-going guidance, coaching and assistance to employees when new control measures are implemented or when existing measures are changed.
8. Yearly review of Risk Management System and Risk Assessment Team.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Summary of work injury and work-related fatalities

Lost day due to work injury: Nil

Number of injury: Nil

Number of work-related fatalities: Nil

For the year ending 31 December 2018, there were no confirmed non-compliance incidents in relation to providing a safe working environment and protecting employees from occupational hazards.

## **ASPECT B3: Training and Development**

The Group prioritizes personal and professional development in all divisions. We have enrolled our staff members in various training programs tailored to their skillsets for them to leverage on their expertise. Training budgets are set aside for each department and our employees have utilized this by attending a number of courses namely; P-Max for new hires and Business Innovation Workshop by the Workforce Advancement Federation, Fundamentals of Corporate Secretarial Practice by SAICSA and WSQ Operations Management Innovation Programme by SimTech, to name a few. We believe in applied and continuous learning and that these courses will aid in our dynamic growth and sustainability. The Group is currently moving towards the direction of organizing and conducting in-house training by our own staff who are ACTA-certified.

## Summary of Training and Development

Number of employees trained:	14
By Gender	
Female:	7, representing 50%
Male:	7, representing 50%
By Employment Category	
Senior:	10, representing 72%
Middle:	3, representing 21%
Junior:	1, representing 7%

## Career Development

Career progression is one of the key factors in ensuring employee retention and the Group adopts a merit-based performance analysis to encourage equal opportunity. Our Performance Appraisal Cycle is conducted annually in December through our digitalized Performance Appraisal System to promote efficiency and effectiveness. The Group conducts Leadership Retreats for the purpose of grooming our successors, to recognize middle management personnel and to share management goals and directions. The Group has also executed the Management Associate Program, a fast-track approach catered for fresh graduates to groom and prepare them for managerial positions.

## **ASPECT B4: Labour Standards**

Our recruitment policy and hiring process is based on merit and ability and is aligned with the regulations set out in the Employment Act. Due to the nature of our business which involves investment management, financial advisory, project consultancy services and property management services, the competency and background of our candidates are vital. In addition to having the relevant skills and experience, our candidates also undergo a screening process and past employment reference checks.

We abide by the local Employment Act and internationally accepted labour and human rights principles which advocate freely-chosen employment, child labour avoidance, compliance with labour laws regarding working hours, wages and benefits, humane treatment, non-discrimination and freedom of association.

Our Legal & Compliance division, headed by our Head of Legal and supported by our Compliance Manager and Corporate Secretary, work closely with our Human Resources division and the Ministry of Manpower on the steps to manage and resolve workplace and labour conflicts, if any.

There were no incidents of human rights violations, forced labour or child labour in the reporting period.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ASPECT B5: Supply Chain Management

The Group is committed to conducting our business with integrity. Our suppliers are selected based on their products, services, quality, technology, capability, cost effectiveness, business integrity and sustainability.

We monitor our suppliers' compliance through annual assessments and audits by the relevant Heads of Department that engage with the suppliers directly, and our Internal Audit team. We will continue to work closely with our key suppliers who have consistently met our requirements and expectations in our annual assessments to create a sustainable supply chain.

## ASPECT B6: Product Responsibility

Product Responsibility for the Group refers to the provision of accurate and comprehensive marketing materials that enabled our customers/investors to make well-informed decisions, having proper documentation control and regular updating as well as good investor relations practices for all of our services.

### Health and Safety

As a provider of real estate investment, financial advisory and management services, we do not manufacture products that have material health and safety impact or implications.

### Marketing/Advertising

The Group respects customers/investors and shareholders' rights and is committed to providing accurate and timely information for their consideration before making their investment decisions. The Group works with external and internal legal counsel to conduct due diligence and careful review of all marketing collateral.

### Labelling

In view of the Group's business nature, there were no products produced that required any labelling.

In the financial year under review, we had no complaints concerning breaches of customer privacy and information.

### Regular Updates

The Group provides quarterly updates to our Customers/ Investors and Shareholders with accurate information on their returns and project updates.

### Investor Relations

We have in place a dedicated team of Relationship Managers and company representatives to address customers/investors and shareholders' queries and concerns.

## ASPECT B7: Anti-corruption

We adopt a zero-tolerance approach to corruption and are committed to acting with integrity in all our business dealings and relationships.

Our corporate governance policies cover areas of Fraud, Whistle-Blowing, Money Laundering, Document Retention, and Conflict of Interest to facilitate the development of controls that will aid in the detection and prevention of any fraud, misappropriations and other irregularities. The Group prohibits employees from receiving any advantages offered by customers, suppliers, colleagues or any other parties, while they are performing duties under the Group.

All new employees are required to familiarize and be assessed on these policies during the orientation programme. We also communicate our zero-tolerance approach to corruption to all suppliers, sub-contractors and other service providers at the outset of our business relationship.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In the financial year under review, there were no confirmed incidents or cases of suspected corruption.

### ASPECT B8: Community

Corporate citizenship remains an integral part of the Group's culture. Our internal CSR team, "ZACD Cares", together with sub-committees, completed another successful year of CSR activity in 2018. In 2018, our theme for CSR was "Doing good, doing well together", with the focus on working together with the community to improve lives.

Our community initiatives place an emphasis on youth empowerment through education, promotion of eco-friendly initiatives and home improvement services for the disadvantaged and less privileged.

We are long-term partners with TOUCH Community Services and work with some of their ministries, namely TOUCH Young Arrows ("TYA") and TOUCH Senior Activity Centre ("TSAC"), in support of various needs of the community.

#### TOUCH Community Services Home Improvement Programme

The TOUCH Community Services Home Improvement Programme remains a core activity in our contribution to help the disadvantaged and less privileged. In September 2018, 'ZACD Cares', alongside 40 staff volunteers, were involved in the cleaning and refurbishment works for five homes belonging to the less privileged elderly under the care of TOUCH Senior Activity Centre. The works done included cleaning, repainting as well as general

housekeeping works. Aside from improving their living environment, we also sponsored new furniture and electrical appliances for them.

#### ZACD-TYA "Christmas With Love" Bowling and Fund-Raising Event

The Group believes strongly in the importance of family bonding. As part of Christmas festivities, the Group organized a Christmas Bowling and fund-raising event in which we raised a total of \$25,000 worth of cash and event sponsorships. Leading up to the bowling event, we also organized an internal 'Christmas Wishing Tree' initiative in the office where staff could pick a 'wish' from the company Christmas tree and purchase a gift for the under-privileged children from TYA. A total of eighty wishes were granted to five clubs of under-privileged children under TYA.

We also sponsored thirty prizes for TSAC's annual Christmas event as part of their lucky draw. The gifts included velocity fans, airpots and electric cookers.

All in all, the Group will continue to actively participate in community initiatives and uphold corporate citizenship across the Group.

## REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements of ZACD Group Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the financial year ended 31 December 2018 (the “**Financial Year**”).

### OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the consolidated financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

### BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a fair review of the Company’s business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Financial Year and an indication of likely future development in the Group’s business, can be found in the Management Discussion and Analysis set out on pages 6 to 15 of this Annual Report. This discussion forms part of this Report of the Directors. There is no material differences in the Group’s business objectives as stated in the prospectus and the actual business progress in the Financial Year.

### RESULTS AND APPROPRIATIONS

The Group’s financial performance for the year ended 31 December 2018 is set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income on pages 63 to 64 of this report and the financial position of the Group as at 31 December 2018 is set out in the Consolidated Statement of Financial Position on page 65 of this report.

### DIVIDENDS POLICY

The Board has adopted a dividend policy on 13 December 2017, which was ratified on 31 December 2018. In proposing any dividend pay-out, the Board shall take into account the following factors:

the Group’s

- operations;
- earnings;
- financial condition;
- cash requirements and availability;
- capital expenditure;
- future development requirements; and
- other factors that the Board deems relevant.

## REPORT OF THE DIRECTORS

The recommendation of the payment of dividends is subject to the absolute discretion of the Board, and any declaration of final dividends for the year will be subject to the approval of the Company's Shareholders.

On 30 November 2018, an interim dividend of S\$1,000,000, representing 0.05 Singapore cents per ordinary share, in respect of the Financial Year was paid to the shareholders of the Company. No final dividend was paid or proposed by the Company for the Financial Year.

There is no arrangement under which is a shareholder has waived or agreed to waive any dividends for the Financial Year.

### USE OF PROCEEDS

Total net proceeds raised from the Company's listing approximated HK\$125.2 million after deducting underwriting commissions and all related expenses.

The use of proceeds is further elaborated as follows:

Total net proceeds raised S\$21.6 million (HK\$125.2 million)	IPO proceed allocated S\$'000	Utilisation in the Review Period %
<b>BRIDGING RESERVE FUND</b> <ul style="list-style-type: none"> <li>• Increase investment sourcing capabilities</li> <li>• Areas of utilization:               <ul style="list-style-type: none"> <li>i) Tenders or sales for land parcels and real estate assets in Singapore and Australia</li> <li>ii) Take up the investment stake of real estate projects with real estate developer partners</li> </ul> </li> </ul>	8,900	100.0% (Note 1)
<b>INVESTMENT MANAGEMENT</b> <ul style="list-style-type: none"> <li>• Develop investor network by recruiting experienced managers</li> <li>• Expand research and consultancy capabilities</li> <li>• Hire supporting staff to smoothen general operations in Singapore</li> </ul>	3,400	12.5%
<b>PROJECT CONSULTANCY &amp; MANAGEMENT</b> <ul style="list-style-type: none"> <li>• Establish client service centre</li> <li>• Potential acquisition of project management companies</li> <li>• Upgrade software system on workflow processing</li> <li>• Purchase commercial vehicle to support business activities</li> </ul>	900	15.7%

## REPORT OF THE DIRECTORS

PROPERTY & TENANCY MANAGEMENT	<ul style="list-style-type: none"> <li>Hiring more real estate developer relationship managers</li> <li>Recruiting building construction and architectural professional</li> <li>Expand expertise to assist new potential real estate projects acquired through use of bridging reserve fund</li> </ul>	3,300	30.2%
FINANCIAL ADVISORY	<ul style="list-style-type: none"> <li>Enhance product marketing and distribution in Hong Kong</li> <li>Expand Type 1 regulated activities by dealing in a wider range of securities</li> </ul>	3,500	6.2%
GENERAL WORKING CAPITAL	<ul style="list-style-type: none"> <li>General working capital</li> </ul>	1,600	100.0%

Note 1: The Group utilized the entire bridging reserve fund and S\$3.46 million of the unused proceeds was temporarily used to fund the facility to ZACD Income Trust. The entire loan is expected to be repaid by ZACD Income Trust within the next six months when the financing of one of the Australian properties held by the trust is completed.

### SHARE CAPITAL

Details of movements of the share capital of the Group for the Financial Year are set out in note 23 to the consolidated financial statements.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Financial Year.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's constitution or the Singapore Company Law which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### DISTRIBUTABLE RESERVES

As at 31 December 2018, the Group's reserves available for distribution amounted to approximately S\$342,000.

### MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, sales to the Group's five (5) largest customers are related to the Group and accounted for 31.3% of the total sales and sales to the largest customer included therein amounted to 8.4% of the total sales. Due to the nature of the business, the Group has no major suppliers as the major cost mainly comprised of staff costs, professional and compliance fees.

Saved as disclosed in note 26 to the consolidated financial statements of this Annual Report, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five (5) largest customers.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors of the Company during the Financial Year and up to the date of this Annual Report were as follows:

#### Executive Directors

Ms. Sim Kain Kain (Chairman)	(appointed on 8 November 2016)
Mr. Yeo Choon Guan (Yao Junyuan)	(appointed on 8 November 2016)
Mr. Siew Chen Yei	(appointed on 8 November 2016)
Mr. Darren Chew Yong Siang (Zhou Yongxiang)	(appointed on 24 May 2018)
Mr. Wee Hian Eng Cyrus	(appointed on 31 December 2018)

#### Independent Non-executive Directors

Mr. Kong Chi Mo	(appointed on 13 December 2017)
Dato' Dr. Sim Mong Keang	(appointed on 13 December 2017)
Mr. Lim Boon Yew	(appointed on 31 January 2019)
Mr. Cheung Ying Kwan	(appointed on 13 December 2017 and resigned on 31 January 2019)

#### Non-executive Directors

Mr. Chew Hong Ngiap, Ken	(appointed on 31 January 2019)
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Pursuant to the Article 112 of the Constitution of the Company, one-third (1/3) of the Directors selected in accordance with Article 113 shall retire from office by rotation at each Annual General Meeting ("**AGM**") of the Company. However, a retiring Director shall be eligible for re-election.

Pursuant to Article 116, any Director to who is appointed by the Board to fill the casual vacancy shall hold office until the next following AGM of the Company and the retiring Director shall be eligible for re-election pursuant to Article 114.

As such, Ms. Sim Kain Kain and Mr. Siew Chen Yei will retire from office as Director and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with Articles 112 and 113 of the Constitution. Also, Mr. Wee Hian Eng Cyrus, Mr. Lim Boon Yew and Mr. Chew Hong Ngiap, Ken will retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with Article 116 of the Constitution.

The Company has received annual confirmations of independence from all Independent Non-executive Directors, and as at the date of this report still considers them to be independent pursuant to Rule 5.09 of the GEM Listing Rules.

Further details of the Directors' profile are set out on pages 17 to 22 of this Annual Report.

#### DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the Executive Directors has entered into a service contract with the Company for a fixed term of three (3) years which may be terminated before the expiration of the term by not less than three (3) months' notice in writing served by either party on the other.

## REPORT OF THE DIRECTORS

Each of the Independent Non-executive Directors has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the term by not less than two (2) months' notice in writing served by either party on the other. Their appointments are subject to the provisions of retirement and rotation of Directors under the Constitution.

The Non-executive Director has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the term by not less than two (2) months' notice in writing served by either party on the other. His appointment is subject to the provisions of retirement and rotation of Directors under the Constitution.

Save as disclosed above, none of the Directors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one (1) year without payment of compensation other than statutory compensation).

### **EMOLUMENT POLICY**

The emolument policy of the Group is set on the basis of the employees' merit, qualifications and competence. The emoluments of the Directors are reviewed by the remuneration committee, with consideration to the Group's operation results and individual performance.

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Article 191 of the Company's Constitution, every Director, Auditor, Secretary and other officer for the time being of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto.

### **DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed in this report, none of Directors or a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the Financial Year.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Financial Year.

### **ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

Neither at the end of nor at any time during the Financial Year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## REPORT OF THE DIRECTORS

### DIRECTOR'S INTEREST IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the Financial Year, had, according to the register of Directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Directors	Direct interest		Deemed interest	
	At the beginning of Financial Year	At the end of Financial Year	At the beginning of Financial Year	At the end of Financial Year
<b>Ordinary shares of the ultimate holding company</b>				
Yeo Choon Guan (Yao Junyuan)	867,000	867,000	833,000	833,000
Sim Kain Kain	833,000	833,000	867,000	867,000
<b>Ordinary shares of the Company</b>				
Yeo Choon Guan (Yao Junyuan)	–	–	1,500,000,000	1,458,000,000
Sim Kain Kain	–	–	1,500,000,000	1,458,000,000
Siew Chen Yei	–	22,000,000	–	–
Darren Chew Yong Siang (Zhou Yongxiang)	–	20,000,000	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the Financial Year.



## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND LONG POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 31 December 2018, the interests and long positions of the Directors and chief executive in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong, the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Name of corporation	Nature of interest and capacity	Number of shares held	Percentage of total issued shares	Number of underlying shares interested	Percentage of total issued shares
Mr. Yeo	Our Company (Note 1)	Interest in a controlled corporation	1,458,000,000 ordinary shares	72.9%	–	–
Ms. Sim	Our Company (Note 1)	Interest in a controlled corporation	1,458,000,000 ordinary shares	72.9%	–	–
Mr. Yeo	ZACD Investments Pte. Ltd.	Beneficial owner	867,000 ordinary shares	51%	–	–
Ms. Sim	ZACD Investments Pte. Ltd.	Beneficial owner	833,000 ordinary shares	49%	–	–
Mr. Yeo/ Ms. Sim	ZACD Land Pte. Ltd. (Note 2)	Interest in a controlled corporation	2 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	ZACD Property Pte. Ltd. (Note 3)	Interest in a controlled corporation	2 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	ZACD Treasury Limited (Note 4)	Interest in a controlled corporation	10,000 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	ZACD (Canberra) Pte. Ltd. (Note 5)	Interest in a controlled corporation	100 ordinary shares	100%	228 ordinary shares	228%
Mr. Yeo/ Ms. Sim	ZACD (Frontier) Pte. Ltd. (Note 6)	Interest in a controlled corporation	2 ordinary shares	100%	305 ordinary shares	15,250%

## REPORT OF THE DIRECTORS

Name of Director	Name of corporation	Nature of interest and capacity	Number of shares held	Percentage of total issued shares	Number of underlying shares interested	Percentage of total issued shares
Mr. Yeo/ Ms. Sim	ZACD (Neew) Pte. Ltd. (Note 7)	Interest in a controlled corporation	2 ordinary shares	100%	194 ordinary shares	9,700%
Mr. Yeo/ Ms. Sim	ZACD (Berwick Drive) Pte. Ltd. (Note 8)	Interest in a controlled corporation	2 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	SRI5000 Neew Developments Pte. Ltd. (Note 9)	Interest in a controlled corporation	60,000 ordinary shares	60%	–	–
Mr. Yeo/ Ms. Sim	ZACD (Tuas Bay) Pte. Ltd. (Note 10)	Interest in a controlled corporation	2 ordinary shares	100%	121 ordinary shares	6,050%
Mr. Yeo/ Ms. Sim	ZACD (CCK) Pte. Ltd. (Note 11)	Interest in a controlled corporation	2 ordinary shares	100%	148 ordinary shares	7,400%
Mr. Yeo/ Ms. Sim	ZACD (Gambas) Pte. Ltd. (Note 12)	Interest in a controlled corporation	2 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	ZACD (Neew2) Pte. Ltd. (Note 13)	Interest in a controlled corporation	2 ordinary shares	100%	70 ordinary shares	3,500%
Mr. Yeo/ Ms. Sim	ZACD (Jurong) Pte. Ltd. (Note 14)	Interest in a controlled corporation	2 ordinary shares	100%	171 ordinary shares	8,550%
Mr. Yeo/ Ms. Sim	ZACD (Woodlands12) Pte. Ltd. (Note 15)	Interest in a controlled corporation	2 ordinary shares	100%	109 ordinary shares	5,450%
Mr. Yeo/ Ms. Sim	ZACD Development Sdn. Bhd. (Note 16)	Interest in a controlled corporation	100 ordinary shares	100%	–	–
Mr. Yeo/ Ms. Sim	ZACD Development (Kulai) Sdn. Bhd. (Note 17)	Interest in a controlled corporation	2 ordinary shares	100%	–	–

Notes:

1. Mr. Yeo and Ms. Sim are spouses and hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the Shares held by ZACD Investments by virtue of the SFO.

## REPORT OF THE DIRECTORS

2. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the issued shares of ZACD Land Pte. Ltd. held by ZACD Investments by virtue of the SFO.
3. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the issued shares of ZACD Property Pte. Ltd. held by ZACD Investments by virtue of the SFO.
4. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the shares of ZACD Treasury Limited held by ZACD Investments by virtue of the SFO.
5. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 16 October 2014 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Canberra) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Canberra) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$1,400,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 22.80% of the enlarged issued capital of ZACD (Canberra) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Canberra) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Canberra) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Canberra) Pte. Ltd. by virtue of the SFO.
6. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 31 October 2014 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Frontier) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Frontier) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$1,300,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 30.50% of the enlarged issued capital of ZACD (Frontier) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Frontier) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Frontier) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Frontier) Pte. Ltd., by virtue of the SFO.
7. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 6 February 2015 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Neew) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Neew) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$2,000,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 19.40% of the enlarged issued capital of ZACD (Neew) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Neew) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Neew) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Neew) Pte. Ltd. by virtue of the SFO.
8. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the issued shares of ZACD (Berwick Drive) Pte. Ltd. held by ZACD Investments by virtue of the SFO.
9. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments which holds the entire issued capital of ZACD (Berwick Drive) Pte. Ltd. which in turn holds 60% of the total issued capital of SRI5000 Neew Developments Pte. Ltd. As such, both of them are deemed to be interested in 60% of the total issued shares of SRI5000 Neew Developments Pte. Ltd. indirectly held by ZACD Investments by virtue of the SFO.
10. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 27 May 2013 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Tuas Bay) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Tuas Bay) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$1,100,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 12.10% of the enlarged issued capital of ZACD (Tuas Bay) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Tuas Bay) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Tuas Bay) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Tuas Bay) Pte. Ltd. by virtue of the SFO.

## REPORT OF THE DIRECTORS

11. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 7 September 2015 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (CCK) Pte. Ltd., ZACD Investments agreed to make available to ZACD (CCK) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$1,390,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 14.80% of the enlarged issued capital of ZACD (CCK) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (CCK) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (CCK) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (CCK) Pte. Ltd. by virtue of the SFO.
12. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the issued shares of ZACD (Gambas) Pte. Ltd. held by ZACD Investments by virtue of the SFO.
13. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 6 August 2015 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Neew2) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Neew2) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$300,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 7.00% of the enlarged issued capital of ZACD (Neew2) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Neew2) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Neew2) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Neew2) Pte. Ltd. by virtue of the SFO.
14. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 13 February 2013 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Jurong) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Jurong) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$3,830,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 17.10% of the enlarged issued capital of ZACD (Jurong) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Jurong) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Jurong) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Jurong) Pte. Ltd. by virtue of the SFO.
15. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. Pursuant to a convertible loan agreement dated 18 July 2014 (as amended by a supplemental deed dated 30 September 2016) entered into, between, among others, ZACD Investments and ZACD (Woodlands12) Pte. Ltd., ZACD Investments agreed to make available to ZACD (Woodlands12) Pte. Ltd. a non-interest bearing convertible loan in the principal amount of S\$1,450,000, and the outstanding convertible loan representing not more than a certain amount shall be converted into 10.90% of the enlarged issued capital of ZACD (Woodlands12) Pte. Ltd. after conversion upon the date of issue of a temporary occupation permit in relation to the underlying property acquired by ZACD (Woodlands12) Pte. Ltd. As such, Mr. Yeo and Ms. Sim are deemed to be interested in (i) the shares of ZACD (Woodlands12) Pte. Ltd. held by ZACD Investments and (ii) the underlying shares which are to be converted into by such convertible loan granted by ZACD Investments to ZACD (Woodlands12) Pte. Ltd. by virtue of the SFO.
16. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments respectively. As such, both of them are deemed to be interested in all the shares of ZACD Development Sdn. Bhd. held by ZACD Investments by virtue of the SFO.
17. Mr. Yeo and Ms. Sim hold 51% and 49% of the total issued capital of ZACD Investments which holds the entire issued capital of ZACD Development Sdn. Bhd. which in turn holds the entire issued capital of ZACD Development (Kulai) Sdn. Bhd.. As such, both of them are deemed to be interested in all the issued shares of ZACD Development (Kulai) Sdn. Bhd. indirectly held by ZACD Investments by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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, to be entered in the register of members of the Company or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## REPORT OF THE DIRECTORS

### SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to a Shareholders' resolution in writing passed on 13 December 2017 (the "**Scheme**") for the primary purpose of providing incentives or rewards to eligible persons as defined in the Scheme for their contribution or potential contribution to the Group.

The Scheme took effect on 16 January 2018 and will expire on 15 January 2028. Under the Scheme, the Board may, at its discretion, offer to any eligible persons options to subscribe for shares of the Company subject to the terms and conditions stipulated in the Scheme.

**(a) Purpose of the Scheme**

The purpose of the Scheme is to provide the eligible persons with the opportunity to acquire proprietary interests in our Company and to encourage them to work towards enhancing the value of our Company and our shares for the benefit of our Company and our shareholders as a whole. The Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible persons.

**(b) Participants of the Scheme**

Pursuant to the Scheme, the Board may at its absolute discretion grant options to any eligible directors (including executive directors, non-executive directors and independent non-executive directors) and full-time/part-time employees of any member of our Group and any advisers, consultants, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group.

**(c) Total number of shares available for issue under the Scheme**

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other share option schemes of our Company must not exceed 30% of the shares in issue from time to time. The shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of our Company shall not exceed 200,000,000 shares, representing 10% of the aggregate of our shares in issue on the date the shares commence trading on the Stock Exchange (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

As at 31 December 2018, no option has been granted or agreed to be granted under the Scheme.

**(d) Maximum entitlement of each participant**

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of our shares in issue, unless approved by the shareholders of the Company in the manner as stipulated in the Scheme.

## REPORT OF THE DIRECTORS

**(e) Option period**

The period within which the shares must be taken up under an option shall be the period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed ten (10) years from the date of grant of the relevant option.

The Scheme is subject to the provisions for early termination as set out in the Scheme thereof. No minimum period for which the option must be held before it can be exercised as specified in the Scheme.

**(f) Subscription price**

The subscription price per share in respect of an option granted under the Scheme is such price as determined by the Board of the Company at the time of the grant of the options, but in any case the subscription price shall be no less than the highest of:

- (i) the closing price of our shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and
- (ii) the average closing price of our shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant.

**(g) Payment on acceptance of option offer**

An offer shall remain open for acceptance by the participant concerned for a period of fourteen (14) days from the date on which the letter containing an offer for the grant of an option is delivered to that participant, provided that no such offer shall be open for acceptance after the tenth (10th) anniversary of the date of adoption of the Scheme. S\$1.00 is payable by the grantee to our Company on acceptance of the offer of the option.

**(h) Remaining life of the Scheme**

The Scheme will expire on 15 January 2028 and no further options may be granted but the provisions of the Scheme shall in all other respects remain in force and effect and options which are granted during the life of the Scheme may continue to exercise in accordance with their respective terms of grant.

**CONTRACT OF SIGNIFICANCE**

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the Financial Year.

## REPORT OF THE DIRECTORS

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

At 31 December 2018, the following interests and short positions of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Interest:

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of total issued share capital of the Company</b>
Mr. Yeo	Interest in a controlled corporation	1,458,000,000	72.9%
Ms. Sim	Interest in a controlled corporation	1,458,000,000	72.9%
ZACD Investments	Beneficial owner	1,458,000,000	72.9%

*Note:*

Mr. Yeo and Ms. Sim are spouses and hold 51% and 49% of the total issued capital of ZACD Investments Pte. Ltd. respectively. As such, both of them are deemed to be interested in all the Shares held by ZACD Investments by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

### **CONNECTED TRANSACTIONS**

During the Financial Year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

#### **Continuing connected transactions**

Certain of the related party transactions for the Financial Year as disclosed in note 26 to the consolidated financial statements also constituted continuing connected transactions under the GEM Listing Rules, which are required to be disclosed in this report in accordance with Rule 18.09 of the GEM Listing Rules. Details of such continuing connected transactions (including continuing connected transactions under agreements signed in previous years) are set out below in accordance with the disclosure requirements of Rule 20.69 of the GEM Listing Rules:

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms; and
- (5) the nature of the connected person's interest in the transaction.

## REPORT OF THE DIRECTORS

Details of the abovementioned transaction were also disclosed in the prospectus of the Company dated 28 December 2017.

No.	Brief description of transaction	Transaction Tenure	Name of the connected person and relationship with the Group	Total consideration and terms (S\$)	Nature of the connected person's interest in the transaction
1)	Provision of repair and maintenance services by Neew Pte Ltd.	From 16 January 2018 and ending on 31 December 2019	Neew Pte Ltd (wholly-owned by the Controlling Shareholders)	587,000	Receiving service fee income
2)	Investment management services	Since 6 July 2010	ZACD (Sennett) Pte. Ltd. (over 30% owned in aggregate by ZACD Investments and by our Company, through ZACD International)	46,000	Payment of investment management fees
3)	Investment management services	Since 13 February 2013	ZACD (Woodlands2) Pte. Ltd. (over 30% owned in aggregate by ZACD Investments and by our Company, through ZACD International)	46,000	Payment of investment management fees
4)	Investment management services	Since 2 May 2011	ZACD (AMK) Pte. Ltd. (over 30% owned in aggregate by ZACD Investments and by our Company, through ZACD International)	755,000	Payment of investment management fees
5)	Investment management services	Since 10 January 2012	ZACD (Punggol Central) Pte. Ltd. (over 30% owned in aggregate by ZACD Investments and by our Company, through ZACD International)	138,000	Payment of investment management fees

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



## REPORT OF THE DIRECTORS

Ernst & Young LLP, the Company's Auditors, were engaged to report on the Group's continuing connected transactions in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young LLP have issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 20.55 of the GEM Listing Rules. A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

Discussion on Auditor's unqualified conclusions in respect of the continuing connected transactions:

- a. nothing has come to the Auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the Auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; and
- c. nothing has come to the Auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

### **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares capital were held by the public as required under the GEM Listing Rules.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2018.

### **INTEREST OF THE COMPLIANCE ADVISER**

As at the date of this annual report, neither Innovax Capital Limited, the compliance adviser of the Company, nor any of its directors, employees and associates had any interest in relation to 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.

### **EVENTS AFTER THE FINANCIAL YEAR**

No significant events have taken place subsequent to 31 December 2018 and up to the date of this report.

## REPORT OF THE DIRECTORS

### AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Kong Chi Mo	(Chairman, Independent Non-executive Director)
Sim Mong Keang	(Independent Non-executive Director)
Lim Boon Yew	(Independent Non-executive Director)

The Audit Committee reviews the Group's statutory consolidated financial statements, and the Independent Auditor's Report thereon, with the Auditor.

The Audit Committee may examine any aspect of the Group's financial affairs it deems appropriate and also reviews the Group's internal controls over its internal and external exposures to risks including operational, credit, market, legal and regulatory risks. It will keep under review the Group's system of accounting and internal financial controls, for which the Directors are responsible.

The Audit Committee has full access to, and the co-operation of, the Group's management and has full discretion to invite any Director or Executive Officer to its meetings. The Executive Directors including the Chief Financial Officer will normally attend meetings and the Auditor will have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources available to enable it to discharge its functions properly and may require the Company to appoint third parties to undertake independent audits of specific areas as it deems appropriate.

### AUDITOR

The consolidated financial statements have been audited by Ernst & Young LLP, who retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. Ernst & Young LLP have expressed their willingness to accept re-appointment as Auditor.

### ON BEHALF OF THE BOARD

#### **Sim Kain Kain**

Chairman

Singapore, 20 March 2019

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

ZACD Group Ltd. (the “**Company**”) and the Board of Directors (the “**Board**”) recognise the importance of incorporating elements of good corporate governance within the Group through, where it is applicable and practical to the Group, adopting the “Corporate Governance Code and Corporate Governance Report” (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. The Board and Management are committed to establish and maintain a higher standard of corporate governance to protect the interests of the Shareholders so as to achieve effective accountability.

In the opinion of the Board, the Company has complied with the CG Code during the financial year ended 31 December 2018. Details of the Group’s corporate governance practices adopted by the Board are set out in the Corporate Governance Report on pages 49 to 57 of this report.

### 1. BOARD OF DIRECTORS

#### 1.1 Composition of the Board

As at the date of this Annual Report, the Board consists of nine (9) Directors comprising five (5) Executive Directors, three (3) Independent Non-executive Directors (the “**INEDs**”) and one (1) Non-executive Director. Details are as follows:

##### **Executive Directors**

Mr. Yeo Choon Guan (Yao Junyuan) (*Chief Executive Officer*) (appointed on 8 November 2016)  
 Ms. Sim Kain Kain (*Chairman*) (appointed on 8 November 2016)  
 Mr. Siew Chen Yei (appointed on 8 November 2016)  
 Mr. Darren Chew Yong Siang (Zhou Yongxiang) (appointed on 24 May 2018)  
 Mr. Wee Hian Eng Cyrus (appointed on 31 December 2018)

##### **Independent Non-executive Director**

Mr. Kong Chi Mo (appointed on 13 December 2017)  
 Dato’ Dr. Sim Mong Keang (appointed on 13 December 2017)  
 Mr. Lim Boon Yew (appointed on 31 January 2019)  
 Mr. Cheung Ying Kwan (appointed on 13 December 2017 and resigned on 31 January 2019)

##### **Non-executive Director**

Mr. Chew Hong Ngiap, Ken (appointed on 31 January 2019)

Biographical details of the Directors are set out in the section headed “Directors’ Profile” of this Annual Report.

For the year ended 31 December 2018 and up to the date of this Annual Report, the Board has complied with the requirement of the GEM Listing Rules on appointment of at least three (3) INEDs, who shall jointly account for at least one third (1/3) of members of the Board and at least one (1) of whom must have appropriate professional qualifications or accounting or relevant financial management expertise. The qualifications of the three (3) INEDs of the Company fully comply with Rules 5.05 (1) and (2) of the GEM Listing Rules.

