

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



Guan Chao Holdings Limited

冠 轆 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1872)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board (“**Board**”) of Directors (the “**Directors**”) of Guan Chao Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

The financial information set out in this preliminary announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2022 but represents an extract from those financial statements. The consolidated financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Year ended 31 December	
		2022 S\$'000	2021 S\$'000
Revenue	3	179,086	246,443
Cost of sales	5	(155,337)	(218,080)
Gross profit		23,749	28,363
Other income		384	580
Other gains/(losses) — net		171	(37)
Selling and distribution expenses	5	(4,517)	(5,849)
General and administrative expenses	5	(11,888)	(8,799)
Impairment of receivables		(84)	(112)
Operating profit		7,815	14,146
Finance income	4	37	52
Finance expenses	4	(2,046)	(1,756)
Finance expenses — net		(2,009)	(1,704)
Profit before income tax		5,806	12,442
Share of profit/(loss) of joint ventures		451	(3)
Share of loss of an associate		(23)	—
Income tax expense	6	(1,210)	(2,453)
Profit and total comprehensive income for the year		5,024	9,986
Profit and total comprehensive income attributable to:			
Equity holders of the Company		5,024	9,986
Non-controlling interest		—	—
		5,024	9,986
Earnings per share for profit attributable to equity holders of the Company for the year (expressed in Singapore cents per share)			
— Basic	8(a)	0.56	1.11
— Diluted	8(b)	0.51	1.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Note	S\$'000	S\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		32,725	21,577
Financial assets at fair value through other comprehensive income		100	—
Deferred income tax assets		373	227
Prepayments	9	33	—
Finance lease receivables		35,575	21,331
Investments in joint ventures		948	497
Investment in an associate		1,977	—
		<u>71,731</u>	<u>43,632</u>
Current assets			
Inventories		46,862	43,480
Trade and other receivables and prepayments	9	24,472	15,230
Cash and bank balances		5,525	6,612
Finance lease receivables		8,370	5,814
		<u>85,229</u>	<u>71,136</u>
Total assets		<u>156,960</u>	<u>114,768</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1,550	1,550
Share premium		11,864	11,864
Capital reserve		3,494	3,494
Share based payment reserve		1,440	1,440
Retained earnings		45,504	40,480
		<u>63,852</u>	<u>58,828</u>
Non-controlling interest		<u>—</u>	<u>20</u>
Total equity		<u>63,852</u>	<u>58,848</u>

		As at 31 December	
	<i>Note</i>	2022	2021
		S\$'000	S\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>11</i>	32,781	24,663
Deferred income tax liabilities		228	132
		<u>33,009</u>	<u>24,795</u>
Current liabilities			
Trade and other payables and provision for warranty	<i>10</i>	15,588	8,822
Borrowings	<i>11</i>	42,356	19,640
Derivative financial instruments		503	—
Income tax liabilities		1,652	2,663
		<u>60,099</u>	<u>31,125</u>
Total liabilities		<u>93,108</u>	<u>55,920</u>
Total equity and liabilities		<u>156,960</u>	<u>114,768</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2017 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

The Company is an investment holding company. The principal activities of the Group are sales of new parallel-import motor vehicles and pre-owned motor vehicles, provision of motor vehicle financing services and motor vehicle insurance agency services, sales of motor vehicle spare parts and accessories and provision of motor vehicle leasing services. The ultimate holding company of the Company is Gatehouse Ventures Limited, a limited company incorporated in the British Virgin Islands on 10 May 2017. The ultimate controlling party of the Group is Mr. Tan Shuay Tarnng Vincent ("**Mr. Vincent Tan**").

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 February 2019.

The consolidated financial statements are presented in thousands of units of Singapore Dollar ("**S\$'000**") unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are to be included in the 2022 annual report. The principal accounting policies applied in the preparation of these consolidated financial statements are set out in the 2022 annual report.

(i) *New and amended standards and interpretations effective in 2022*

The Group has adopted the followings new and amended standards and interpretations for the first time for the accounting period beginning on 1 January 2022:

Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual improvements project	Annual Improvements to IFRS Standards 2018–2020

The adoption of the new and amended IFRSs does not have any material impact on the Group's consolidated financial statements for the current period.

