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## **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 2023**

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 2023, together with the comparative figures for the year ended 31 December 2022.

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 2023 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 2023

	Note	Year ended 31 December	
		2023 S\$'000	2022 S\$'000
<b>Revenue</b>	3	<b>180,878</b>	179,086
Cost of sales	5	(158,442)	(155,337)
<b>Gross profit</b>		<b>22,436</b>	23,749
Other income		354	384
Other gains — net		2,742	171
Selling and distribution expenses	5	(3,266)	(4,517)
General and administrative expenses	5	(10,308)	(11,888)
Impairment of receivables		(127)	(84)
<b>Operating profit</b>		<b>11,831</b>	7,815
Finance income	4	179	37
Finance expenses	4	(3,099)	(2,046)
Finance expenses — net		(2,920)	(2,009)
Share of profit of joint ventures		449	451
Share of loss of associates		(17)	(23)
<b>Profit before income tax</b>		<b>9,343</b>	6,234
Income tax expense	6	(1,600)	(1,210)
<b>Profit and total comprehensive income for the year</b>		<b>7,743</b>	5,024
<b>Profit and total comprehensive income attributable to:</b>			
Equity holders of the Company		7,754	5,024
Non-controlling interest		(11)	—
		<b>7,743</b>	5,024
<b>Earnings per share for profit attributable to equity holders of the Company for the year (expressed in Singapore cents per share)</b>			
— Basic	8(a)	<b>0.86</b>	0.56
— Diluted	8(b)	<b>0.86</b>	0.51

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	S\$'000	S\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		33,576	32,725
Financial assets at fair value through other comprehensive income		100	100
Deferred income tax assets		301	373
Prepayments	9	—	33
Finance lease receivables		37,908	35,575
Investment in a joint venture		1,160	948
Investments in associates		2,197	1,977
		<u>75,242</u>	<u>71,731</u>
<b>Current assets</b>			
Inventories		36,730	46,862
Trade and other receivables and prepayments	9	19,926	24,472
Finance lease receivables		9,066	8,370
Cash and bank balances		12,975	5,525
		<u>78,697</u>	<u>85,229</u>
<b>Total assets</b>		<u><b>153,939</b></u>	<u><b>156,960</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
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		53,258	45,504
		<u>71,606</u>	<u>63,852</u>
<b>Non-controlling interest</b>		<u>389</u>	<u>—</u>
<b>Total equity</b>		<u><b>71,995</b></u>	<u><b>63,852</b></u>

		<b>As at 31 December</b>	
		<b>2023</b>	2022
	<i>Note</i>	<b>S\$'000</b>	<i>S\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>11</i>	<b>51,466</b>	32,781
Deferred income tax liabilities		<b>—</b>	228
		<u>51,466</u>	<u>33,009</u>
<b>Current liabilities</b>			
Trade and other payables and provision for warranty	<i>10</i>	<b>8,073</b>	15,588
Borrowings	<i>11</i>	<b>20,110</b>	42,356
Derivative financial instruments		<b>87</b>	503
Income tax liabilities		<b>2,208</b>	1,652
		<u>30,478</u>	<u>60,099</u>
<b>Total liabilities</b>		<u><b>81,944</b></u>	<u>93,108</u>
<b>Total equity and liabilities</b>		<u><b>153,939</b></u>	<u>156,960</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2023*

## 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 MATERIAL ACCOUNTING POLICIES

### **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards 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 except for the financial assets at fair value through other comprehensive income and derivative financial instruments which are measured at fair values.

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 2023 annual report. The material accounting policies applied in the preparation of these consolidated financial statements are set out in the 2023 annual report.

**(i) *New and amended standards and effective in 2023***

The Group has adopted the followings new and amended standards and interpretations for the first time for the accounting period beginning on 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
	International Tax Reform — Pillar Two Model Rules

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

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

Amendments to IAS 1	Classification of Liabilities as current or non-current <sup>1</sup>
Amendments to IAS 1	Non-current liabilities with covenants <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sales and Leaseback <sup>1</sup>
Amendments to IAS 21	Lack of Exchangeability <sup>2</sup>
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective date to be determined

The Group is currently assessing the impact of these amended standards and interpretations on the Group's financial position and performance and plans to adopt these new standards and interpretations when they become effective.