## CORPORATE GOVERNANCE REPORT

None of the INEDs of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which effectively guaranteed their independence. The Company has received from each of the INEDs an annual confirmation of their independence as per Rule 5.09 of the GEM Listing Rules. As at the date of this Annual Report, the Company is of the opinion that all the INEDs are independent in accordance with Rule 5.09 of the GEM Listing Rules.

Formal service agreements or appointment letters have been entered into with the Executive Directors, Non-executive Director and the INEDs. Each of the Executive Directors has entered into a service contract with the Company for a fixed term of three (3) years, which may be terminated before the expiration of the term by not less than three (3) months' notice in writing served by either party on the other. Each of the INEDs has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the term by not less than two (2) months' notice in writing served by either party on the other. The Non-executive Director has signed an appointment letter with the Company for a term of three (3) years, which may be terminated before the expiration of the terms by not less than two (2) months' notice in writing served by either party on the other.

CG Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Ms. Sim Kain Kain ("**Ms. Sim**") is the Chairman of the Board while her husband, Mr. Yeo Choon Guan (Yao Junyuan) ("**Mr. Yeo**"), is the Chief Executive Officer. In view of Ms. Sim and Mr. Yeo being founders of the Group and having been operating and managing the Group since 2011, the Board believes that the vesting of the roles of Chairman and Chief Executive Officer in Ms. Sim and Mr. Yeo, respectively, is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. The Board will continue to review and consider appointing Directors who are not related to other Board members for the roles of Chairman of the Board and Chief Executive Officer of the Company, respectively, at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Saved as disclosed above, other members of the Board do not have any relations between each other (including financial, business, family or other material or related relations). The Board is well-balanced in structure and each of its members is knowledgeable, richly experienced and talented in the business operation and development of the Company. All the Directors understand their joint and several responsibilities towards shareholders of the Company.

### 1.2 Board Meetings

The Board shall hold Board meetings regularly, at least four (4) meetings in each year on quarterly basis, involving active participating, either in person or through electronic means of communication, of a majority of Directors. A notice of a regular Board meeting shall be delivered to all the Directors at least fourteen (14) days in advance for them to arrange the attendance for the meeting, with the matters to be discussed specified in agenda of the meeting. Board papers together with all appropriate, complete and reliable information are delivered to all Directors at least three (3) days before the regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting. The Board has held five (5) Board meetings during the financial year ended 31 December 2018.

### 1.3 Functions and powers exercised by the Board and the Management

The rights and duties of the Board and the Management are specified in the Constitution, so as to guarantee an adequate balance and restriction mechanism for the excellent governance and internal control of the Company.

## CORPORATE GOVERNANCE REPORT

An Investment Committee has been established and is responsible for all investment and divestment decisions within the investment management services business segment. The Investment Committee consists of the Executive Directors and the Chief Investment Officer.

The Board shall be responsible for determining the Company's operation plans and investment programs and the setting of its internal management organisations, formulating basic management system of the Company, receiving the regular or other timely working reports of the Company's general manager or entrusted senior management, and approving the general manager's working reports.

The Board admits that it is the common responsibility of all the Directors to perform the duty of corporate governance, including:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (c) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's Directors and employees; and
- (d) to review the Company's compliance with CG Code and disclosure in the Corporate Governance Report.

### 1.4 Directors' Appointment and Re-election

Pursuant to the Article 112 of the Constitution of the Company, one-third (1/3) of the Directors selected in accordance with Article 113 shall retire from office by rotation at each Annual General Meeting ("**AGM**") of the Company. However, a retiring Director shall be eligible for re-election.

Pursuant to Article 116, any Director to who is appointed by the Board to fill the casual vacancy shall hold office until the next following AGM of the Company and the retiring Director shall be eligible for re-election pursuant to Article 114.

As such, Ms. Sim Kain Kain and Mr. Siew Chen Yei will retire from office as Director and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with Articles 112 and 113 of the Constitution, Also, Mr. Wee Hian Eng Cyrus, Mr. Lim Boon Yew and Mr. Chew Hong Ngiap, Ken will retire from office as Directors and being eligible, offer themselves for re-election at the forthcoming AGM in accordance with Article 116 of the Constitution.

### 1.5 Board Diversity Policy

The Board has adopted the Board Diversity Policy. The Nomination Committee shall review, at its discretion, the Board Diversity Policy of the Company. For designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. Selection of director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge, skills and length of service.

## CORPORATE GOVERNANCE REPORT

### 1.6 Nomination Policy

The Nomination Committee (“**NC**”) shall identify candidates who are qualified/suitable to become a member of the Company’s Board and make recommendations to the Board on the selection of candidates nominated for directorships with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business.

In assessing the suitability of a proposed candidate, the NC may make reference to certain criteria such as Company’s need, reputation for integrity, experience in principal business of the Company, balance of skills, knowledge and experience on the Board, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of INEDs, the independence requirements set out in the GEM Listing Rules (as amended from time to time), and take into account various aspects set out in the Board Diversity Policy of the Company, number of directorship in other listed/public companies and in case of INED, number of years he/she has already served.

### 1.7 Training for Directors

The Company provides, as appropriate, the latest developments in the GEM Listing Rules and other applicable regulatory requirements and reading material on relevant topics will be issued to directors where appropriate. All directors of the Company are encouraged to attend relevant training courses at the Company’s expenses.

### 1.8 Directors’ Insurance

The Company has arranged appropriate insurance cover in respect of legal litigation against its Directors.

## 2. BOARD COMMITTEES

There are three (3) committees under the Board namely Audit Committee, Nomination Committee and Remuneration Committee.

### 2.1 Audit Committee

The Audit Committee (“**AC**”) was established pursuant to a resolution of the Board 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 CG Code. The primary duties of the AC include (i) making recommendations to the Board on the appointment and removal of External Auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control and risk management procedures and corporate governance of the Company; (iv) supervising internal control systems of the Group; and (v) monitoring continuing connected transactions (if any).

The AC currently consists of all three (3) of the INEDs. The members of the AC are currently Mr. Kong Chi Mo, Dato’ Dr. Sim Mong Keang and Mr. Lim Boon Yew and the Chairman is Mr. Kong Chi Mo.

## CORPORATE GOVERNANCE REPORT

The following tasks have been taken up by the AC during the year ended 31 December 2018:

- (a) reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 including the audit findings report from External Auditors, Annual Results announcements and Annual Report;
- (b) reviewed the continuing connected transactions of the Company for the year ended 31 December 2018 and considered the exceeding annual cap. Opinions from the AC and INEDs are set out in the section headed "Report of the Directors";
- (c) directed and supervised the Company's internal audit department, reviewed the internal audit report, review adequacy and effectiveness of Group's internal controls including financial, operational and compliance controls and risk management; and
- (d) considered the re-appointment of the External Auditors.

### 2.2 Nomination Committee

The NC was established pursuant to a resolution of the Board passed on 13 December 2017 with written terms of reference in compliance with the CG Code. The primary duties of the NC are to (i) review the structure, size, composition and diversity of the Board on a regular basis; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of INEDs; (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) make recommendations to the Board regarding the candidates to fill vacancies on the Board. The NC has held two (2) NC meetings during the financial year ended 31 December 2018.

The NC currently consists of one (1) Executive Director, Mr. Yeo, and all three (3) INEDs, namely Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew and is currently chaired by Mr. Lim Boon Yew.

### 2.3 Remuneration Committee

The Remuneration Committee ("**RC**") was established pursuant to a resolution of the Board Directors passed on 13 December 2017 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the CG Code. The primary duties of the RC include (i) reviewing and making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to the Directors and senior management; and (iii) reviewing performance-based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration. The RC has held two (2) RC meetings during the financial year ended 31 December 2018.

The RC currently consists of one (1) Executive Director, Ms. Sim, and all three (3) INEDs, namely Mr. Kong Chi Mo, Dato' Dr. Sim Mong Keang and Mr. Lim Boon Yew. It is currently chaired by Dato' Dr. Sim Mong Keang, an INED.

# CORPORATE GOVERNANCE REPORT

## 2.4 Attendance Record of Directors and Committee Members

During the year ended 31 December 2018, the attendance of each member of the above committee meetings and the Board meetings are recorded as below:

Name of Directors	Number of meetings attended / Number of meetings held					
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting	Extraordinary General Meeting
<i>Executive Directors:</i>						
Mr. Yeo Choon Guan (Yao Junyuan)	5/5	N/A	N/A	2/2	1/1	0/0
Ms. Sim Kain Kain	5/5	N/A	2/2	N/A	1/1	0/0
Mr. Siew Chen Yei	5/5	N/A	N/A	N/A	1/1	0/0
Mr. Darren Chew Yong Siang*	N/A	N/A	N/A	N/A	1/1	N/A
Mr. Wee Hian Eng Cyrus**	N/A	N/A	N/A	N/A	N/A	N/A
<i>Independent Non-executive Directors:</i>						
Mr. Kong Chi Mo	5/5	4/4	2/2	2/2	1/1	0/0
Dato' Dr. Sim Mong Keang	5/5	4/4	2/2	2/2	1/1	0/0
Mr. Lim Boon Yew#	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Cheung Ying Kwan***	5/5	4/4	2/2	2/2	0/1	0/0
<i>Non-executive Director:</i>						
Mr. Chew Hong Ngiap, Ken#	N/A	N/A	N/A	N/A	N/A	N/A

Notes: \* Appointed on 24 May 2018  
 \*\* Appointed on 31 December 2018  
 # Appointed on 31 January 2019  
 \*\*\* Resigned on 31 January 2019

## 3. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board has confirmed its responsibility for preparing annual financial statements of the Company as of 31 December 2018.

The Board is responsible for submitting a well-defined assessment on the quarterly, interim and annual reports, share price sensitive information, and other matters that need to be disclosed according to the GEM Listing Rules and other regulatory provisions. The Management has provided relevant and necessary explanation and information to the Board so that the Board could make informed assessment on the financial data and position of the Company for examination and approval.

The Company does not have any significant uncertainty in any areas likely to give rise to the significant doubt of the Company's capability of sustained operations.

The responsibility of the Company's External Auditor, with respect to financial reporting are set out in the section headed "Independent Auditors' Report" in this Annual Report.

## 4. CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made specific enquiry, all the Directors confirmed that they have complied with the required standard dealings and its code of conduct regarding Director's securities transactions during the year ended 31 December 2018.



## CORPORATE GOVERNANCE REPORT

### 5. JOINT COMPANY SECRETARIES

To maintain good corporate governance practices and compliance with the GEM Listing Rules and applicable laws, the Company appointed the followings as the joint Company Secretaries:

#### *As to Hong Kong Law*

Mr. Siew Chen Yei ("**Mr. Siew**") was appointed as one of the joint company secretaries of the Company in Hong Kong on 12 July 2017. Biographical details of Mr. Siew is set out in the section headed "Directors' Profile" of this Annual Report.

Mr. Ip Pui Sum (葉沛森) ("**Mr. Ip**"), aged 59, 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 in Brunel University in May 1997. Mr. Ip is a Certified Public Accountant (Practising) in Hong Kong, a fellow member of the Chartered Association of Certified Accountants and an associate member of the Chartered Institute of Management Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

#### *As to Singapore Law*

Mr. Tan Kim Swee Bernard (Chen Jinrui Bernard) ("**Mr. Tan**"), aged 44, was appointed as one of the joint company secretaries of the Company in Singapore on 8 November 2016. He is a practising solicitor in Singapore. Mr. Tan has over nineteen (19) years of experiences 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.

Mr. Ip provides joint company secretarial support and assists Mr. Siew and Mr. Tan so as to enable them to acquire the requisite knowledge and experience (as required under Rule 5.14 of the GEM Listing Rules) in order to discharge their duties and responsibilities as Company Secretaries of the Company. During the Financial Year, Mr. Ip communicated with Mr. Siew and Mr. Tan on a regular basis regarding matters in relation to corporate governance, the GEM Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of the Company.

### 6. INTERNAL CONTROL

The Directors of the Company understand that the Board shall be responsible for maintaining an adequate internal control system to safeguard the investment of shareholders and assets of the Company and reviewing the effectiveness of the system. The Board has examined the effectiveness of the existing internal control system of the Company, and the Company considers that the internal control system is effective and adequate. In this regard, the Compliance and Internal Audit Departments have put in place a Risk Register identifying specific risk areas. There will be a Compliance Workplan whereby in various periods each year specific risk areas will be reviewed to ascertain that procedures and internal controls in-place are sufficient and properly enforced. These areas include, but are not limited to, Anti Money Laundering, Fund Management, Financial Advisory, Business Continuity Management, and Outsourcing. The reviews will be based on the risk value indicator allocated to that particular risk area. Thus, the higher the risk the more frequent a review of that area would be conducted – the frequency ranging from annual reviews to review once every two (2) to three (3) years.

# CORPORATE GOVERNANCE REPORT

## 7. REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the year ended 31 December 2018 are set out in note 8 to the consolidated financial statements of this Annual Report.

The remuneration of the members of the senior management (other than the Directors) for the year ended 31 December 2018 by band is as follows:

Remuneration Band in HKD	Number of individuals
Nil to HKD1,000,000	2

## 8. AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the External Auditor and reviewing any non-audit functions performed by the External Auditor, including whether such non-audit functions could give rise to any actual or potential material adverse effect on the Company. During the financial year ended 31 December 2018, the remuneration paid or payable to the External Auditor for audit and non-audit services are set out as follows:

Services rendered	Fee paid/payable S\$'000
Statutory annual audit service	177
Review of interim results	20

## 9. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

### 9.1 Shareholders' Right to Requisite a Meeting

As one of the measures to safeguard Shareholders' interest and rights, it is proposed that separate resolutions can be tabled at Shareholders' meetings on each substantial issue, including the election of individual Directors. The voting results will be posted on the websites of the Stock Exchange and the Company after the Shareholder's meeting.

#### **Procedures for Shareholders to convene an Extraordinary General Meeting (the "EGM")**

The following procedures for shareholders to convene an EGM are subject to the Constitution (as amended from time to time), and the applicable legislation and regulation, in particular the GEM Listing Rules:

- (a) Any one or more member(s) holding at the date of the deposit of the requisition not less than ten percent (10%) of the total number of paid-up shares carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**"), shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition;
- (b) The Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "**Requisition**"), signed by the Eligible Shareholder(s) concerned to the Board or Company Secretary at the Company's principal place of business in Hong Kong at Unit 2029, Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong;

## CORPORATE GOVERNANCE REPORT

- (c) The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM and the proposed agenda;
- (d) The Company will check the Requisition and will be verified with the Company's share registrar in Hong Kong. If the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Constitution to all the registered shareholders, and such meeting shall be held within two (2) months after the deposit of the Requisition. On the contrary, if the request has been verified as not being in order, the Eligible Shareholder(s) concerned will be advised of the outcome and accordingly, an EGM will not be convened as requested.
- (e) If within twenty-one (21) days from the date of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) may do so in the same manner, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed by the Company to the Eligible Shareholder(s) concerned.

### 9.2 Inquiry and Communication of Shareholders

The Company releases its announcements, financial data and other relevant data on its website [www.zacdgroup.com](http://www.zacdgroup.com), which serves as a channel facilitating effective communication. Shareholders may send any inquiry in writing to the Company's principal place of business in Hong Kong. The Company will properly handle all inquiries in due course.

The Board welcomes suggestions from shareholders, and encourages shareholders to attend general meetings to directly raise any issues that they may have to the Board and the Management. Usually, the Chairman of the Board and the Chairman of respective committees would attend AGM and other general meetings to answer questions put forward by shareholders.

Detailed voting procedures and all resolutions voted on shall be set out in circulars to shareholders.

For put forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company, details are as follow:

#### **Hong Kong**

Address: Unit 2029, Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Sheung Wan, Hong Kong

### 10. CONSTITUTIONAL DOCUMENTS

During the financial year ended 31 December 2018, the Company did not make any changes to the Constitution. The latest Constitution of the Company is available on the GEM's website and the Company's website.

### 11. DEED OF NON-COMPETITION BY THE CONTROLLING SHAREHOLDERS

Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus of the Company dated 28 December 2017 and there is no change thereon up to the date of this report. The INEDs have reviewed the status of compliance by each of the controlling shareholders with the undertakings and as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Deed of Non-competition.

# INDEPENDENT AUDITOR'S REPORT

to the Members of ZACD Group Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of ZACD Group Ltd. (the Company) and its subsidiaries (collectively, the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act), International Financial Reporting Standards (IFRSs) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# INDEPENDENT AUDITOR'S REPORT

to the Members of ZACD Group Ltd.