(ii) *New and amended standards and interpretations that are not yet effective and have not been early adopted by the Group*

IFRS 17	Insurance Contracts and the Related Amendments ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current Liabilities with Covenant ²
Amendments to IFRS 16	Lease Liability in Sales and Leaseback ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ Effective date to be determined

The Group is currently assessing the impact of these new or revised standards and interpretations on the Group's financial position and performance.

3. SEGMENT INFORMATION

The Executive Directors of the Company, who are the chief operating decision-maker of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the Executive Directors of the Company that are used to make strategic decisions, which are:

- Sales of motor vehicles and provision of related services;
- Rental income from operating lease of motor vehicles; and
- Sales of spare parts and accessories.

Revenue, which is also the Group's turnover, represents amounts received and receivable from the operation in Singapore. An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	S\$'000	S\$'000
Sale of motor vehicles*	167,178	234,851
Motor vehicles financing related services		
— Finance commission income	2,833	5,340
— Insurance commission income	1,082	718
Sale of spare parts and accessories	56	55
Revenue from contracts with customers under IFRS 15 recognised at point in time	171,149	240,964
Motor vehicles financing related services		
— Interest income from finance lease arrangements	3,035	2,426
Rental income from operating lease of motor vehicles	4,902	3,053
Revenue from operating and finance lease arrangements under IFRS 16	7,937	5,479
	179,086	246,443

* Include direct sales of motor vehicles and sales of motor vehicles under finance lease arrangements.

The Group has revenue related contract liabilities (receipts in advance from customers) as at the end of each year as disclosed in Note 10. Receipts in advance from customers as at the end of each of the year will be recognised as revenue in the next year of sales.

Segment revenue and results

	Sales of motor vehicles and provision of related services <i>S\$'000</i>	Rental income from operating leases of motor vehicles <i>S\$'000</i>	Sales of spare parts and accessories <i>S\$'000</i>	Consolidated <i>S\$'000</i>
For the year ended				
31 December 2022				
Segment revenue				
Total sales	181,856	4,931	56	186,843
Inter-segment sales	(14,678)	(29)	—	(14,707)
External sales	167,178	4,902	56	172,136
Finance commission income	2,833	—	—	2,833
Insurance commission income	1,082	—	—	1,082
Interest income from finance lease arrangement	3,035	—	—	3,035
	<u>174,128</u>	<u>4,902</u>	<u>56</u>	<u>179,086</u>
Segment profit	5,792	1,987	36	7,815
Finance expenses — net				(2,009)
Profit before income tax				5,806
Share of profit of joint ventures				451
Share of loss of an associate				(23)
Income tax expense				(1,210)
Profit for the year				<u>5,024</u>

	Sales of motor vehicles and provision of related services <i>S\$'000</i>	Rental income from operating leases of motor vehicles <i>S\$'000</i>	Sales of spare parts and accessories <i>S\$'000</i>	Consolidated <i>S\$'000</i>
For the year ended				
31 December 2021				
Segment revenue				
Total sales	238,353	3,053	55	241,461
Inter-segment sales	<u>(3,502)</u>	<u>—</u>	<u>—</u>	<u>(3,502)</u>
External sales	234,851	3,053	55	237,959
Finance commission income	5,340	—	—	5,340
Insurance commission income	718	—	—	718
Interest income from finance lease arrangement	<u>2,426</u>	<u>—</u>	<u>—</u>	<u>2,426</u>
	<u><u>243,335</u></u>	<u><u>3,053</u></u>	<u><u>55</u></u>	<u><u>246,443</u></u>
Segment profit	13,117	981	48	14,146
Finance expenses — net				<u>(1,704)</u>
Profit before income tax				12,442
Share of loss of joint ventures				(3)
Income tax expense				<u>(2,453)</u>
Profit for the year				<u><u>9,986</u></u>

Inter-segment transactions are conducted at terms mutually agreed among group companies.