### 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:

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Sale of motor vehicles*	<b>168,133</b>	167,178
Motor vehicles financing related services		
— Finance commission income	<b>2,457</b>	2,833
— Insurance commission income	<b>1,032</b>	1,082
Sale of spare parts and accessories	<b>22</b>	56
Revenue from contracts with customers under IFRS 15 recognised at point in time	<b>171,644</b>	171,149
Motor vehicles financing related services		
— Interest income from finance lease arrangements	<b>3,820</b>	3,035
Rental income from operating lease of motor vehicles	<b>5,414</b>	4,902
Revenue from operating and finance lease arrangements under IFRS 16	<b>9,234</b>	7,937
	<b>180,878</b>	179,086

\* 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>
<b>For the year ended</b>				
<b>31 December 2023</b>				
<b>Segment revenue</b>				
Total sales and rental income	178,013	5,513	22	183,548
Inter-segment sales	(9,880)	(99)	—	(9,979)
	<u>178,013</u>	<u>5,513</u>	<u>22</u>	<u>183,548</u>
External sales and rental income	168,133	5,414	22	173,569
Finance commission income	2,457	—	—	2,457
Insurance commission income	1,032	—	—	1,032
Interest income from finance lease arrangement	3,820	—	—	3,820
	<u>175,442</u>	<u>5,414</u>	<u>22</u>	<u>180,878</u>
<b>Segment profit</b>	<b>9,762</b>	<b>2,067</b>	<b>2</b>	<b>11,831</b>
Finance expenses — net				(2,920)
Share of profit of joint ventures				449
Share of loss of associates				(17)
				<u>9,343</u>
Profit before income tax				9,343
Income tax expense				(1,600)
				<u>7,743</u>
Profit for the year				<u>7,743</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>
<b>For the year ended</b>				
<b>31 December 2022</b>				
<b>Segment revenue</b>				
Total sales and rental income	181,856	4,931	56	186,843
Inter-segment sales	<u>(14,678)</u>	<u>(29)</u>	<u>—</u>	<u>(14,707)</u>
External sales and rental income	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	<u>3,035</u>	<u>—</u>	<u>—</u>	<u>3,035</u>
	<u><u>174,128</u></u>	<u><u>4,902</u></u>	<u><u>56</u></u>	<u><u>179,086</u></u>
<b>Segment profit</b>	5,792	1,987	36	7,815
Finance expenses — net				(2,009)
Share of profit of joint ventures				451
Share of loss of an associate				<u>(23)</u>
Profit before income tax				6,234
Income tax expense				<u>(1,210)</u>
Profit for the year				<u><u>5,024</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>
<b>As at 31 December 2023</b>					
Segment assets	<u>122,379</u>	<u>30,797</u>	<u>—</u>	<u>763</u>	<u>153,939</u>
Segment liabilities	<u>56,780</u>	<u>22,769</u>	<u>—</u>	<u>2,395</u>	<u>81,944</u>
Capital expenditure	<u>1,346</u>	<u>10,407</u>	<u>—</u>	<u>—</u>	<u>11,753</u>
<b>As at 31 December 2022</b>					
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>

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	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Finance income</b>		
Interest income on late payment ( <i>Note</i> )	34	37
Bank interest income	145	—
	<u>179</u>	<u>37</u>
<b>Finance expenses</b>		
Interest expenses on bank loans	(236)	(305)
Interest expenses on block discounting financing	(1,985)	(1,180)
Interest expenses on lease liabilities	(102)	(117)
Interest expenses on hire purchase liabilities	(776)	(444)
	<u>(3,099)</u>	<u>(2,046)</u>
Finance expenses — net	<u>(2,920)</u>	<u>(2,009)</u>

*Note:*

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

## 5. MATERIAL PROFIT AND LOSS ITEMS

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

	Year ended 31 December	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of inventories sold	<b>154,541</b>	152,317
Auditor's remunerations for audit services		
— current year	<b>261</b>	262
Depreciation expense on property, plant and equipment	<b>3,516</b>	3,170
Depreciation expense on right-of-use assets	<b>961</b>	861
Employee benefit expense	<b>9,396</b>	10,352
Rental expenses relating to short-term leases	<b>671</b>	505
Advertising and marketing expenses	<b>320</b>	585
Sales commission to external parties	<b>729</b>	1,416
Travelling and entertainment expenses	<b>162</b>	170
Pre-delivery inspection expenses	<b>29</b>	250
Legal and professional fees	<b>303</b>	391
Bank charges	<b>145</b>	181
Forfeiture of trade deposit paid	<b>214</b>	622
Insurance	<b>52</b>	37
Office expenses	<b>199</b>	197
Donations	<b>6</b>	—
Other operating expenses	<b>511</b>	426
	<b>172,016</b>	<b>171,742</b>

## 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 2023 (2022: 17%).

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

	Year ended 31 December	
	2023	2022
	S\$'000	S\$'000
Singapore profits tax		
— Current tax expense	1,871	1,210
(Over)/under-provision in prior years		
— Current tax expense	(115)	50
Deferred tax credit	(156)	(50)
	<u>1,600</u>	<u>1,210</u>
Total tax expenses for the year	<u>1,600</u>	<u>1,210</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 2023 and 2022.