## Key Audit Matters (cont'd)

### ***Valuation of investment in equity securities***

Investment in equity securities relate to equity interests presently held or to be received by the Group in Investment SPVs that undertake investments in real estate development projects. In determining their classification as investment in equity securities, management is required to exercise judgement and consider factors such as the contractual characteristics of the assets, the Group's intended plan for these assets, and whether the assets convey any right to the holder with respect to fixed or determinable payments.

Investment in equity securities are measured at fair value with the corresponding fair value changes recognised in other comprehensive income. These assets accounted for approximately 9% of the Group's total assets as at 31 December 2018.

The fair value of these assets, which are not traded in an active market, is determined through the application of valuation techniques. These techniques involve the use of assumptions and estimates determined by management using their judgement. Estimation uncertainty exists for such assets given that they are not traded in an active market and the internal modelling technique adopted by management uses significant unobservable inputs. Accordingly, the investment in equity securities are classified as level 3 financial instruments under the fair value hierarchy.

The valuation of the investment in equity securities was considered a key audit matter given the degree of complexity involved in valuing these financial instruments and the significance of the judgements and estimates made by the management.

In Notes 3 and 30 to the Group's financial statements, the management has described the key sources of estimation involved in determining the fair value.

In the course of the audit, we assessed the appropriateness of the classification of these financial assets at fair value through other comprehensive income. We also performed an assessment of the methodology and the appropriateness of the valuation model and assumptions used to value the investment in equity securities. Key assumptions used in the valuation includes future dividend distribution cash flows expected to be received by the Group which are based on the Investment SPV's projected distributable profits, the level of uncertainty to be ascribed to such profits projection taking into consideration the current stage of the underlying real estate project's development and its sales progress, as well as the discount rates which are assessed by benchmarking them with external data. We perused correspondences with real estate developer partners to ascertain if there were any potential issues or events that could impact the economic outcome currently estimated by the management for key real estate projects. We also checked the arithmetic accuracy of management's fair value computation, and evaluated the adequacy of disclosures in the financial statements in Notes 14 and 30.

# INDEPENDENT AUDITOR'S REPORT

to the Members of ZACD Group Ltd.

## Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, IFRSs and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

to the Members of ZACD Group Ltd.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

to the Members of ZACD Group Ltd.

## **Auditor's Responsibilities for the Audit of the Financial Statements** (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wei Hock.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

20 March 2019



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

		<b>Group</b>	
	Note	<b>2018</b> <b>S\$'000</b>	2017 S\$'000
<b>Revenue</b>	5	<b>11,786</b>	18,583
Other income and gains	5	<b>1,466</b>	270
Staff costs	6	<b>(7,158)</b>	(6,772)
Depreciation	13	<b>(183)</b>	(139)
Office rentals and related expenses		<b>(738)</b>	(567)
Marketing expenses		<b>(169)</b>	(128)
Other expenses, net		<b>(3,889)</b>	(4,808)
<b>Profit before tax</b>	7	<b>1,115</b>	6,439
Income tax (expense)/credit	10	<b>(34)</b>	191
<b>Profit for the year attributable to owners of the Company</b>		<b>1,081</b>	6,630
<b>Earnings per share attributable to owners of the Company</b>	11		
– Basic (cents)		<b>0.05</b>	0.90
– Diluted (cents)		<b>0.05</b>	0.90

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 S\$'000	Group 2017 S\$'000
<b>Profit for the year</b>		<b>1,081</b>	6,630
<b>Other comprehensive (loss)/income:</b>			
<u>Items that will not be reclassified to profit or loss</u>			
Fair value changes on investment in equity securities	14	<b>(1,552)</b>	–
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		<b>(56)</b>	32
Fair value changes on investment in equity securities	14	–	(11,760)
Fair value changes on investment in equity securities reclassified to profit or loss	14	–	(259)
Other comprehensive loss for the year		<b>(1,608)</b>	(11,987)
<b>Total comprehensive loss for the year attributable to owners of the Company</b>		<b>(527)</b>	(5,357)

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	599	183	316	–
Investment in equity securities	14	3,424	4,976	–	–
Investments in subsidiaries	16	–	–	15,515	14,015
Prepayments, deposits and other receivables	18	324	–	317	–
Deferred tax assets	22	234	264	–	–
<b>Total non-current assets</b>		<b>4,581</b>	5,423	<b>16,148</b>	14,015
<b>Current assets</b>					
Trade receivables	15	4,160	6,416	–	–
Amount due from a shareholder	17	89	–	89	–
Amounts due from related parties	17	542	4,116	319	–
Amounts due from subsidiaries	16	–	–	6,139	2,413
Prepayments, deposits and other receivables	18	439	1,640	168	1,124
Loans and related receivables	19	19,968	–	19,968	–
Cash and cash equivalents	20	7,708	2,615	859	99
<b>Total current assets</b>		<b>32,906</b>	14,787	<b>27,542</b>	3,636
<b>Current liabilities</b>					
Trade payables, other payables and accruals	21	1,847	3,304	316	1,863
Amount due to a shareholder	17	56	553	–	–
Amounts due to related parties	17	248	420	23	106
Amounts due to subsidiaries	16	–	–	1,971	1,601
Income tax payable		22	22	–	–
<b>Total current liabilities</b>		<b>2,173</b>	4,299	<b>2,310</b>	3,570
<b>Net current assets</b>		<b>30,733</b>	10,488	<b>25,232</b>	66
<b>Non-current liability</b>					
Other payables	21	225	443	–	–
<b>Net assets</b>		<b>35,089</b>	15,468	<b>41,380</b>	14,081
<b>Equity</b>					
Share capital	23	29,866	4,718	38,853	13,705
Reserves	24	5,223	10,750	2,527	376
<b>Total equity</b>		<b>35,089</b>	15,468	<b>41,380</b>	14,081

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

Group	Note	Share capital (Note 23) S\$'000	Investment in equity securities revaluation reserve S\$'000	Exchange fluctuation reserve S\$'000	Merger reserve S\$'000	Capital reserve S\$'000	Retained profits/ (accumulated losses) S\$'000	Total equity S\$'000
<b>At 1 January 2017</b>		-	16,995	(10)	4,718	1,491	(869)	22,325
Profit for the year		-	-	-	-	-	6,630	6,630
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations		-	-	32	-	-	-	32
Fair value changes on investment in equity securities	14	-	(11,760)	-	-	-	-	(11,760)
Fair value changes on investment in equity securities reclassified to profit or loss	14	-	(259)	-	-	-	-	(259)
Total comprehensive income/(loss) for the year		-	(12,019)	32	-	-	6,630	(5,357)
Contributions by and distributions to owners								
Issue of shares by the Company for acquisition of subsidiaries in connection with the Reorganisation	23(b)	4,718	-	-	(4,718)	-	-	-
Dividends	12	-	-	-	-	-	(1,500)	(1,500)
Total contributions by and distributions to owners		4,718	-	-	(4,718)	-	(1,500)	(1,500)
<b>At 31 December 2017 and 1 January 2018</b>		<b>4,718</b>	<b>4,976*</b>	<b>22*</b>	<b>-*</b>	<b>1,491*</b>	<b>4,261*</b>	<b>15,468</b>
Profit for the year		-	-	-	-	-	1,081	1,081
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations		-	-	(56)	-	-	-	(56)
Fair value changes on investment in equity securities	14	-	(1,552)	-	-	-	-	(1,552)
Total comprehensive income/(loss) for the year		-	(1,552)	(56)	-	-	1,081	(527)
Contributions by and distributions to owners								
Issuance of shares	23(e)	25,148	-	-	-	-	-	25,148
Dividends	12	-	-	-	-	-	(5,000)	(5,000)
Total contributions by and distributions to owners		25,148	-	-	-	-	(5,000)	20,148
<b>At 31 December 2018</b>		<b>29,866</b>	<b>3,424*</b>	<b>(34)*</b>	<b>-*</b>	<b>1,491*</b>	<b>342*</b>	<b>35,089</b>

\* These reserve accounts comprise the consolidated reserves of S\$10,750,000 and S\$5,223,000 in the consolidated statements of financial position as at 31 December 2017 and 2018 respectively.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 S\$'000	Group 2017 S\$'000
<b>Cash flows from operating activities</b>			
Profit before tax		1,115	6,439
Adjustments for:			
Depreciation	13	183	139
Gain on disposal of investment in equity securities	5	–	(100)
Fair value gain for financial asset at fair value through profit or loss	7	–	(35)
Unrealised foreign exchange losses/(gains)		29	(190)
Interest income		(718)	–
<b>Operating cash flows before changes in working capital</b>		<b>609</b>	<b>6,253</b>
Changes in working capital:			
Decrease/(increase) in trade receivables		2,227	(3,718)
Increase in prepayments, deposits and other receivables		(226)	(17)
Increase in trade payables, other payables and accruals		347	907
Decrease in amounts due to related parties		(78)	(363)
<b>Cash generated from operations</b>		<b>2,879</b>	<b>3,062</b>
Income tax paid		(4)	–
Interest received		41	–
<b>Net cash flows from operating activities</b>		<b>2,916</b>	<b>3,062</b>
<b>Cash flows from investing activities</b>			
Purchases of items of property, plant and equipment	13	(545)	(80)
Redemption of a financial asset at fair value through profit or loss		–	1,535
Increase in an amount due from a shareholder		(89)	–
Decrease/(increase) in amounts due from related parties		3,574	(3,976)
Proceeds from disposal of investment in equity securities		–	100
Bridging loans		(19,291)	–
<b>Net cash flows used in investing activities</b>		<b>(16,351)</b>	<b>(2,421)</b>
<b>Cash flows from financing activities</b>			
Decrease in amount due to a shareholder		(497)	(579)
(Decrease)/increase in amounts due to related parties		(94)	42
Proceeds from issuance of shares		27,040	–
Payments in relation to initial public offering expenses		(2,864)	(579)
Dividends paid		(5,000)	(1,500)
<b>Net cash flows generated from/(used in) financing activities</b>		<b>18,585</b>	<b>(2,616)</b>
Net increase/(decrease) in cash and cash equivalents		5,150	(1,975)
Cash and cash equivalents at beginning of year		2,615	4,371
Effect of foreign exchange rate changes, net		(57)	219
Cash and cash equivalents at end of year	20	7,708	2,615

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1. CORPORATE INFORMATION

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

The Company is an investment holding company. During the 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) project consultancy and management services;
- (iii) property management and tenancy management services; and
- (iv) financial advisory services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) as issued by the Singapore Accounting Standards Council (“**ASC**”), which the Group adopted on 1 January 2018.

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 Group’s functional currency, Singapore Dollar (“**S\$**”), and all values are rounded to the nearest thousand (“**S\$’000**”), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS and SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

On 29 December 2017, the ASC issued SFRS(I), Singapore’s equivalent of the IFRS which is available for application by Singapore-incorporated companies for annual periods beginning on or after 1 January 2018. Following the introduction and adoption of this new financial reporting framework, the Group has chosen to comply with both IFRS and SFRS(I).

For the purpose of SFRS(I), financial statements that have been prepared in accordance and complied with IFRS are deemed to have also complied with SFRS(I). SFRS(I) comprise standards and interpretations that are equivalent to IFRS. All references to SFRS(I) and IFRS are referred to collectively as “**IFRS**” in these financial statements, unless specified otherwise.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those of the previous financial year. The Group has adopted all the new and revised standards that are effective for annual financial period beginning on 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on 1 January 2018. The nature of the changes in these financial reporting standards are described below:

#### **IFRS 9 *Financial Instruments***

IFRS 9 introduces new requirements for classification and measurement of financial assets and impairment of financial assets.

##### Classification and measurement

IFRS 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("**FVOCI**") or fair value through profit or loss ("**FVPL**"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("**SPPI**"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as at 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under IFRS 9. There is no significant impact arising from measurement of these instruments under IFRS 9.

IFRS 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group continues to measure its investment in unquoted equity securities at fair value and makes an irrevocable election to present changes in fair value in other comprehensive income ("**OCI**").

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.2 New accounting standards effective on 1 January 2018 (cont'd)

#### **IFRS 9 *Financial Instruments*** (cont'd)

##### Impairment

IFRS 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

As the Group has rigorous counterparty selection and monitors closely the credit risks arising from the financial assets as detailed in Note 31, the changes of this standard did not have a material impact on the financial statements for the year ended 31 December 2018.

#### **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the Group elected to apply the standard to contracts that are not completed as at 1 January 2018.

The opening balance of retained earnings is not adjusted as the cumulative effect of initially applying IFRS 15 is assessed to have no material impact effect on the financial position of the Group and the Company at the date of initial application.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRS INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to IAS 12 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i>	1 January 2019
Amendments to IAS 23 <i>Borrowing Costs Eligible for Capitalisation</i>	1 January 2019
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to IAS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	No mandatory effective date yet determined but available for adoption

Except for IFRS 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of IFRS 16 are described below.

#### IFRS 16 *Leases*

IFRS 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees to make more extensive disclosures than under IAS 17.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

#### **IFRS 16 Leases** (cont'd)

##### Transition to IFRS 16

On the adoption of IFRS 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply IFRS 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as at 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts IFRS 16 in 2019.

On the adoption of IFRS 16, the Group expects to recognise right-of-use assets and lease liabilities of approximately S\$1,060,000 for its leases previously classified as operating leases as at 1 January 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.4 Basis of consolidation and business combinations

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the current year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.5 Current versus non-current classification

The Group presents assets and liabilities in the statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.6 Fair value measurement

The Group measures financial instruments such as unquoted investment in equity securities and a structured deposit at fair value at the end of each reporting period. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Note 30)
- Quantitative disclosures of fair value measurement hierarchy (Note 30)
- Financial instruments (including those carried at amortised cost) (Note 29)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.6 Fair value measurement (cont'd)

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as for unquoted investment in equity securities and structured deposit.

At each reporting date, the Group's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group's management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group's management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.7 Foreign currencies

The financial statements are presented in S\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### (b) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into S\$ at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.8 Cash dividend distribution to owners of the Company

The Company recognises a liability to make cash distributions to owners of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. According to the corporate laws of Singapore, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

### 2.9 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Computers	3 years
Office equipment	3 years
Furniture and fittings	3 years
Renovation	Over shorter of remaining lease term and 3 years
Motor vehicles	10 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end and adjusted prospectively, if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (a) Financial assets

##### *Initial recognition and measurement*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

All purchases and sales of financial assets are recognised or derecognised on the trade date which is the date that the Group commits to purchase or sell the asset.

##### *Subsequent measurement*

##### Investment in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

##### Investment in equity securities

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity instruments under this category.

##### *Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.10 Financial instruments – initial recognition and subsequent measurement (cont'd)

#### (b) Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

##### *Subsequent measurement*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (“**ECLs**”) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### (a) Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### (b) General approach

The Group applies the general approach to provide for ECLs on all other financial assets not held at fair value through profit or loss. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.12 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or a cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

### 2.13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, as they are considered an integral part of the Group's cash management.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.14 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalment.

### 2.15 Revenue recognition

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duties.

The specific recognition criteria described below must also be met before revenue is recognised.

#### ***Rendering of services***

The Group provides investment management, project consultancy and management, property management and tenancy management services and financial advisory services as described below.

#### **(a) SPV investment management**

The Group provides investment management services to investors of real estate projects by establishing and incorporating SPV (the "**Investment SPV**") through which the investors participate in the project by subscribing convertible loans that are issued by the Investment SPV. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.15 Revenue recognition (cont'd)

#### *Rendering of services (cont'd)*

##### (a) **SPV investment management** (cont'd)

The Group derives investment management revenue from the investors of the Investment SPV comprising: (i) fixed pre-negotiated investment management fees receivable in cash; and (ii) establishment fees receivable in the form of equity shares (the "**Establishment Shares**") in the Investment SPV, that are owned by the investors upon conversion of their convertible loans as and when the underlying real estate project is substantially complete, together with the dividend income from such Establishment Shares. The Group also derives performance fee from a major investor in return for providing a priority right to this investor to participate in real estate projects. Such fee is pegged to a stipulated percentage of all dividends and/or profit distributions to be received by the investor on its investments in the real estate projects.

The Group recognises the fixed pre-negotiated investment management fee revenue on a time-apportioned basis over the estimated real estate development period, and establishment fee revenue, based on the initial fair value of its right over the entitlement to the Establishment Shares which the Group is entitled to receive upon subscription of convertible loans in the Investment SPV by the investors, when it is probable that the Group will receive the Establishment Shares. Subsequent to initial recognition, the Group's entitlement to the Establishment Shares is accounted for as investment in equity securities in accordance with Note 2.10(a) above. The Group's entitlement to the dividend from the Establishment Shares is accounted for according to the accounting policies for "**Dividends**" set out below. Performance fee from the major investor is not recognised until it is highly probable that a significant reversal of the cumulative amount of the fee revenue recognised will not occur upon resolution of any uncertainty.