Segment assets and liabilities

	Sales of motor vehicles and provision of related services <i>S\$'000</i>	Rental income from operating leases of motor vehicles <i>S\$'000</i>	Sales of spare parts and accessories <i>S\$'000</i>	Unallocated <i>S\$'000</i>	Consolidated <i>S\$'000</i>
As at 31 December 2022					
Segment assets	<u>127,591</u>	<u>28,682</u>	<u>—</u>	<u>687</u>	<u>156,960</u>
Segment liabilities	<u>70,760</u>	<u>20,280</u>	<u>—</u>	<u>2,068</u>	<u>93,108</u>
Capital expenditure	<u>1,388</u>	<u>19,362</u>	<u>—</u>	<u>—</u>	<u>20,750</u>
As at 31 December 2021					
Segment assets	<u>98,819</u>	<u>15,645</u>	<u>—</u>	<u>304</u>	<u>114,768</u>
Segment liabilities	<u>44,495</u>	<u>8,463</u>	<u>—</u>	<u>2,962</u>	<u>55,920</u>
Capital expenditure	<u>725</u>	<u>4,669</u>	<u>—</u>	<u>—</u>	<u>5,394</u>

Unallocated segment assets represent deferred income tax assets and other corporate assets. Unallocated segment liabilities represent income tax liabilities and other corporate liabilities. Capital expenditure comprises additions to property, plant and equipment.

4. FINANCE EXPENSES — NET

	Year ended 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Finance income		
Interest income on late payment (<i>Note</i>)	<u>37</u>	<u>52</u>
Finance expenses		
Interest expenses on bank loans	(305)	(329)
Interest expenses on block discounting financing	(1,180)	(939)
Interest expenses on lease liabilities	(117)	(256)
Interest expenses on hire purchase liabilities	<u>(444)</u>	<u>(232)</u>
	<u>(2,046)</u>	<u>(1,756)</u>
Finance expenses — net	<u><u>(2,009)</u></u>	<u><u>(1,704)</u></u>

Note:

Interest income on late payment relates to interest imposed on customers for late payment of its overdue balances.

5. EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution, and general and administrative expenses are analysed as follows:

	Year ended 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of inventories sold	152,317	216,480
Auditor's remunerations for audit services		
— current year	262	202
Depreciation expense	4,031	3,075
Employee benefit expense	10,352	9,204
Rental expenses	505	430
Advertising and marketing expenses	585	708
Sales commission to external parties	1,416	878
Travelling and entertainment expenses	170	106
Pre-delivery inspection expenses	250	195
Legal and professional fees	391	270
Bank charges	181	215
Forfeiture of trade deposit paid	622	245
Insurance	37	31
Office expenses	197	212
Donations	—	15
Other operating expenses	426	462
	171,742	232,728

6. INCOME TAX EXPENSE

Singapore statutory income tax has been provided at the rate of 17% on the estimated assessable profit during the year ended 31 December 2022 (2021: 17%).

The amounts of income tax expenses charged to the consolidated statement of comprehensive income represent:

	Year ended 31 December	
	2022	2021
	S\$'000	S\$'000
Singapore profits tax		
— Current tax expense	1,210	2,226
Under provision in prior years		
— Current tax expense	50	76
Deferred tax (credit)/expense	(50)	151
	<u>1,210</u>	<u>2,453</u>
Total tax expenses for the year	<u>1,210</u>	<u>2,453</u>

7. DIVIDENDS

The Company has neither declared nor paid any dividends since its incorporation.

8. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
Profit attributable to equity holders of the Company (S\$'000)	<u>5,024</u>	<u>9,986</u>
Weight average number of ordinary shares in issue ('000)	<u>900,000</u>	<u>900,000</u>
Basic earnings per share in Singapore cents	<u>0.56</u>	<u>1.11</u>

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary share (2021: same).

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

	Year ended 31 December	
	2022	2021
Profit attributable to the equity holders of the Company (S\$'000)	<u>5,024</u>	<u>9,986</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	900,000	900,000
Add: share options ('000)	<u>90,000</u>	<u>90,000</u>
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	990,000	990,000
Diluted earnings per share in Singapore cents	<u><u>0.51</u></u>	<u><u>1.01</u></u>

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Non-current		
Prepayments	<u>33</u>	<u>—</u>
Current		
Trade receivables	3,803	1,202
Less: provision for impairment of trade receivables — third parties	<u>(39)</u>	<u>(36)</u>
Trade receivables — net	3,764	1,166
Prepayments	19,282	13,323
Amounts due from joint ventures	1,055	—
Other receivables	479	800
Less: provision for impairment of other receivables — third parties	<u>(108)</u>	<u>(59)</u>
Other receivables — net	<u>371</u>	<u>741</u>
	<u>24,472</u>	<u>15,230</u>
Total	<u>24,505</u>	<u>15,230</u>

Trade receivables mainly include outstanding balances from customers arising from sales of motor vehicles and sales of spare parts and accessories. For the sales of motor vehicles, all customers are generally required to make payment at the point of transaction and no credit period is granted to these customers. The Group may, however, at times grant credit period to certain customers based on (i) size of order; (ii) the Group's relationship with the customers; and (iii) the Group's assessment of the reputation and credit worthiness of the customers and may impose interest on overdue balances.