	Year ended 31 December	
	2023	2022
Profit attributable to equity holders of the Company (S\$'000)	<u>7,754</u>	<u>5,024</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>0.86</u>	<u>0.56</u>

**(b) Diluted earnings per share**

**2023**

There were one type of potential dilutive ordinary shares outstanding for the year ended 31 December 2023. The Company's share options are not included in the calculation of the diluted earnings per share because the average market price of the Company's shares during the year is less than the assumed exercise price of the share options, the potential ordinary shares were not included in the calculation of the diluted earnings per share as their inclusion would have no dilutive impact. Hence the diluted earnings per share is the same as basic earnings per share.

**2022**

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.

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

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Non-current</b>		
Prepayments	—	33
	<u>          </u>	<u>          </u>
<b>Current</b>		
Trade receivables	7,623	3,803
Less: provision for impairment of trade receivables — third parties	(40)	(39)
	<u>          </u>	<u>          </u>
Trade receivables — net	7,583	3,764
Prepayments	9,895	19,282
Amounts due from joint venture	655	1,006
Amount due from associate	—	49
Amount due from a related party	360	—
Other receivables	1,486	479
Less: provision for impairment of other receivables — third parties	(53)	(108)
	<u>          </u>	<u>          </u>
Other receivables — net	1,433	371
	<u>          </u>	<u>          </u>
	<u>19,926</u>	<u>24,472</u>
	<u>          </u>	<u>          </u>
Total	<u>19,926</u>	<u>24,505</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.

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

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

Included in other receivables, \$740,000 (2022: Nil) relates to receivables from other car dealers. This amount is secured, bears an average interest rate of 10% (2022: Nil) and repayable within 3 months.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables (net of provision for impairment) based on invoice date are as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Up to 3 months	<b>6,778</b>	3,724
3 to 4 months	<b>68</b>	12
4 months to 1 year	<b>720</b>	19
More than 1 year	<b>17</b>	9
	<u><b>7,583</b></u>	<u>3,764</u>

## **10. TRADE AND OTHER PAYABLES AND PROVISION FOR WARRANTY**

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b><i>S\$'000</i></b>	<i>S\$'000</i>
Trade payables ( <i>Note a</i> )	<b>917</b>	2,510
Other payables	<b>898</b>	987
Amounts due to joint venture	<b>61</b>	—
Amount due to associate	<b>—</b>	399
Contract liabilities ( <i>Note c</i> )	<b>3,340</b>	8,335
Accrued operating expenses	<b>2,145</b>	2,859
Provision for warranty ( <i>Note b</i> )	<b>712</b>	498
	<u><b>8,073</b></u>	<u>15,588</u>

The amounts due to joint venture and associate are unsecured, interest-free, and repayable on demand.



**(a) Trade payables**

An ageing analysis of the trade payables as at 31 December 2023 and 2022, based on the invoice date, is as follows:

	As at 31 December	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	545	2,299
1 to 4 months	23	211
4 months to 1 year	349	—
More than 1 year	—	—
	<u>917</u>	<u>2,510</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	
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
As at 1 January	498	192
Provision for the year	422	427
Provision utilised	(208)	(121)
As at 31 December	<u>712</u>	<u>498</u>

**(c) Contract liabilities**

Contract liabilities comprise 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:

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<i>Revenue recognised that was included in the contract liability balance at the beginning of the year</i>		
— Sales of motor vehicles	<b><u>8,335</u></b>	<b><u>3,700</u></b>

**(ii) Significant changes in contract liabilities**

Contract liabilities for the contracts with customers decreased during the year ended 31 December 2023 due to fewer pre-orders from customers as at year end.