##### (b) **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 manages the investment process for the funds, manages the assets owned by the funds, and sources for avenues for divesting the investments in order to maximise the funds' internal rates of return.

Under the contracts entered into with the private real estate funds, the Group is entitled to fund establishment fee and fund management fees based on a percentage of committed capital and performance fees based on a percentage of return on equity of the fund upon divestment of all investments in the fund or expiration or early termination of the fund life. The fund management fees are received semi-annually 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 fee revenue recognised will not occur upon the resolution of any uncertainty.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.15 Revenue recognition (cont'd)

#### *Rendering of services (cont'd)*

#### (c) Project consultancy and management services

Project consultancy and management 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.

The Group enters into service agreements with real estate developers for these services in which fixed pre-negotiated fees are specified. Project consultancy and management fees are recognised on a time-apportioned basis over the contractual service or milestone period.

#### (d) Property management and tenancy management services

The Group's property management services are primarily provided to real estate developers and property owners' association including property 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. Fixed pre-negotiated fees are specified in property management contracts which typically cover a one-year service period and are renewable on an annual basis. Such fees are recognised as revenue on a time-apportioned basis over the contractual service period.

The Group's tenancy management services are primarily provided to property owners and help the property owners oversee a full range of services including defect management, rental management, lease advisory services, administrative management and tenants care management. Revenue is recognised by the Group on an accrual basis in accordance with the terms of the underlying agreements.

#### (e) Financial advisory services

The Group's financial advisory services primarily relate to corporate finance advisory services. Revenue is recognised by the Group as and when the services have been rendered.

#### **Dividends**

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Dividend income derived from the Establishment Shares is classified under SPV investment management fees.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.16 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that asset is or these assets are not explicitly specified in an arrangement.

#### ***Group as a lessee***

A lease is classified at the inception date as a finance lease or an operating lease. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

### 2.17 Employee benefits

#### **(a) Defined contribution plans**

The Group participates in the national/mandatory pension schemes as defined by the laws of the countries/jurisdictions in which it has operations. In particular, the Group makes contributions to the Central Provident Fund scheme in Singapore and the Mandatory Provident Fund retirement benefit scheme in Hong Kong. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related employee service is received.

#### **(b) Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of reporting period.

### 2.18 Taxes

#### **(a) Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting date in the countries/jurisdiction where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.18 Taxes (cont'd)

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.18 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### (c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.19 Deferred revenue

Deferred revenue represents advance receipts from customers for services that have yet to be rendered, and is recognised as revenue in profit or loss as and when these services are rendered.

### 2.20 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.20 Contingencies (cont'd)

Contingent liabilities and assets are not recognised in the statement of financial position, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

### 2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.22 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control of the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.22 Related parties (cont'd)

- (b) the party is an entity where any of the following conditions applies: (cont'd)
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### 2.23 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.11 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management (Note 31)
- Financial risk management objectives and policies (Note 31)

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

#### ***Consolidation of Investment SPVs and private real estate funds***

The Group has been delegated decision-making rights to carry out activities as managers for Investment SPVs and private real estate funds for the benefit of their investors. Assessing whether the Group is making decisions as a principal or carrying out the decisions made by all the investors is a significant judgement. The Group considers the terms and conditions of the arrangement to assess whether it is an agent or a principal based on the scope of decision-making authority it has, rights held by other parties, its remuneration structure and exposure to variability of returns through other interests.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### Judgement (cont'd)

#### ***Consolidation of Investment SPVs and private real estate funds*** (cont'd)

As at 31 December 2018, the Group acted as managers for 23 (2017: 23) Investment SPVs and 7 (2017: 4) private real estate funds respectively. Having considered the fact patterns surrounding each of these Investment SPVs and private real estate funds in which the Group acts as a manager, the Group considers that it does not control all these Investment SPVs and private real estate funds.

#### ***Variable consideration from performance fees***

Under its SPV investment management business, the Group derives performance fee from a major investor in return for providing a priority right to this investor to participate in real estate projects. Such fee is pegged to a stipulated percentage of all dividends and/or profit distributions that will be received by the investor on its investments in the real estate projects. In addition, the Group is entitled to performance fees under its fund management business. Such fees are based on a percentage of return on equity of the fund upon divestment of all investments in the fund or expiration or early termination of the fund life.

The Group recognises such performance fees when, and only when, it is assessed to be highly probable that a significant reversal of the cumulative fee revenue recognised will not occur in future periods. There are uncertainties on whether the major investor will be able to receive dividends and/or profit distributions from its project investments, and whether the fund will be able to achieve positive return on equity upon divestment of all its investments or at the end of its fund life. Assessment on whether a significant reversal of the cumulative fee revenue recognised will occur in future periods hence involves significant judgement on the part of management.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### ***Fair value measurement of investment in equity securities***

The fair value of investment in equity securities held by the Group is measured using valuation techniques including the discounted cash flow ("**DCF**") model as these instruments do not have quoted prices in active markets. As these instruments relate to equity interests presently held or to be received by the Group in Investment SPVs that undertake investment in real estate development projects (Note 14), management expects the fair value to be eventually realised through dividend distributions and return of capital that the Group will receive from the Investment SPVs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

### **Fair value measurement of investment in equity securities** (cont'd)

The inputs to the valuation models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. Key estimates include considerations of inputs such as future dividend distribution cash flows expected to be received by the Group based on the Investment SPV's projected distributable profits, the level of uncertainty to be ascribed to such profits projection taking into consideration the current stage of the real estate project's development and its sale progress, as well as the discount rate. Changes in assumptions relating to these factors could affect the reported fair value of the financial instruments. See Note 30 for further disclosures.

### **Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of trade receivables as at 31 December 2018 are S\$4,160,000 (2017: S\$6,416,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. 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. 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 and return of capital from the relevant Investment SPVs.

#### (ii) Fund management

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

Under the contracts entered into with the private real estate funds, the Group is entitled to fund establishment fee and fund management fees based on a percentage of committed capital and performance fees based on a percentage of return on equity of the fund upon divestment of all investments in the fund or expiration or early termination of the fund life. The fund management fees are received semi-annually 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OPERATING SEGMENT INFORMATION (cont'd)

### (b) Project consultancy and management services

Project consultancy and management 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.

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 before tax is measured consistently with the Group's profit before tax except that unallocated other income and gains as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OPERATING SEGMENT INFORMATION (cont'd)

Year ended 31 December 2018	Investment management		Project consultancy and management services S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Segment revenue</b>						
External customers	4,407	1,872	1,690	3,586	231	11,786
<b>Segment results</b>	3,409	338	1,255	(139)	(691)	4,172
<i>Reconciliation:</i>						
Other income and gains						1,466
Corporate and unallocated expenses						(4,523)
Profit before tax						1,115
<b>Segment assets</b>	7,727	1,971	1,315	1,315	2,864	15,192
<i>Reconciliation:</i>						
Corporate and unallocated assets						22,295
Total assets						37,487
<b>Segment liabilities</b>	256	866	117	618	144	2,001
<i>Reconciliation:</i>						
Corporate and unallocated liabilities						397
Total liabilities						2,398
<b>Other segment information:</b>						
Depreciation	85	18	30	38	12	183
Capital expenditure*	224	94	82	191	8	599

\* Capital expenditure represents additions to property, plant and equipment.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OPERATING SEGMENT INFORMATION (cont'd)

Year ended 31 December 2017	Investment management		Project consultancy and management services S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Segment revenue</b>						
External customers	12,017	1,293	1,571	3,656	46	18,583
<b>Segment results</b>	10,459	(91)	1,275	(514)	(762)	10,367
<i>Reconciliation:</i>						
Other income and gains						270
Corporate and unallocated expenses						(4,198)
Profit before tax						6,439
<b>Segment assets</b>	13,583	2,366	896	928	1,164	18,937
<i>Reconciliation:</i>						
Corporate and unallocated assets						1,273
Total assets						20,210
<b>Segment liabilities</b>	730	1,052	124	813	48	2,767
<i>Reconciliation:</i>						
Corporate and unallocated liabilities						1,975
Total liabilities						4,742
<b>Other segment information:</b>						
Depreciation	87	12	10	18	12	139
Capital expenditure*	24	23	5	25	3	80

\* Capital expenditure represents additions to property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OPERATING SEGMENT INFORMATION (cont'd)

### Geographical information

#### (a) Revenue from external customers

	2018 S\$'000	Group 2017 S\$'000
Singapore	10,518	17,431
Malaysia	474	1,094
Australia	413	–
Indonesia	314	27
Other countries/jurisdictions	67	31
	<b>11,786</b>	18,583

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

#### (b) Non-current assets

	2018 S\$'000	Group 2017 S\$'000
Singapore	457	171
Other countries/jurisdictions	142	12
	<b>599</b>	183

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 4. OPERATING SEGMENT INFORMATION (cont'd)

### Information about major customers

Revenue from major customers contributing to 10% or more of the Group's revenue for each of the reporting periods is set out below:

	Group 2018 S\$'000	2017 S\$'000
Customer A	—*	5,502
Customer B	—*	2,935

\* Revenue from Customers A and B for the year ended 31 December 2018 were respectively less than 10% of the Group's revenue.

## 5. REVENUE, AND OTHER INCOME AND GAINS

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

Year ended 31 December 2018	Investment management		Project consultancy and management services S\$'000	Property management and tenancy management S\$'000	Financial advisory S\$'000	Total revenue S\$'000
	SPV investment management S\$'000	Fund management S\$'000				
<b>Primary geographical markets</b>						
Singapore	3,952	1,373	1,415	3,547	231	10,518
Malaysia	435	—	—	39	—	474
Australia	—	409	4	—	—	413
Indonesia	8	35	271	—	—	314
Other countries/jurisdictions	12	55	—	—	—	67
	4,407	1,872	1,690	3,586	231	11,786
<b>Timing of services</b>						
At a point in time	4,284	1,409	4	—	—	5,697
Over time	123	463	1,686	3,586	231	6,089
	4,407	1,872	1,690	3,586	231	11,786

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 5. REVENUE, AND OTHER INCOME AND GAINS (cont'd)

	Group	
	2018	2017
	S\$'000	S\$'000
<b>Revenue</b>		
Investment management		
– SPV investment management fees	<b>4,407</b>	12,017
– Fund management fees	<b>1,872</b>	1,293
Project consultancy and management service fees	<b>1,690</b>	1,571
Property management and tenancy management fees	<b>3,586</b>	3,656
Financial advisory fees	<b>231</b>	46
	<b>11,786</b>	18,583
<b>Other income and gains</b>		
Interest income	<b>718</b>	–
Government grants*	<b>175</b>	86
Foreign exchange differences, net	<b>462</b>	44
Gain on disposal of investment in equity securities, net of fair value changes reclassified from other comprehensive income of S\$nil (2017: S\$259,000) (Note 14)	–	100
Fair value gain for financial asset at fair value through profit or loss	–	35
Income from transfer of unutilised tax losses	<b>74</b>	–
Others	<b>37</b>	5
	<b>1,466</b>	270

\* Government grants were received by certain subsidiaries in connection with employment of senior Singaporean workers under Special Employment Credit and Wage Credit Scheme and enhancement/scale up of business capabilities under Capability Development Grant provided by the Singapore Government. There were no unfulfilled conditions or contingencies relating to these grants.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 6. STAFF COSTS

	<b>GROUP</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
Employee benefit expense (including directors' remuneration (Note 8)):		
Salaries, bonuses, commission and other allowances	<b>6,422</b>	6,070
Retirement benefit scheme contributions (defined contribution scheme)	<b>736</b>	702
	<b>7,158</b>	6,772

## 7. PROFIT BEFORE TAX

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

	<b>Group</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
Auditor's remuneration	<b>177</b>	121
Listing expenses	<b>1,037</b>	2,751
Minimum lease payments under operating leases	<b>738</b>	567
Fair value gain for financial asset at fair value through profit or loss	–	(35)
Dividend income from the Establishment Shares included in SPV investment management fees	<b>(3,882)</b>	(10,603)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

During the financial year ended 31 December 2018, 7 (2017: 2) directors received remuneration from the Group for their appointment as directors of the Company or in capacity as employees of the Group. The remuneration of the directors as recorded in the financial statements is set out below:

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	2017
		S\$'000
Fees	<b>78</b>	–
Other emoluments:		
Salaries, allowances and benefits in kind	<b>696</b>	363
Retirement benefit scheme contributions (defined contribution scheme)	<b>31</b>	5
	<b>805</b>	368

### (a) Non-executive directors and independent non-executive directors

Mr. Kong Chi Mo, Mr. Sim Mong Keang and Mr. Cheung Ying Kwan were appointed as independent non-executive directors with effect from 13 December 2017. Mr. Cheung Ying Kwan resigned as independent non-executive director of the Company on 31 January 2019.

Mr. Lim Boon Yew and Mr. Chew Hong Ngiap, Ken were respectively appointed as independent non-executive director and non-executive director of the Company with effect from 31 January 2019.

### (b) Executive directors and chief executive

Mr. Yeo Choon Guan (Yao Junyuan), Ms. Sim Kain Kain and Mr. Siew Chen Yei were appointed as directors of the Company on 8 November 2016. Mr. Yeo Choon Guan (Yao Junyuan) was re-designated as the chief executive officer of the Company on 12 July 2017.

Mr. Darren Chew Yong Siang (Zhou Yongxiang) and Mr. Wee Hian Eng Cyrus were appointed as executive directors with effect from 24 May 2018 and 31 December 2018 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (cont'd)

The remuneration of each of the directors of the Company for the years ended 31 December 2017 and 2018 is set out below:

	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Retirement benefit scheme contributions S\$'000	Total S\$'000
<b>Year ended 31 December 2018</b>				
Yeo Choon Guan (Yao Junyuan)	–	140	12	152
Sim Kain Kain	–	140	12	152
Siew Chen Yei	–	353	2	355
Kong Chi Mo	26	–	–	26
Sim Mong Keang	26	–	–	26
Cheung Ying Kwan	26	–	–	26
Darren Chew Yong Siang	–	63	5	68
	<b>78</b>	<b>696</b>	<b>31</b>	<b>805</b>
<b>Year ended 31 December 2017</b>				
Yeo Choon Guan (Yao Junyuan)	–	–	–	–
Sim Kain Kain	–	20	2	22
Siew Chen Yei	–	343	3	346
	–	363	5	368

During the years ended 31 December 2017 and 2018, no remuneration was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2017 and 2018 included three (2017: one) of the directors of the Company, details of whose remuneration are set out in Note 8 above.

Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive for the years are analysed as follows:

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	<b>2017</b>
		<b>S\$'000</b>
Salaries, bonuses, allowances and benefits in kind	<b>294</b>	536
Retirement benefit scheme contributions	<b>25</b>	28
	<b>319</b>	564

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands for the years ended 31 December 2017 and 2018 is as follows:

	<b>2018</b>	<b>Group</b>
		<b>2017</b>
Nil to HKD1,000,000	<b>2</b>	4

## 10. INCOME TAX (EXPENSE)/CREDIT

Singapore profits tax has been provided on the estimated assessable profits arising in Singapore at a rate of 17% during the current year. 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 2017 and 2018.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. INCOME TAX (EXPENSE)/CREDIT (cont'd)

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

	<b>Group</b>
	<b>2018</b>
	<b>2017</b>
	<b>S\$'000</b>
	<b>S\$'000</b>
Current:	
(Underprovision)/Overprovision in prior years	(4) 78
Deferred tax (expense off)/credited (Note 22)	(30) 113
Total tax (expense)/credit for the year	(34) 191

A reconciliation of the profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense/(credit) at the Group's effective tax rates is as follows:

### Year ended 31 December 2018

	Singapore		Hong Kong		PRC		Australia		Total
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000
Profit/(loss) before tax	1,859		(709)		2		(37)		1,115
Tax at the statutory tax rate	316	17	(117)	16.5	1	25	(11)	30	189
Expenses not deductible for tax	184		117		-		11		312
Income not subject to tax	(687)		-		-		-		(687)
Deferred tax asset not recognised	217		-		-		-		217
Adjustments in respect of current tax of previous periods	4		-		-		-		4
Others	-		-		(1)		-		(1)
Tax expense at the Group's effective rate	34		-		-		-		34

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 10. INCOME TAX (EXPENSE)/CREDIT (cont'd)

### Year ended 31 December 2017

	Singapore		Hong Kong		PRC		Australia		Total S\$'000
	S\$'000	%	S\$'000	%	S\$'000	%	S\$'000	%	
Profit/(loss) before tax	7,457		(972)		(27)		(19)		6,439
Tax at the statutory tax rate	1,268	17.0	(160)	16.5	(7)	25.0	(5)	27.5	1,096
Expenses not deductible for tax	1,468		168		7		5		1,648
Income not subject to tax	(2,780)		(8)		-		-		(2,788)
Benefits from previously unrecognised deferred tax asset	(38)		-		-		-		(38)
Deferred tax asset not recognised	1		-		-		-		1
Adjustments in respect of current tax of previous periods	(78)		-		-		-		(78)
Others	(32)		-		-		-		(32)
Tax credit at the Group's effective rate	(191)	(2.6)	-	0.0	-	0.0	-	0.0	(191)

## 11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2018 S\$'000	2017 S\$'000
<b>Earnings</b>		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	1,081	6,630
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,979,452,055	734,591,427

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 12. DIVIDENDS

A final dividend of S\$4,000,000, representing 0.2 Singapore cents per ordinary share, in respect of the financial year ended 31 December 2017 was approved by the shareholders at the annual general meeting of the Company on 24 May 2018.