Prepayments mainly include advances to various suppliers for purchase of inventory and prepayment for purchase of Certificates of Entitlement.

The amounts due from joint ventures are unsecured, interest-free, and repayable on demand.

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables (net of provision for impairment) based on invoice date are as follows:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Up to 3 months	3,724	1,035
3 to 4 months	12	48
4 months to 1 year	19	68
More than 1 year	9	15
	<u>3,764</u>	<u>1,166</u>

10. TRADE AND OTHER PAYABLES AND PROVISION FOR WARRANTY

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables (<i>Note a</i>)	2,510	1,244
Other payables	987	897
Amounts due to joint ventures	399	—
Contract liabilities (<i>Note c</i>)	8,335	3,700
Accrued operating expenses	2,859	2,789
Provision for warranty (<i>Note b</i>)	498	192
	<u>15,588</u>	<u>8,822</u>

(a) Trade payables

An ageing analysis of the trade payables as at 31 December 2022 and 2021, based on the invoice date, is as follows:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	2,299	939
1 to 4 months	211	131
4 months to 1 year	—	169
More than 1 year	—	5
	<u>2,510</u>	<u>1,244</u>

Trade payables are unsecured and non-interest bearing. These trade payables do not have any credit terms in general, however, the Group is able to negotiate to extend the repayment period with the suppliers based on mutual agreement.

(b) Provision for warranty

Movement in provision for warranty is as follows:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
As at 1 January	192	200
Provision for the year	427	55
Provision utilised	(121)	(63)
	<hr/>	<hr/>
As at 31 December	<u>498</u>	<u>192</u>

(c) Contract liabilities

Contract liabilities comprise of deferred revenue and advance payment from customers.

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	As at 31 December	
	2022	2020
	<i>S\$'000</i>	<i>S\$'000</i>
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i>		
— Sales of motor vehicles	<u>3,700</u>	<u>5,628</u>

(ii) Significant changes in contract liabilities

Contract liabilities for the contracts with customers increased during the year ended 31 December 2022 due to more pre-orders from customers as at year end.

11. BORROWINGS

	As at 31 December	
	2022	2021
	S\$'000	S\$'000
Non-current		
Block discounting financing (<i>Note c</i>)	30,316	18,941
Lease liabilities	827	3,076
Term loan (<i>Note e</i>)	1,638	2,646
	<hr/> 32,781 <hr/>	<hr/> 24,663 <hr/>
Current		
Revolving credit facility (<i>Note a</i>)	—	1,001
Trust receipts (<i>Note b</i>)	2,275	2,123
Block discounting financing (<i>Note c</i>)	9,951	6,378
Lease liabilities	846	990
Hire purchase liabilities (<i>Note d</i>)	19,443	8,154
Term loan (<i>Note e</i>)	1,012	994
Borrowings secured by inventories (<i>Note f</i>)	8,829	—
	<hr/> 42,356 <hr/>	<hr/> 19,640 <hr/>
	<hr/> 75,137 <hr/>	<hr/> 44,303 <hr/>

Notes:

- (a) Revolving credit facility is secured by leasehold properties and contain repayable on demand clauses.
- (b) Trust receipts financing were secured by corporate guarantee provided by the Company.
- (c) Block discounting financing were secured by finance lease receivables and corporate guarantee provided by the Company. Block discounting financing contains a repayable on demand clause. However, prior to the year end, the Group had received a confirmation letter from a bank waiving its rights to demand immediate repayment for a period of 12 months from 31 December 2022 and 2021. Therefore, the Group classified certain portion of the block discounting as at 31 December 2022 and 2021 as non-current.
- (d) Hire purchase liabilities were bank loans secured by motor vehicles and corporate guarantee by the Company. Although the Group was contractually required to make periodic instalments over several years, the Group presented certain hire purchase liabilities as current given that these arrangements contained repayable on demand clauses.
- (e) Term loan was secured by corporate guarantee provided by the Company.
- (f) Borrowings secured by inventories were secured by certain inventories and corporate guarantee provided by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in selling new parallel-import motor vehicles and pre-owned motor vehicles, with the main business being the sales of brand new parallel-import motor vehicles in Singapore. Apart from the sales of motor vehicles, the Group also provides related services and products, such as (i) provision of motor vehicle financing services; (ii) provision of motor vehicle insurance agency services; and (iii) sales of motor vehicle spare parts and accessories.

During the year ended 31 December 2022, the Group sold 731 and 371 units of new motor vehicles and pre-owned motor vehicles, respectively, representing a decrease of approximately 46.2% and 57.1%, respectively, as compared with 1,358 and 865 units of new motor vehicles and pre-owned motor vehicles sold, respectively, for FY2021. Therefore, the revenue decreased by approximately S\$67.3 million, and such decrease was mainly attributable to the decreased demand from customers. The revenue for FY2021 was exceptionally good because of the recovery of the adverse impact by COVID-19 as the pandemic remained under control in Singapore during FY2021.

The decrease in revenue for the FY2022 was also driven by the increase in Certificate of Entitlement (“COE”) price due to the tightening of COE quota which led to a lower market demand.

Business Outlook

The impact brought about by the outbreak of COVID-19 remains uncertain and may continue to pose a challenge on the Group’s business and financial performance going forward. The management of the Group will continue to use its best endeavour to adopt appropriate business strategies by exercising effective cost control, upholding quality service to customers and maintaining good relationships with major suppliers and to strengthen its market position as the leading parallel-import dealer in Singapore.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by approximately S\$67.3 million or 27.3% from approximately S\$246.4 million for FY2021 to approximately S\$179.1 million for FY2022, which was mainly attributable to the decrease in sales of motor vehicles amounted to approximately S\$67.7 million or 28.8%.

Sales of motor vehicles

The sales of motor vehicles decreased by approximately S\$67.7 million or 28.8% which was mainly attributable to the decrease in sales of new motor vehicles by approximately S\$46.4 million or 26.3%. The decrease in sales of new motor vehicles was mainly due to the decrease in units of motor vehicles sold by 627 units from 1,358 units for FY2021 to 731 units for FY2022, despite the average selling price of new motor vehicles sold increased from approximately S\$130,000 for FY2021 to approximately S\$178,000 for FY2022.

The sales of pre-owned motor vehicles decreased by approximately S\$21.3 million or 36.6%, which was mainly due to the decrease in the units of motor vehicles sold by 494 units from 865 units for FY2021 to 371 units for FY2022 despite the average selling price of pre-owned motor vehicle sold increased from approximately S\$67,000 for FY2021 to approximately S\$100,000 for FY2022.

Motor vehicle financing services

The Group's revenue from motor vehicle financing services decreased by approximately S\$1.9 million or 24.4% from approximately S\$7.8 million for FY2021 to approximately S\$5.9 million for FY2022 respectively. The decrease was mainly attributable to the decrease of financing arrangements as a result of the decrease in the sales of motor vehicles.

Insurance agency services

The Group's commission income from insurance companies for referral of the customers varied depending on the insurance premium under the insurance policies. The Group's commission income from insurance companies remained stable for FY2021 and FY2022 which amounted to approximately S\$0.7 million and S\$1.1 million, respectively.

Leasing of motor vehicles

The income from leasing of motor vehicles increased by approximately S\$1.8 million or 58.1% from approximately S\$3.1 million for FY2021 to approximately S\$4.9 million for FY2022. The increment was mainly attributable to more units of motor vehicles being rented out during FY2022 as compared to FY2021 as there were increasing numbers of customers who leased the vehicles for chauffeured services. The Group's number of motor vehicles being rented to customers was 147 units and 214 units as at 31 December 2021 and 2022, respectively.

Sales of spare parts and accessories

The income from sales of spare part and accessories remained stable at approximately S\$55,000 for FY2021 and approximately S\$56,000 for FY2022.

Cost of sales

The Group's cost of sales decreased by approximately S\$62.8 million or 28.8% from approximately S\$218.1 million for FY2021 to approximately S\$155.3 million for FY2022. The decrease was mainly due to the decrease in cost of motor vehicles (and related costs) sold in FY2022.

For FY2022, the cost of motor vehicles (and related costs) sold decreased by approximately S\$64.9 million or 30.1% from approximately S\$215.8 million for FY2021 to approximately S\$150.9 million for FY2022 and was in line with the decrease in sales of motor vehicles.