On 30 November 2018, an interim dividend of S\$1,000,000, representing 0.05 Singapore cents per ordinary share, in respect of the financial year ended 31 December 2018 was paid to the Shareholders of the Company. No final dividend was paid or proposed by the Company for the financial year ended 31 December 2018.

Total dividends of S\$5,000,000 have been paid during the current year.

In 2017, an interim dividend of S\$1,500,000, representing 0.15 Singapore cent per ordinary share, in respect of the financial year ended 31 December 2017 was paid to the shareholder of the Company.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Computers S\$'000	Office equipment S\$'000	Furniture and fittings S\$'000	Renovation S\$'000	Motor Vehicle S\$'000	Total S\$'000
<b>Group Cost:</b>						
At 1 January 2017	247	34	19	159	–	459
Additions	63	2	13	2	–	80
Exchange differences	–	–	(1)	(1)	–	(2)
At 31 December 2017 and 1 January 2018	310	36	31	160	–	537
Additions	6	52	101	225	215	599
At 31 December 2018	316	88	132	385	215	1,136
<b>Accumulated depreciation:</b>						
At 1 January 2017	181	11	6	17	–	215
Charge for the year	67	12	7	53	–	139
At 31 December 2017 and 1 January 2018	248	23	13	70	–	354
Charge for the year	40	21	27	91	4	183
At 31 December 2018	288	44	40	161	4	537
<b>Net carrying amount:</b>						
At 31 December 2017	62	13	18	90	–	183
At 31 December 2018	28	44	92	224	211	599

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

During the year, the Group acquired a motor vehicle with cost of approximately S\$75,000 (2017: S\$Nil) by means of a finance lease. The motor vehicle asset is pledged as security for the related finance lease liabilities. The carrying amount of motor vehicles held under finance leases at the end of the reporting period was S\$71,000 (2017: S\$Nil).

	Computers S\$'000	Office equipment S\$'000	Furniture and fittings S\$'000	Renovation S\$'000	Total S\$'000
<b>Company</b>					
<b>Cost:</b>					
At 31 December 2017 and 1 January 2018	–	–	–	–	–
Additions	4	52	101	225	382
At 31 December 2018	4	52	101	225	382
<b>Accumulated depreciation:</b>					
At 31 December 2017 and 1 January 2018	–	–	–	–	–
Charge for the year	1	10	17	38	66
At 31 December 2018	1	10	17	38	66
<b>Net carrying amount:</b>					
At 31 December 2017	–	–	–	–	–
At 31 December 2018	3	42	84	187	316

## 14. INVESTMENT IN EQUITY SECURITIES

	2018 S\$'000	Group 2017 S\$'000
At fair value through other comprehensive income		
Unlisted equity shares, at fair value	1,739	3,367
Contractual rights over unlisted equity shares, at fair value	1,685	1,609
	<b>3,424</b>	<b>4,976</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN EQUITY SECURITIES (cont'd)

The fair value of each of the investments in equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	<b>2017</b>
		<b>S\$'000</b>
At fair value through other comprehensive income		
Unlisted equity shares, at fair value		
ZACD (Sennett) Pte. Ltd.	4	45
ZACD (Punggol Drive) Pte. Ltd.	10	28
ZACD (KB2) Pte. Ltd.	–	3
ZACD (Woodlands) Pte. Ltd.	709	645
ZACD (Sengkang) Pte. Ltd.	2	33
ZACD (Kaki Bukit) Pte. Ltd.	2	20
ZACD (Punggol Central) Pte. Ltd.	26	79
ZACD (Punggol Field) Pte. Ltd.	52	247
ZACD (Woodlands2) Pte. Ltd.	33	253
ZACD (Pasir Ris) Pte. Ltd.	436	768
ZACD (Woodlands3) Pte. Ltd.	18	504
ZACD (Anchorvale) Pte. Ltd.	18	506
ZACD (AMK) Pte. Ltd.	429	236
	<b>1,739</b>	<b>3,367</b>
Contractual rights over unlisted equity shares, at fair value		
ZACD (Woodlands12) Pte. Ltd.	384	389
ZACD (Frontier) Pte. Ltd.	198	181
ZACD (Canberra) Pte. Ltd.	214	140
ZACD (Neew) Pte. Ltd.	294	297
ZACD (CCK) Pte. Ltd.	310	313
ZACD (Jurong) Pte. Ltd.	240	123
ZACD (Tuas Bay) Pte. Ltd.	45	166
	<b>1,685</b>	<b>1,609</b>
	<b>3,424</b>	<b>4,976</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN EQUITY SECURITIES (cont'd)

During the year ended 31 December 2018, the fair value change in respect of the Group's investment in equity securities recognised in other comprehensive income amounted to a loss of S\$1,522,000 (2017: S\$11,760,000). Fair value changes on investment in equity securities reclassified from other comprehensive income to profit or loss amounted to a cumulative gain of S\$Nil (2017: S\$259,000).

The above financial assets were designated as investment in equity securities and have no fixed maturity date or coupon rate.

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

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

The Group receives dividend distributions from the Investment SPVs through the Establishment Shares it has received from the investors and as and when declared by the Investment SPVs. Such dividend distributions are included in the other income (Note 5).

As at 31 December 2018, the Group held approximately between 9% and 18% equity shares in each of 13 SPVs (2017: between 10% and 17% equity shares in each of 9 SPVs). In addition, the Group also had contractual rights over the Establishment Shares to be awarded by the investors in 10 (2017: 10) Investment SPVs, which upon conversion, represent no more than 19% (2017: 19%) in the enlarged share capital of the respective Investment SPVs as at 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 14. INVESTMENT IN EQUITY SECURITIES (cont'd)

The Group entered into certain business transfer agreements dated 7 November 2017 (collectively the “**Business Transfer Agreements**”) with an independent third party (the “**Project Management Co**”). Pursuant to the Business Transfer Agreements, the Group agreed to sell, assign and transfer the business of provision of investment management services for six Investment SPVs to the Project Management Co. The consideration will be satisfied by (i) a fixed payment in an aggregate amount of S\$100,000 upon completion and (ii) contingent payments equivalent to 90% of all dividends or other distributions of any kind to be paid by the relevant Investment SPVs in respect of the Establishment Shares which have been, or which will be, issued to or transferred to the Project Management Co within 5 business days upon receipt. Pursuant to the Business Transfer Agreements, the Company shall transfer or procure the issuance of the Establishment Shares to the Project Management Co upon the conversion of the respective convertible loans held by the respective investors of the six Investment SPVs as and when the underlying real estate development project is substantially completed. The transactions were completed in November 2017 and the Group derecognised investment in equity securities relating to the six Investment SPVs which amounted to S\$259,000.

## 15. TRADE RECEIVABLES

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	2017
		S\$'000
Trade receivables	<b>4,160</b>	6,416

The Group’s trading terms with its customers are mainly on credit settlement. The credit period is generally 30 days. The Group’s dividend receivables are not governed by any credit terms.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	2017
		S\$'000
Within 1 month	<b>2,183</b>	878
1 to 2 months	<b>413</b>	321
2 to 3 months	<b>112</b>	284
Over 3 months	<b>985</b>	1,861
	<b>3,693</b>	3,344

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. TRADE RECEIVABLES (cont'd)

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

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	2017
		S\$'000
Dividend receivables	<b>467</b>	3,072
Neither past due nor impaired	<b>2,183</b>	1,071
Less than 1 month past due	<b>413</b>	128
1 to 3 months past due	<b>1,097</b>	2,145
	<b>4,160</b>	6,416

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

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

As at 31 December 2017 and 2018, the Group had the following trade receivables from related parties which are repayable on credit terms similar to those offered to major customers of the Group.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 15. TRADE RECEIVABLES (cont'd)

	<b>Group</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
Related parties*	<b>2,222</b>	4,380

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

	<b>December</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
BH-ZACD (Woodlands) Development Pte. Ltd.	<b>8</b>	61
BH-ZACD (Tuas Bay) Development Pte. Ltd.	<b>415</b>	356
Landmark JV Pte. Ltd.	<b>535</b>	–
Publique Realty (Pasir Ris) Pte. Ltd.	<b>93</b>	133
SLP International Property Consultants Pte. Ltd.	<b>9</b>	5
Publique Realty (Jurong) Pte. Ltd.	<b>40</b>	80
Wee Hur (Punggol Central) Pte. Ltd.	<b>–</b>	89
ZACD (AMK) Pte. Ltd.	<b>134</b>	3,072
ZACD (Shunfu2) Ltd.	<b>66</b>	584
ZACD (Kaki Bukit) Pte. Ltd.	<b>32</b>	–
ZACD (KB2) Pte. Ltd.	<b>76</b>	–
ZACD (Punggol Field) Pte Ltd.	<b>68</b>	–
ZACD (Development2) Ltd.	<b>510</b>	–
ZACD (Anchorvale) Pte. Ltd.	<b>76</b>	–
ZACD (Woodlands3) Pte. Ltd.	<b>81</b>	–
ZACD Investments (ARO II) Limited	<b>79</b>	–
	<b>2,222</b>	4,380

Relationships of the above related companies with the Company or the Group are set out in Note 26 to the financial statements.

## 16. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
Unlisted shares, at cost	<b>15,515</b>	14,015

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INVESTMENTS IN SUBSIDIARIES (cont'd)

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Singapore, have substantially similar characteristics to a private company incorporated in Singapore), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2018	2017	
<i>Held by the Company:</i>					
ZACD International Pte. Ltd. <sup>1</sup>	Singapore 28 January 2011	S\$1,500,000	100%	100%	Investment management and project consultancy and management services
ZACD Capital Pte. Ltd. <sup>1</sup>	Singapore 25 October 2011	S\$3,580,000	100%	100%	Fund management services
ZACD Financial Group Limited <sup>2</sup>	Hong Kong 7 October 2015	HKD8,000,000	100%	100%	Financial advisory services
ZACD Group Holdings Limited <sup>2</sup>	Hong Kong 7 October 2015	HKD10,000	100%	100%	Investment management services
ZACD POSH Pte. Ltd. <sup>1</sup>	Singapore 17 November 2016	S\$10,000	100%	100%	Property management and tenancy management services
ZACD (Australia) Pty Ltd <sup>3</sup>	Australia 23 November 2016	AUD2	100%	100%	Business consulting services
ZACD Fund Holdings Pte. Ltd. <sup>5</sup>	Singapore 15 March 2017	S\$2	100%	100%	Fund holding
<i>Held through ZACD International Pte. Ltd.:</i>					
獅展商務諮詢(上海)有限公司 <sup>3/4</sup> (ZACD (China) Co., Ltd. *)	People's Republic of China ("PRC") 13 July 2016	RMB1,000,000	100%	100%	Business consultancy services

\* For identification purpose only.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 16. INVESTMENTS IN SUBSIDIARIES (cont'd)

- <sup>1</sup> The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared under Singapore Financial Reporting Standards were audited by Ernst & Young LLP, Singapore.
- <sup>2</sup> The statutory financial statements of these entities for the years ended 31 December 2017 and 2018 prepared under Hong Kong Financial Reporting Standards were audited by Ernst & Young, Hong Kong.
- <sup>3</sup> No statutory financial statements have been prepared for these entities since their incorporation.
- <sup>4</sup> 獅展商務諮詢(上海)有限公司 is registered as a wholly-foreign owned enterprise under the laws of the PRC. As at the year ended 31 December 2018, the paid up capital of this entity amounted to RMB290,900.
- <sup>5</sup> The statutory financial statements of this entity for the period from 15 March 2017 (date of incorporation) to 31 December 2017 and for the year ended 31 December 2018 prepared under Singapore Financial Reporting Standards were audited by Ernst & Young LLP, Singapore.

On 18 December 2018, the Company has additional investment S\$1,499,998 in ZACD International Pte. Ltd for 1,499,998 shares.

As at 31 December 2018, the amounts due from subsidiaries of S\$6,139,000 (2017: S\$2,413,000), included in the current assets of the Company, are unsecured, non-interest bearing and repayable on demand.

As at 31 December 2018, the amounts due to subsidiaries of S\$1,971,000 (2017: S\$1,601,000), included in the current liabilities of the Company, are unsecured, non-interest bearing and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 17. BALANCES WITH A SHAREHOLDER AND RELATED PARTIES

The balances with a shareholder and related parties are unsecured, non-interest bearing and repayable on demand.

Particulars of the amounts due from the related parties of the Group and Company are as follows:

### Group

31 December 2018

	31 December 2018 S\$'000	1 January 2018 S\$'000
<b>Due from a shareholder</b>		
ZACD Investments Pte. Ltd.	89	–
<b>Due from related parties</b>		
ZACD (Neew) Pte. Ltd.	6	6
SLP International Property Consultants Pte. Ltd.	144	100
ZACD (Woodlands) Pte. Ltd.	–	10
ZACD Investments (ARO II) Limited	1	4,000
ZACD (Tohtuck) Ltd.	18	–
ZACD (Development2) Ltd.	4	–
ZACD (Development3) Ltd.	15	–
ZACD (Development4) Ltd.	14	–
Landmark JV Pte. Ltd.	2	–
Magnificent Vine Group Holdings Pte. Ltd.	137	–
SLP Scotia Pte. Ltd.	1	–
Neew Pte. Ltd.	14	–
ARO II (Australia) Pty Ltd	11	–
ARO II (Murray Street) Pty Ltd	71	–
ARO II (Bay Road) Pty Ltd	34	–
ZACD (BBW6) Ltd.	6	–
ZACD (Shunfu) Ltd.	6	–
ZACD (Shunfu2) Ltd.	32	–
ZACD Income Trust	26	–
	<b>542</b>	<b>4,116</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 17. BALANCES WITH A SHAREHOLDER AND RELATED PARTIES (cont'd)

### Company

31 December 2018

	31 December 2018 S\$'000	1 January 2018 S\$'000
<b>Due from a shareholder</b>		
ZACD Investments Pte. Ltd.	89	–
<b>Due from related parties</b>		
SLP International Property Consultants Pte. Ltd.	58	–
ZACD (Tohtuck) Ltd.	18	–
ZACD (Development2) Ltd.	4	–
ZACD (Development3) Ltd.	15	–
ZACD (Development4) Ltd.	14	–
Landmark JV Pte. Ltd.	2	–
Magnificent Vine Group Holdings Pte. Ltd.	137	–
SLP Scotia Pte. Ltd.	1	–
ZACD (BBW6) Ltd.	6	–
ZACD (Shunfu) Ltd.	6	–
ZACD (Shunfu2) Ltd.	32	–
ZACD Income Trust	26	–
	<b>319</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 17. BALANCES WITH A SHAREHOLDER AND RELATED PARTIES (cont'd)

### Group

31 December 2017

	31 December 2017 S\$'000	1 January 2017 S\$'000
<b>Due from related parties</b>		
ZACD (Woodlands3) Pte. Ltd.	–	81
ZACD (Neew) Pte. Ltd.	6	6
SLP International Property Consultants Pte. Ltd.	100	33
SKR Holdings Ltd.	–	20
ZACD (Woodlands) Pte. Ltd.	10	–
ZACD Investments (ARO II) Limited	4,000	–
	4,116	140

As at 31 December 2017, the Company's amounts due from related parties amounted to S\$Nil.

Particulars of the amounts due to a shareholder and related parties of the Group and the Company are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Due to a shareholder</b>				
ZACD Investments Pte. Ltd.	56	553	–	–
<b>Due to related parties</b>				
Magnificent Vine Group Holdings Pte. Ltd.	116	194	–	17
SLP International Property Consultants Pte. Ltd.	124	226	19	89
Creo Adworld Pte. Ltd.	4	–	–	–
Neew Pte. Ltd.	4	–	4	–
	248	420	23	106

Relationships of the above related parties with the Company or the Group are set out in Note 26 to the financial statements.