Gross profit and gross profit margin

As a result of the foregoing, the Group's total gross profit decreased by approximately S\$4.7 million or 16.5% from approximately S\$28.4 million for FY2021 to approximately S\$23.7 million for FY2022, which was mainly attributable to the decrease in the gross profit from sales of motor vehicles and motor vehicle financing services businesses. The overall gross profit margin increased from approximately 11.5% for FY2021 to approximately 13.3% for FY2022, which was mainly due to the increase of gross profit margin from sales of motor vehicles business.

Gross profit and gross profit margin from sales of motor vehicles

The Group's gross profit from sales of motor vehicles decreased by approximately S\$3.3 million, or 17.3% from approximately S\$19.1 million for FY2021 to approximately S\$15.8 million for FY2022, and the Group's gross profit margin for sales of motor vehicles was approximately 8.1% for FY2021 and approximately 9.5% for FY2022. For FY2022, the Group sold proportionately more European brands of motor vehicles as compared with FY2021, which are normally sold at a higher margin as compared to Japanese brands and hence higher overall gross profit margin.

Gross profit and gross profit margin from motor vehicle financing services

The net interest spread for FY2022 increased by approximately 0.5% from approximately 5.3% for FY2021 to approximately 5.8% for FY2022, as a result of a larger decrease of approximately 0.8% in the average interest expense than a decrease of approximately 0.3% in the average yield on finance lease receivables.

Gross profit and gross profit margin from leasing of motor vehicles

The Group's gross profit from leasing of motor vehicles remained stable at approximately S\$0.8 million for FY2021 and approximately S\$0.9 million for FY2022.

Gross profit and gross profit margin from sales of spare parts and accessories

The Group recorded a gross profit from sales of spare parts and accessories of approximately S\$55,000 for FY2021 and approximately S\$56,000 for FY2022.

Other income

The Group's other income decreased by approximately S\$0.2 million or 33.3% from approximately S\$0.6 million for FY2021 to approximately S\$0.4 million for FY2022. The decrease was mainly due to the decrease of government grants by approximately S\$0.1 million.

Other gains/(losses), net

The Group's other gains/(losses), net increased by approximately S\$208,000 or 562.2% from net losses of approximately S\$37,000 for FY2021 to net gains of approximately S\$171,000 for FY2022 which was mainly due to the combination effect of (i) foreign exchange losses of approximately S\$160,000 for FY2021 to foreign exchange gains of approximately S\$166,000 for FY2022; (ii) the disposal of property, plant and equipment recorded from gain of approximately S\$96,000 for FY2021 to gain of approximately S\$969,000 for FY2022 and offset by (iii) write off of prepayments and fair value loss on derivative instruments of approximately S\$461,000 and S\$503,000 were recorded in FY2022 respectively.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately S\$1.3 million or 22.4% from approximately S\$5.8 million for FY2021 to approximately S\$4.5 million for FY2022. The decrease was mainly due to the decrease in advertising and marketing expenses and sales commission to salespersons for FY2022.

General and administrative expenses

The Group's general and administrative expense increased by approximately S\$3.1 million or 35.2% from approximately S\$8.8 million for FY2021 to approximately S\$11.9 million for FY2022. The increase was mainly attributable to the increase of depreciation expense and forfeiture of trade deposit paid.

Finance income and finance expenses

Finance income represents bank interest income. The Group had minimal finance income for FY2022.

The Group's finance expenses increased from approximately S\$1.8 million for FY2021 to S\$2.0 million for FY2022. The increase was mainly due to the increase in interest expenses on block discounting financing of approximately S\$0.2 million as a result of the increase in average effective interest rate of approximately 3.5% for FY2021 to approximately 3.7% for FY2022.

Income tax expense

The Group's income tax expense decreased by approximately S\$1.3 million or 52.0% from approximately S\$2.5 million for FY2021 to approximately S\$1.2 million for FY2022, which was mainly due to the decrease in taxable profit from the Group's operation in Singapore.

Profit and total comprehensive income for the year and net profit margin

As a result of the foregoing, the Group's profit and total comprehensive income for the year decreased by approximately S\$5.0 million or 50.0% from approximately S\$10.0 million for FY2021 to approximately S\$5.0 million for FY2022 and the Group's net profit margin decreased from approximately 4.1% for FY2021 to approximately 2.8% for FY2022. Such decrease in profit for FY2022 was primarily due to the (i) decrease in gross profit by approximately S\$4.7 million; (ii) increase in general and administrative expenses of approximately S\$3.1 million and offset by the (iii) decrease in selling and distribution expenses by approximately S\$1.3 million and (iv) decrease in income tax expense by approximately S\$1.3 million.

Other Financial Information (Non-IFRS measures)

To supplement the consolidated financial statements presented in accordance with IFRS, the Company also uses non-IFRS measures, namely EBITDA and adjusted EBITDA, as an additional financial measure, which are not required by or presented in accordance with IFRS. The Company believes that such non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of the operating performance. The Company believes that such measures provide useful information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as it helps the management. However, the presentation of EBITDA and adjusted EBITDA may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Company's results of operations or financial conditions as reported under IFRS.

	For the year ended 31 December	
	2022	2021
	S\$'000	S\$'000
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	7,815	14,146
Add:		
Depreciation	4,031	3,075
	<hr/>	<hr/>
EBIDTA	11,846	17,221
Less:		
Government grants under JSS and JGI	(58)	(202)
	<hr/>	<hr/>
Adjusted EBIDTA	11,788	17,019
	<hr/> <hr/>	<hr/> <hr/>

CAPITAL STRUCTURE

As at 31 December 2022, the capital structure of the Group consisted of borrowings and equity of the Group, comprising share capital, share premium, capital reserve, share based payment reserve and retained earnings.

LIQUIDITY AND FINANCIAL RESOURCES

During FY2022, the Group's working capital was financed by internal resources, borrowings and net proceeds from the public offer and the placing (collectively, the "Share Offer") on 28 February 2019.

The Group's primary uses of cash are for purchases of motor vehicles for sale and leasing purposes and for funding of the Group's operations. The Group has financed its operations mainly by various forms of borrowings, including bank loans, borrowings secured by inventories, trust receipts, block discounting financing, lease liabilities, hire purchase liabilities and term loan, etc.

LIQUIDITY RATIOS

As at 31 December 2022, the Group had cash and bank balances of approximately S\$5.5 million (2021: approximately S\$6.6 million). The Group's current ratio, debt to equity ratio and gearing ratio ratios are as follows:

	As at 31 December	
	2022	2021
Current ratio	1.4	2.3
Debt to equity ratio	117.7%	75.3%
Gearing ratio	<u>52.2%</u>	<u>39.0%</u>

Current ratio represents the current assets over current liabilities as at the end of the respective date.

Debt to equity ratio is determined by dividing total debt by total equity as at the end of the respective date. Total debt includes borrowings.

Gearing ratio equals net debt, which represents total debt net of cash and cash equivalents, over total capital as at the end of the respective date. Total capital includes total equity and net debt.

BORROWINGS AND PLEDGE OF ASSETS

As at 31 December 2022, the Group had borrowings of approximately S\$75.1 million (2021: approximately S\$44.3 million). Certain borrowings were secured by certain inventories, leasehold properties, motor vehicles, finance lease receivables and corporate guarantee provide by the Company as disclosed in note 11 to the consolidated financial information of this announcement.

The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings, which enable the Group to continue its business for the foreseeable future.

CAPITAL EXPENDITURE AND COMMITMENTS

During FY2022, the capital expenditures amounted to approximately S\$20.8 million which was used for the purchases of property, plant and equipment in Singapore (2021: approximately S\$5.4 million). The Group finances its capital expenditures primarily through cash generated from operating activities and bank borrowings.

As at 31 December 2022, the Group did not have material capital commitments (2021: nil).

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

The Group did not have any significant investment, material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 December 2022.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk arising from foreign currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The Group is exposed to foreign exchange risk arising from various currency exposure, primarily with respect to Sterling pound, Japanese yen and Hong Kong dollars. The Group's exposure to other foreign exchange movements is not material. No hedging activities had been made by the Group during the year ended 31 December 2022.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2022 (2021: nil).

EMPLOYEE, EMPLOYEE REMUNERATION AND REMUNERATION POLICY

As at 31 December 2022, the Group employed a total of 93 employees (2021: 100 employees), excluding the Directors. Employee benefit expense (including directors' emoluments) of approximately S\$10.4 million incurred for the year ended 31 December 2022 (2021: S\$9.2 million).