All the balances with a shareholder and related parties of the Group and the Company are non-trade in nature.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Prepayments	453	104	383	7
Deposits	285	185	98	14
Other receivables	25	248	4	–
Deferred listing expenses	–	1,103	–	1,103
	<b>763</b>	1,640	<b>485</b>	1,124
Less: Amounts classified as current assets	<b>(439)</b>	(1,640)	<b>(168)</b>	(1,124)
Amounts classified as non-current assets	<b>324</b>	–	<b>317</b>	–

None of the above assets is either past due or impaired. Financial assets included in the above balances relate to deposits and receivables for which there was no recent history of default.

## 19. LOANS AND RELATED RECEIVABLES

	Group and Company	
	2018 S\$'000	2017 S\$'000
<b>Current</b>		
Bridging loans funded to:		
ZACD (Development2) Ltd.	6,681	–
ZACD Income Trust	12,360	–
ZACD (Shunfu2) Ltd.	250	–
Interest receivable on loans to:		
ZACD (Development2) Ltd.	226	–
ZACD Income Trust	443	–
ZACD (Shunfu2) Ltd.	8	–
	<b>19,968</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. LOANS AND RELATED RECEIVABLES (cont'd)

### *Bridging loan facility to ZACD (Development2) Ltd.*

On 10 May 2018, the Company entered into a S\$12,000,000 bridging facility agreement (the "**Facility**") with ZACD (Development2) Ltd. (the "**Borrower**"). The Borrower is slated to be the holding entity of a single-purpose closed-ended real estate private equity fund to be set up in connection with a residential redevelopment project located at 173 Chin Swee Road, Singapore 169878 (the "**Subject Property**"). The Company will be the sponsor of the fund by way of indirectly holding the nominal share capital of the Borrower, being the corporate entity of the fund. The fund will be managed by ZACD Capital Pte. Ltd.

The Company has agreed to grant the Facility to the Borrower for drawdown from time to time by the Borrower for purposes of facilitating the Borrower to participate in tenders or sales for the Subject Property and matters related and ancillary thereto. Any drawdown on the Facility is subject to an interest rate of 6% per annum or such other rate as agreed between the parties in writing from time to time 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 actual 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 2018, S\$6,681,000 (2017: Nil) has been drawn down on the Facility by the Borrower which bears interest at 6% (2017: Nil) per annum. The amount is expected to be repaid within 12 months from 31 December 2018.

### *Bridging loan facility to ZACD Income Trust*

On 23 May 2018, the Company entered into a S\$13,000,000 bridging facility agreement (the "**Facility**") with Portcullis Trust (Singapore) Ltd. (the "**Borrower**"), as trustee of ZACD Income Trust which is a fund 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 before the expiry date of the trust term of ZACD Income Trust for the purposes of the investment by ZACD Income Trust into the real estate assets in the Asia-Pacific region and matters related or ancillary thereto subject to and on the terms and conditions of the Facility. ZACD Income Trust has a trust term of 4 years from 2 November 2017 subject to extension of 2 years, which in turn is subject to applicable terms and conditions. Any drawdown on the Facility is subject to an interest rate of 6% per annum or such other rate as agreed between the parties in writing from time to time 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.

As at 31 December 2018, S\$12,360,000 (2017: Nil) has been drawn down on the Facility by the Borrower which bears interest at 6% (2017: Nil) per annum. The amount is expected to be repaid within 12 months from 31 December 2018.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 19. LOANS AND RELATED RECEIVABLES (cont'd)

*Bridging loan facility to ZACD (Shunfu2) Ltd.*

On 19 June 2018, the Company agreed to grant to ZACD (Shunfu2) Ltd. (the **"Borrower"**) (collectively, the **"Parties"**), an unsecured bridging facility of S\$400,000. This loan bears 6% interest per annum or such other rate as agreed between the Parties in writing from time to time taking into account the then prevailing market rate of similar facilities arrangement. It is repayable at any such date mutually agreed by the Parties in writing but shall not be later than the expiry date of the term of the underlying fund.

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 for land parcels and/or real estate assets. The Company may, at its sole and absolute discretion, reject any drawdown request by the Borrower.

As at 31 December 2018, S\$250,000 (2017: Nil) has been drawn down on the Facility by the Borrower which bears interest at 6% (2017: Nil) per annum. The amount is expected to be repaid within 12 months from 31 December 2018.

## 20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Cash and bank balances	<b>7,708</b>	2,615	<b>859</b>	99

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

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

	Group		Company	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Hongkong dollar (HKD)	<b>452</b>	–	<b>452</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 21. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Trade payables	24	94	–	–
Other payables	611	235	92	20
Accruals	890	2,658	224	1,843
Deferred revenue	547	760	–	–
	<b>2,072</b>	3,747	<b>316</b>	1,863
Less: amounts classified as current liabilities	<b>(1,847)</b>	(3,304)	<b>(316)</b>	(1,863)
Amounts classified as non-current liabilities	<b>225</b>	443	–	–

An aged analysis of the Group's trade payables as at 31 December 2017 and 2018, based on the invoice date, is as follows:

	Group	
	2018 S\$'000	2017 S\$'000
Within 1 month	14	94
More than 1 month	10	–
	<b>24</b>	94

Included in the Group's trade payables as at 31 December 2017 is an amount due to Neew Pte. Ltd., a subsidiary of a company controlled by the Controlling Shareholders who are also the directors of the Company, which amounted to S\$78,000.

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

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

Deferred revenue relates to investment management fees received in advance by the Group for which related services were not yet rendered as at the end of the respective reporting period. As at 31 December 2018, investment management fees received in advance of S\$181,000 (2017: S\$443,000), were classified under non-current liabilities because the related services were expected to be rendered after one year from the end of the respective reporting period.

Included in current and non-current trade payables, other payables and accruals are hire purchase payables relating to finance lease of a motor vehicle (Note 13) which amounted to S\$10,000 and S\$44,000 (2017: S\$Nil and S\$Nil) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 22. DEFERRED TAX ASSETS

The movements in deferred tax assets during the current year are as follows:

	<b>Losses available for offsetting against future taxable profits</b>
	S\$'000
Gross deferred tax assets at 31 December 2016 and 1 January 2017	151
Deferred tax credited to the consolidated statement of profit or loss during the year (Note 10)	113
Gross deferred tax assets at 31 December 2017 and 1 January 2018	264
Deferred tax debited to the consolidated statement of profit or loss during the year (Note 10)	(30)
Gross deferred tax assets at 31 December 2018	234

The Group has recognised tax losses arising in Singapore and Hong Kong of S\$1,889,000 and S\$796,000 (2017: S\$Nil and S\$2,314,000) as at 31 December 2018 respectively. The tax losses arising in Singapore, subject to the agreement by the Inland Revenue Authority of Singapore, are available for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group. They have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or evidence of recoverability in the near future. If the Group were able to recognise all recognised deferred tax assets, the profit for the year ended 31 December 2018 would increase by S\$452,000 (2017: S\$382,000).

There are no income tax consequences in relation to the payment of dividends by the Company to its shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. SHARE CAPITAL

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	2017
		S\$'000
Issued and paid up capital:		
2,000,000,000 ordinary shares on 31 December 2018 (2017:		
1,500,000,000 shares)	<b>29,866</b>	4,718

A summary of movements in the Group's issued share capital during the period from 8 November 2016 (date of incorporation) to 31 December 2018 is as follows:

	Notes	<b>Number of</b>	<b>Nominal</b>
		<b>ordinary shares</b>	<b>value of</b>
			<b>ordinary shares</b>
			S\$'000
<b>Issued and fully paid:</b>			
Upon incorporation on 8 November 2016 and as at			
31 December 2016 and 1 January 2017	(a)	1	–
Issue of shares	(b)	13,704,641	13,705
Acquisition of subsidiaries in the Reorganisation	(b)	–	(8,987)
Issue of shares as a result of share split	(c)	986,295,358	–
Issue of shares as a result of further share split	(d)	500,000,000	–
As at 31 December 2017 and 1 January 2018		1,500,000,000	4,718
Issue of shares pursuant to initial public offering	(e)	500,000,000	27,040
Less: Payments in relation to initial public offering	(e)	–	(1,892)
expenses			
As at 31 December 2018		2,000,000,000	29,866

(a) The Company was incorporated in Singapore as an exempt company with limited liability on 8 November 2016. On the same date, 1 ordinary share of the Company was allotted and issued to a shareholder at S\$1.

(b) On 28 February 2017 and 31 March 2017, the Company allotted and issued an aggregate 13,704,641 ordinary shares (the "**Allotted Shares**") to a shareholder to acquire four subsidiaries (the "**Acquired Subsidiaries**") from a shareholder for an aggregate consideration of approximately S\$13,705,000 in connection with the Reorganisation. In the opinion of the directors, since the Acquired Subsidiaries were under the common control of the Controlling Shareholders before and after the Reorganisation, the value of the Allotted Shares should equal to the cost of investment of a shareholder with respect to the Acquired Subsidiaries which amounted to approximately S\$4,718,000. Consequently, share capital at Group level and Company level differs by approximately S\$8,987,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 23. SHARE CAPITAL (cont'd)

- (c) On 18 April 2017, a shareholder of the Company resolved that the 13,704,642 ordinary shares in the capital of the Company be split into 1,000,000,000 ordinary shares in the capital of the Company (the "**Share Split**"). Upon completion of the Share Split, the Company had a total of 1,000,000,000 issued ordinary shares, all of which were directly held by a shareholder and the amount of issued share capital and paid-up share capital was S\$13,704,642.

In the opinion of the directors, since the Share Split did not involve any economic inflow to the Company which would result in a change of the value of the Allotted Shares, the carrying value of the Company's share capital in the statement of financial position remains unchanged and is stated at S\$4,718,000.

- (d) On 13 December 2017, a shareholder of the Company resolved that the 1,000,000,000 ordinary shares in the capital of the Company be split into 1,500,000,000 ordinary shares in the capital of the Company. Upon completion, the Company had a total of 1,500,000,000 issued ordinary shares, all of which were directly held by a shareholder, and the amount of issued share capital and paid-up share capital was S\$13,704,642. The carrying amount of the share capital remains unchanged and is stated at S\$4,718,000.
- (e) On 16 January 2018, the Company's shares were listed on GEM of the Stock Exchange of Hong Kong Limited. Upon listing, the Company issued an additional 500,000,000 ordinary shares. The amount of proceeds received from the public offering was S\$27,040,000 and the Company capitalised share issuance costs of S\$1,892,000.

## 24. RESERVES

The amounts of the Group's reserves and the movements therein during each of the reporting periods for the year ended 31 December 2017 and 2018 are presented in the consolidated statement of changes in equity.

### **Merger reserve**

The merger reserve represents reserve arising from the Reorganisation.

### **Capital reserve**

The capital reserve represents the waiver of an amount due to a shareholder of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those from which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	At beginning of reporting period	Financing cash flows	Capitalisation of loans	Non-cash changes		At end of reporting period
				Offsetting with trade receivables	Effect of changes in foreign exchange rates	
<b>Year ended 31 December 2018</b>						
Amount due to a shareholder	553	(497)	–	–	–	56
Amounts due to related companies	226	(94)	–	–	–	132
<b>Year ended 31 December 2017</b>						
Amount due to a shareholder	1,132	(579)	–	–	–	553
Amounts due to related companies	184	42	–	–	–	226

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS

Name of related companies	Relationship with the Company or the Group
<b>Investment SPVs:</b>	
ZACD (Kaki Bukit) Pte. Ltd.	ZACD (Kaki Bukit) Pte. Ltd. is a 26.8%-owned associate of a shareholder.
ZACD (Punggol Central) Pte. Ltd.	ZACD (Punggol Central) Pte. Ltd. was a 41.4%-owned associate of a shareholder. On 30 November 2018, it became 17.3%-owned by the Group.
ZACD (Punggol Drive) Pte. Ltd.	ZACD (Punggol Drive) Pte. Ltd. is a 23.3%-owned associate of a shareholder.
ZACD (Sennett) Pte. Ltd.	ZACD (Sennett) Pte. Ltd. is a 35.3%-owned associate of a shareholder.
ZACD (Woodlands) Pte. Ltd.	ZACD (Woodlands) Pte. Ltd. is a 29.5%-owned associate of a shareholder.
ZACD (Woodlands2) Pte. Ltd.	ZACD (Woodlands2) Pte. Ltd. is a 37.5%-owned associate of a shareholder.
ZACD (KB2) Pte. Ltd.	ZACD (KB2) Pte. Ltd. is a 23.5%-owned associate of a shareholder.
ZACD (Woodlands3) Pte. Ltd.	ZACD (Woodlands3) Pte. Ltd. was a wholly-owned subsidiary of a shareholder. On 26 July 2017, it became 19.0%-owned by a shareholder.
ZACD (Neew) Pte. Ltd.	ZACD (Neew) Pte. Ltd. is a wholly-owned subsidiary of a shareholder.
ZACD (Sengkang) Pte. Ltd.	ZACD (Sengkang) Pte. Ltd. is 19.1%-owned by a shareholder.
ZACD (Punggol Field) Pte. Ltd.	ZACD (Punggol Field) Pte. Ltd. is a 27.1%-owned associate of a shareholder.
ZACD (Pasir Ris) Pte. Ltd.	ZACD (Pasir Ris) Pte. Ltd. was a wholly-owned subsidiary of a shareholder. On 3 October 2017, it became a 22.4%-owned associate of a shareholder.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS (cont'd)

Name of related companies	Relationship with the Company or the Group
ZACD (Anchorvale) Pte. Ltd.	ZACD (Anchorvale) Pte. Ltd. was a wholly-owned subsidiary of a shareholder. On 3 October 2017, it became 16.0%-owned by a shareholder.
ZACD (AMK) Pte. Ltd.	ZACD (AMK) Pte. Ltd. was a wholly-owned subsidiary of a shareholder. On 20 October 2017, it became a 41.5%-owned associate of a shareholder. Upon transfer of certain equity interests on 30 November 2018, it is 14.95%-owned by the Group.
<b>Development SPVs:</b>	
BH-ZACD (Woodlands) Development Pte. Ltd.	BH-ZACD (Woodlands) Development Pte. Ltd. is a 20.6%-owned associate of a shareholder.
BH-ZACD (Tuas Bay) Development Pte. Ltd.	BH-ZACD (Tuas Bay) Development Pte. Ltd. is a 40%-owned associate of a shareholder.
Publique Realty (Jurong) Pte. Ltd.	Publique Realty (Jurong) Pte. Ltd. is a 45%-owned associate of a shareholder.
Publique Realty Pte. Ltd.	One of the Controlling Shareholders is as a key management personnel of Publique Realty Pte. Ltd.
Wee Hur (Woodlands12) Pte. Ltd.	Wee Hur (Woodlands12) Pte. Ltd. is a 25%-owned associate of a shareholder.
Wee Hur (Punggol Central) Pte. Ltd.	One of the Controlling Shareholders is as a key management personnel of Wee Hur (Punggol Central) Pte. Ltd.
Publique Realty (Pasir Ris) Pte. Ltd.	One of the Controlling Shareholders is a key management personnel of Publique Realty (Pasir Ris) Pte. Ltd.
Landmark JV Pte. Ltd.	One of the key management personnel of the Group is a key management personnel of Landmark JV Pte. Ltd.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS (cont'd)

Name of related companies	Relationship with the Company or the Group
<b>Private real estate funds managed by the Group:</b>	
ZACD (BBW6) Ltd. (" <b>BBW6</b> ")	BBW6 is managed by the Group and the Controlling Shareholders are key management personnel of BBW6. A shareholder transferred the ordinary shares of BBW6 to the Group on 18 April 2017.
ZACD Investments (ARO II) Limited (" <b>ARO II</b> ")	ARO II is managed by the Group. One of the key management personnel of the Group is a key management personnel of ARO II.
ZACD (Shunfu) Ltd. (" <b>Shunfu</b> ")	Shunfu is managed by the Group and one of the Controlling Shareholders is a key management personnel of Shunfu. A shareholder transferred the ordinary shares of Shunfu to the Group on 30 April 2017.
ZACD (Shunfu2) Ltd. (" <b>Shunfu2</b> ")	Shunfu2 is managed by the Group and one of the Controlling Shareholders is a key management personnel of Shunfu2.
ZACD (Development2) Ltd. (" <b>Development2</b> ")	Development2 is managed by the Group. One of the key management personnel of the Group is a key management personnel of Development2.
<b>Common control of the Controlling Shareholders:</b>	
Magnificent Vine Group Holdings Pte. Ltd. (" <b>Magnificent Vine Group</b> ")	Magnificent Vine Group is controlled by the Controlling Shareholders who are also the directors of the Company.
Neew Pte. Ltd.	Neew Pte. Ltd. is controlled by the Controlling Shareholders who are also the directors of the Company.
SLP International Property Consultants Pte. Ltd. (" <b>SLP International</b> ")	SLP International is controlled by the Controlling Shareholders who are also the directors of the Company
SLP Scotia Pte. Ltd.	SLP Scotia Pte. Ltd. is a wholly-owned subsidiary of SLP international.
Creo Adworld Pte. Ltd.	Creo Adworld Pte. Ltd. is a wholly-owned subsidiary of Magnificent Vine Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS (cont'd)

- (a) In addition to the transactions and balances detailed elsewhere in this report, the Group had the following material transactions with related parties during the years ended 31 December 2017 and 2018:

	Notes	2018 S\$'000	Group 2017 S\$'000
Investment management – SPV management fees: A shareholder	(i)	–	126
Investment management – dividend income:	(ii)		
ZACD (Punggol Central) Pte. Ltd.		214	848
ZACD (Punggol Drive) Pte. Ltd.		22	–
ZACD (Kaki Bukit) Pte. Ltd.		50	–
ZACD (KB2) Pte. Ltd.		32	–
ZACD (Sennett) Pte. Ltd.		46	–
ZACD (Sengkang) Pte. Ltd.		41	–
ZACD (Woodlands) Pte. Ltd.		31	511
ZACD (Woodlands2) Pte. Ltd.		46	807
ZACD (Woodlands3) Pte. Ltd.		535	–
ZACD (AMK) Pte. Ltd.		889	5,502
ZACD (Punggol Field) Pte. Ltd.		239	2,935
ZACD (Anchorvale) Pte. Ltd.		751	–
ZACD (Pasir Ris) Pte. Ltd.		986	–
		<b>3,882</b>	10,603
Investment management – fund management fees:	(iii)		
BBW6		120	125
ARO II		238	243
Shunfu		45	484
Shunfu2		56	441
Development2		513	–
		<b>972</b>	1,293
Project consultancy and management fees:	(iv)		
BH-ZACD (Tuas Bay) Development Pte. Ltd.		–	193
BH-ZACD (Woodlands) Development Pte. Ltd.		–	16
Wee Hur (Punggol Central) Pte. Ltd.		80	320
Landmark JV Pte. Ltd.		500	–
		<b>580</b>	529

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS (cont'd)

	Notes	2018 S\$'000	Group 2017 S\$'000
Property management and tenancy management fees:			
BH-ZACD (Woodlands) Development Pte. Ltd.	(v)	–	197
BH-ZACD (Tuas Bay) Development Pte. Ltd.		163	129
Publique Realty (Jurong) Pte. Ltd.		222	222
Publique Realty (Pasir Ris) Pte. Ltd.		11	167
Wee Hur (Punggol Central) Pte. Ltd.		–	84
SLP International		–	2
Kurnia Rezeki Utama Sdn. Bhd.		39	32
		<b>435</b>	833
Financial advisory fees:			
SLP International	(vi)	–	46
Corporate services expense:			
Magnificent Vine Group	(vii)	17	121
Repair and maintenance services expense:			
Neew Pte. Ltd.	(viii)	590	553
Rental expenses:			
A shareholder	(ix)	194	194
SLP International		79	161
		<b>883</b>	355

### Notes:

- (i) The SPV management fee income was related to investment management services provided to a shareholder and was charged based on 2% per annum of dollar value of a shareholder's investments in the Investment SPVs managed by the Group.
- (ii) The dividend income was derived from the Establishment Shares of the Investment SPVs when the Group's right to receive payment is established. In the opinion of the directors, the Group charged a shareholder a higher percentage of the Establishment Shares compared with other investors as the Group granted a shareholder a priority right to participate in real estate projects. Further details were set out in Note 14 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 26. RELATED PARTY TRANSACTIONS (cont'd)

- (iii) The fund management income included fund establishment fee and fund management fees and was related to the fund management services rendered by the Group. The fees were determined at terms stipulated in the respective service contracts.
- (iv) The project consultancy and management fee income was related to project consultancy and management services rendered by the Group to these related parties who are real estate developers. The fees were determined at terms stipulated in the respective service contracts.
- (v) The property management and tenancy management fee income was related to property management and tenancy management services provided in relation to the properties managed by the Group and was determined at terms stipulated in the respective service contracts.
- (vi) The financial advisory fee income was related to corporate finance advisory services provided and was charged at terms mutually agreed between the relevant parties.
- (vii) The corporate services expense was related to corporate and business support services rendered by the related party and was charged at terms mutually agreed between the relevant parties.
- (viii) The repair and maintenance services expense was related to building maintenance works rendered by the related party and was charged at terms mutually agreed between the relevant parties.
- (ix) The rental expenses were related to office space leased from a shareholder and a related party. The rental expense was determined at monthly rentals of S\$16,200 to S\$19,800.

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

- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 8 to the financial statements, is as follows:

	<b>Group</b>	
	<b>2018</b>	2017
	<b>S\$'000</b>	S\$'000
Short term employee benefits	<b>776</b>	839
Post-employment benefits	<b>29</b>	44
<b>Total compensation paid to key management personnel</b>	<b>805</b>	883

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 27. COMMITMENTS

### Operating lease commitments – Group as lessee

The Group has entered into operating leases for its office properties, with lease terms between one and three years. The Group has an option, under one of its leases, to lease an office property for an additional term of one year. Future minimum rentals payable under non-cancellable operating leases, are as follows:

	Group	
	2018 S\$'000	2017 S\$'000
Within 1 year	563	461
After 1 year but not more than 5 years	569	194
	<b>1,132</b>	655

### Finance lease commitments – Group as lessee

The Group has entered into a finance lease for a motor vehicle (Note 13). Future minimum lease payments under the finance lease together with the present value of the net minimum lease payments are as follows:

	Group			
	2018		2017	
	Minimum lease payments S\$'000	Present value of payments S\$'000	Minimum lease payments S\$'000	Present value of payments S\$'000
Within 1 year	11	10	–	–
After 1 year but not more than 5 years	45	44	–	–
Total minimum lease payments	56	54	–	–
Less: Amounts representing finance charges	(2)	–	–	–
Present value of minimum lease payments	54	54	–	–

At the end of each of the years, the Group had no other significant commitments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 28. CONTINGENT LIABILITIES

On 6 June 2018, the Company entered into a deed to provide a guarantee in the aggregate of the principal amount of S\$38,015,040 and any interest, commission, fees and expenses accrued thereon, to secure loan facilities in relation to a mixed-use development project located at Bukit Batok West Avenue 6, Singapore (the "**BBW6 Development**"). This amount represents 12% of the total liabilities of the underlying Development SPVs under a facility agreement in proportion of the shareholding of ZACD (BBW6) Ltd.'s (the "**BBW6 Fund**") in the underlying Development SPVs.

In terms of the above, the Company, acting as the sponsor of the BBW6 Fund by way of indirectly holding the nominal share capital of the corporate entity of the BBW6 Fund, is required by the security agent to provide the guarantee for the loan facilities which will be applied towards the payments of the purchase price, development premium, construction cost and related development costs of the BBW6 Development. BBW6 Fund is managed by ZACD Capital Pte. Ltd. which acts as its fund manager.

The Group is also required under its operating lease commitments (Note 27) to immediately prior to the expiration or early termination of the office lease and upon receipt of the landlord's written notice, to carry out reinstatement works on the premise in accordance with the landlord's specific instructions at its own cost and expense, and to the satisfaction of the landlord.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2017 and 2018 are as follows:

### 31 December 2018

#### *Group – financial assets*

	Fair value through other comprehensive income S\$'000	Financial asset at fair value through profit or loss S\$'000	Financial assets at amortised cost S\$'000	Total S\$'000
Investment in equity securities	3,424	–	–	3,424
Trade receivables	–	–	4,160	4,160
Financial assets included in prepayments, deposits and other receivables	–	–	310	310
Amount due from a shareholder	–	–	89	89
Amounts due from related parties	–	–	542	542
Loans and related receivables	–	–	19,968	19,968
Cash and cash equivalents	–	–	7,708	7,708
	3,424	–	32,777	36,201

#### *Group – financial liabilities*

	Financial liabilities at amortised cost S\$'000
Financial liabilities included in trade payables, other payables and accruals	1,525
Amount due to a shareholder	56
Amounts due to related parties	248
	1,829

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

31 December 2018 (cont'd)

### *Company – financial assets*

	Financial assets at mortised cost S\$'000
Deposits	98
Other receivables	4
Amount due from a shareholder	89
Amounts due from related parties	319
Amounts due from subsidiaries	6,139
Loans and related receivables	19,968
Cash and cash equivalents	859
	27,476

### *Company – financial liabilities*

	Financial liabilities at amortised cost S\$'000
Other payables	92
Accruals	224
Amounts due to related parties	23
Amounts due to subsidiaries	1,971
	2,310



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

31 December 2017

### Group – financial assets

	Fair value through other comprehensive income S\$'000	Financial asset at fair value through profit or loss S\$'000	Financial assets at amortised cost S\$'000	Total S\$'000
Investment in equity securities	4,976	–	–	4,976
Trade receivables	–	–	6,416	6,416
Financial assets included in prepayments, deposits and other receivables	–	–	433	433
Amounts due from related parties	–	–	4,116	4,116
Cash and cash equivalents	–	–	2,615	2,615
	4,976	–	13,580	18,556

### Group – financial liabilities

	Financial liabilities at amortised cost S\$'000
Financial liabilities included in trade payables, other payables and accruals	2,987
Amount due to a shareholder	553
Amounts due to related parties	420
	3,960

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 29. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

31 December 2017 (cont'd)

### *Company – financial assets*

	<b>Loans and receivables</b>
	S\$'000
Deposits	14
Amounts due from subsidiaries	2,413
Cash and cash equivalents	99
	2,526

### *Company – financial liabilities*

	<b>Financial liabilities at amortised cost</b>
	S\$'000
Other payables	20
Accruals	1,843
Amounts due to related parties	106
Amounts due to subsidiaries	1,601
	3,570

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Financial assets</b>				
Investment in equity securities	<b>3,424</b>	4,976	<b>3,424</b>	4,976

Management has assessed that the fair values of trade receivables, balances with a shareholder and related parties, cash and cash equivalents, the current portion of financial assets included in prepayments, deposits and other receivables, the current portion of financial liabilities included in trade payables, other payables and accruals, and balances with subsidiaries, included in the Company's statements of financial position, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, the fair values approximate their carrying amounts because the effect of discounting is not material.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of a financial asset at fair value through profit or loss was determined using the discounted cash flow ("DCF") model with reference to the expected return of the structured deposit.

The fair value of the unlisted investment in equity securities has been estimated using a DCF valuation model and is valued under Level 3 of the fair value hierarchy. The valuation requires management to make certain assumptions about the model inputs, including the input base uncertainty as further explained below. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (cont'd)

Below is a summary of significant unobservable inputs to the valuation of unlisted investment in equity securities together with a quantitative sensitivity analysis as at 31 December 2017 and 2018:

31 December 2018	Valuation technique	Significant unobservable input	Range of uncertainty discount	Sensitivity of fair value to the input
Unlisted investment in equity securities	Discounted cash flow method	Input base uncertainty for projected cash flows	68% – 96%	Decrease by 10 percentage points would result in increase in fair value by S\$220,000  Increase by 18 percentage points would result in decrease in fair value by S\$413,000
31 December 2017	Valuation technique	Significant unobservable input	Range of uncertainty discount	Sensitivity of fair value to the input
Unlisted investment in equity securities	Discounted cash flow method	Input base uncertainty for projected cash flows	0% to 78%	Decrease by 10 percentage points would result in increase in fair value by S\$223,000  Increase by 18 percentage points would result in decrease in fair value by S\$417,000

Input base uncertainty for projected cash flows refers to the uncertainty discount that has been applied with respect to cash flow forecasts estimated by management on the payout of dividend from the Development SPV that the Investment SPVs invest in, which is directly related to the sale progress of individual underlying real estate development project as of each reporting date. There were key milestones in the underlying real estate development project which are significant in the determination of the uncertainty discount in the DCF model, including (i) sales units are not largely sold; (ii) sales units are largely sold but has not obtained temporary occupation permit (“TOP”); and (iii) sales units are largely sold and obtained TOP.

The cash flows vary significantly at different stages given the dynamic market conditions and uncertainty over sales progress. The more advanced the sales progress of individual underlying real estate development project, the lower the uncertainty discount applied is in the DCF model, and vice versa. The sensitivity of fair value to the uncertainty discount rate used is reflective of the high degree of variability of cash flows in underlying real estate development projects used in the valuation of the investment in equity securities.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (cont'd)

The fair value changes of the unlisted investment in equity securities was dealt with in investment in equity securities revaluation reserve.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

##### 31 December 2018

	Quoted prices in active markets (Level 1) S\$'000	Fair value measurement using Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
Investment in equity securities	–	–	3,424	3,424

##### 31 December 2017

	Quoted prices in active markets (Level 1) S\$'000	Fair value measurement using Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
Investment in equity securities	–	–	4,976	4,976

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (cont'd)

The movements in fair value measurements within Level 3 during the years ended 31 December 2017 and 2018 are as follows:

	<b>2018</b>	<b>Group</b>
	<b>S\$'000</b>	<b>2017</b>
		<b>S\$'000</b>
Investment in equity securities – unlisted:		
At beginning of reporting period	<b>4,976</b>	16,995
Total losses recognised in other comprehensive income	<b>(1,552)</b>	(11,760)
Total gains reclassified to profit or loss	–	(259)
At end of reporting period	<b>3,424</b>	4,976

The Group did not have any financial liabilities measured at fair value as at 31 December 2017 and 2018.

During the reporting periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as investment in equity securities, trade receivables, financial assets included in prepayments, deposits and other receivables, balances with a shareholder and related parties, and financial liabilities included in trade payables, other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Credit risk

Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise trade receivables, deposits and other receivables, amounts due from a shareholder and related parties, a financial asset at fair value through profit or loss, and cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### Credit risk (cont'd)

At the end of each reporting period, the Group had certain concentrations of credit risk with respect to trade receivables as follows:

	2018	2017
Due from the largest debtor	13%	48%
Due from the five largest debtors	46%	81%

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 15 to the financial statements.

### Liquidity risk

In order to manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's and the Company's financial liabilities as at the end of each reporting period, based on contractual undiscounted payments, was as follows:

#### Group

	On demand/ no fixed terms of repayment S\$'000	Less than 1 year S\$'000	Total S\$'000
<b>31 December 2018</b>			
Financial liabilities included in trade payables, other payables and accruals	–	1,525	1,525
Amount due to a shareholder	56	–	56
Amounts due to related parties	248	–	248
	<b>304</b>	<b>1,525</b>	<b>1,829</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### Liquidity risk (cont'd)

#### Company

	On demand/ no fixed terms of repayment S\$'000	Less than 1 year S\$'000	Total S\$'000
<b>31 December 2018</b>			
Accruals	–	224	224
Other payables	–	92	92
Amounts due to related parties	23	–	23
Amounts due to subsidiaries	1,971	–	1,971
	<b>1,994</b>	<b>316</b>	<b>2,310</b>

#### Group

	On demand/ no fixed terms of repayment S\$'000	Less than 1 year S\$'000	Total S\$'000
<b>31 December 2017</b>			
Financial liabilities included in trade payables, other payables and accruals	–	2,987	2,987
Amount due to a shareholder	553	–	553
Amounts due to related parties	420	–	420
	<b>973</b>	<b>2,987</b>	<b>3,960</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### Liquidity risk (cont'd)

#### Company

	On demand/ no fixed terms of repayment S\$'000	Less than 1 year S\$'000	Total S\$'000
<b>31 December 2017</b>			
Accruals	–	1,843	1,843
Other payables	–	20	20
Amounts due to related parties	106	–	106
Amounts due to subsidiaries	1,601	–	1,601
	1,707	1,863	3,570

#### Foreign currency risk

The Group and the Company hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in HKD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the HKD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	2018 S\$'000 Profit before tax	Group 2017 S\$'000 Profit before tax
(Decrease)/increase		
SGD/HKD	– Strengthened: 4% (2017: Nil) – Weakened: 4% (2017: Nil)	(18) 18

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### *Capital management*

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Certain subsidiaries of the Group are regulated by the Monetary Authority of Singapore (the "MAS") or the Hong Kong Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the MAS or the SFC. The Group has established a legal and compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure the regulated subsidiaries are in compliance with related regulations. The regulated subsidiaries have complied with the related regulations throughout the year or since the date when the licences were granted.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to the shareholder or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

Capital of the Group comprises all components of shareholder's equity.

## 32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 20 March 2019.