The remuneration package of the employee mainly includes salaries and allowances, sales commission and bonuses. The remuneration of the employees is determined by reference to prevailing market terms and in accordance with the performance, qualification and experience of each individual employee. The Company has adopted a share option scheme to reward the employees for their contribution to the Group and to provide them with incentives to further contribute to the Group.

The Group also provides in-house trainings to the staff which aim at updating their product knowledge, as well as improving their technical skills.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus dated 13 February 2019 (the “**Prospectus**”) and the plan for setting up the motor vehicle workshop as disclosed in the section headed “Use of Proceeds” of this announcement, the Group did not have plans for material investments and capital assets as at 31 December 2022.

USE OF PROCEEDS

The total net proceeds raised from the Listing (the “**Net Proceeds**”) were approximately HK\$52.9 million after deduction of underwriting fees and commissions and estimated expenses payable by the Group in connection with the Share Offer.

Set out below are details of the allocation of the Net Proceeds, the utilised and unutilised amounts of the Net Proceeds as at 31 December 2022:

	Approximate percentage of total amounts	Actual Net Proceeds HK\$'000	Planned utilised amounts as at 31 December 2022 HK\$'000	Utilised amounts as at 31 December 2022 HK\$'000	Unutilised amounts as at 31 December 2022 HK\$'000
Expanding the scale of the Group’s motor vehicle hire purchase financing business	45.8%	24,230	24,230	24,230	—
Expanding the scale of the Group’s pre-owned motor vehicle sales business	30.2%	15,974	15,974	15,974	—
Setting up a motor vehicle workshop	10.4%	5,499	5,499	—	5,499
Enhancing the Group’s branding, sales and marketing efforts	7.7%	4,062	4,062	4,062	—
Working capital	5.9%	3,148	3,148	3,148	—
Total	100%	52,913	52,913	47,414	5,499

The reason for the under-utilisation of the Net Proceeds was caused by the delay of setting up a motor vehicle workshop. As set out in the annual report of the Group for the year ended 31 December 2019, it was intended that the Group will set up its own motor vehicle workshop and utilise the remaining proceeds of approximately HK\$5.5 million by FY2020. As Singapore’s economy has been severely affected by the outbreak of COVID-19 since the 1st quarter of FY2020, the Directors were prudent for the business expansion and that the plan for setting up the motor vehicle workshop has been further delayed to 2023.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Share Option Scheme**") on 1 February 2019. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group. The principal terms of the Scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus.

As at 31 December 2022, there were 90,000,000 share options granted by the Company under the Share Option Scheme which were valid and outstanding, representing approximately 10% of the issued share capital of the Company as at the date of this announcement. The share options are exercisable for a period of ten years from 8 April 2020 (the "**Option Period**") and expiring at the close of business on the last day of the Option Period or at the expiry of the Scheme, whichever is earlier. The share options have vested on 8 April 2020.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, confirms that all Directors have complied with the Model Code throughout the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has applied the principles of and complied with all the applicable code provisions set out from time to time in the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules, save and except for the following deviations from code provisions A.2.1 and C.2.5 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive shall be separated and shall not be performed by the same individual. Mr. Vincent Tan currently holds both positions. Throughout the business history, Mr. Vincent Tan, as a founder and the controlling shareholder of the Group, has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Directors, including the independent non-executive Directors consider that Mr. Vincent Tan is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole.

Under code provision C.2.5 of the CG Code, the Group should have an internal audit function. The Company has no internal audit function because the Company has maintained an internal control system and its implementation has been considered effective by the audit committee and the Board. In addition, the audit committee has communicated with external auditor of the Company to understand if there is any material control deficiency. Nevertheless, the Company will review the need for one on an annual basis.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient minimum public float under the Listing Rules during the year ended 31 December 2022 and up to the date of this announcement.

AUDIT COMMITTEE

The Company established an Audit Committee on 1 February 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken. Mr. Chow Wing Tung is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for FY2022, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the annual report of the Company for FY2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Guan Chao Holdings Limited
Tan Shuay Tarnng Vincent
Chairman and Executive Director

Hong Kong, 31 March 2023

As at the date of this announcement, the board of Directors comprises Mr. Tan Shuay Tarnng Vincent, Ms. Ng Hui Bin Audrey and Ms. Beng Lee Ser Marisa as executive Directors; Mr. Raymond Wong as non-executive Director; and Mr. Chow Wing Tung, Mr. Hui Yan Kit and Mr. Tam Yat Kin Ken as independent non-executive Directors.