**(iii) Unsatisfied performance obligations**

As at 31 December 2023, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under IFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

## 11. BORROWINGS

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Non-current</b>		
Block discounting financing ( <i>Note c</i> )	<b>35,136</b>	30,316
Hire purchase liabilities ( <i>Note d</i> )	<b>15,720</b>	—
Lease liabilities	—	827
Term loan ( <i>Note e</i> )	<b>610</b>	1,638
	<u><b>51,466</b></u>	<u>32,781</u>
<b>Current</b>		
Trust receipts ( <i>Note a</i> )	—	2,275
Term bills ( <i>Note b</i> )	<b>2,547</b>	—
Block discounting financing ( <i>Note c</i> )	<b>9,442</b>	9,951
Lease liabilities	<b>827</b>	846
Hire purchase liabilities ( <i>Note d</i> )	<b>6,263</b>	19,443
Term loan ( <i>Note e</i> )	<b>1,031</b>	1,012
Borrowings secured by inventories ( <i>Note f</i> )	—	8,829
	<u><b>20,110</b></u>	<u>42,356</u>
	<u><b>71,576</b></u>	<u>75,137</u>

### Notes:

- (a) Trust receipts financing were secured by corporate guarantee provided by the Company.
- (b) Term bills 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 2023 and 2022. Therefore, the Group classified certain portion of the block discounting as at 31 December 2023 and 2022 as non-current.
- (d) Hire purchase liabilities were bank loans secured by motor vehicles and corporate guarantee by the Company.
- (e) Term loan was secured by corporate guarantee provided by the Company.
- (f) Borrowings against 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 2023, the Group sold 770 and 360 units of new motor vehicles and pre-owned motor vehicles, respectively, as compared with 731 and 371 units of new motor vehicles and pre-owned motor vehicles sold, respectively, for FY2022. Therefore, the revenue increased by approximately S\$1.8 million, and such increase was mainly attributable to the increased demand from customers.

#### **Business Outlook**

The progress of our business growth was slow due to economic recovery and the evident conservative consumption after the pandemic, global turbulence and complex international relations. It continues 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 increased by approximately S\$1.8 million or 1.0% from approximately S\$179.1 million for FY2022 to approximately S\$180.9 million for FY2023, which was mainly attributable to the increase in sales of motor vehicles amounting to approximately S\$0.9 million or 0.5%.

#### **Sales of motor vehicles**

The sales of new motor vehicles decreased by approximately S\$3.8 million or 2.9%, which was mainly attributable to the decrease in average selling price of new motor vehicles sold from approximately S\$178,000 for FY2022 to approximately S\$164,000 for FY2023 despite the units of motor vehicles increased from 731 units for FY2022 to 770 units for FY2023.

The sales of pre-owned motor vehicles increased by approximately S\$4.7 million or 12.8%, which was mainly due to the increase in average selling price of pre-owned motor vehicle sold from approximately S\$100,000 for FY2022 to approximately S\$116,000 for FY2023 despite the units of motor vehicles sold slightly decreased from 371 units for FY2022 to 360 units for 2023.

### **Motor vehicle financing services**

The Group's revenue from motor vehicle financing services increased by approximately S\$0.4 million or 6.8% from approximately S\$5.9 million for FY2022 to approximately S\$6.3 million for FY2023 respectively. The increase was mainly attributable to the increase of financing arrangements as a result of the increase in the sales of motor vehicles.

### **Insurance agency services**

The Group's commission income from insurance companies for referral of customers varied depending on the insurance premium under the insurance policies. The Group's commission income from insurance companies remained stable for FY2022 and FY2023 which amounted to approximately S\$1.1 million and S\$1.0 million, respectively.

### **Leasing of motor vehicles**

The income from leasing of motor vehicles increased by approximately S\$0.5 million or 10.2% from approximately S\$4.9 million for FY2022 to approximately S\$5.4 million for FY2023. The increment was mainly attributable to an increase in motor vehicles with higher value being leased to corporate customer during FY2023 versus motor vehicles with lower value being leased to private hire drivers. The Group's number of motor vehicles being rented to customers was 212 units and 151 units as at 31 December 2022 and 2023, respectively.

### **Sales of spare parts and accessories**

The income from sales of spare part and accessories remained stable at approximately S\$56,000 for FY2022 and approximately S\$22,000 for FY2023.

### **Cost of sales**

The Group's cost of sales increased by approximately S\$3.1 million or 2.0% from approximately S\$155.3 million for FY2022 to approximately S\$158.4 million for FY2023. The increase was mainly due to the increase in cost of motor vehicles (and related costs) sold in FY2023.

For FY2023, the cost of motor vehicles (and related costs) sold increased by approximately S\$2.5 million or 1.7% from approximately S\$150.9 million for FY2022 to approximately S\$153.4 million for FY2023 and was in line with the increase 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\$1.3 million or 5.5% from approximately S\$23.7 million for FY2022 to approximately S\$22.4 million for FY2023, which was mainly attributable to the decrease in the gross profit from sales of motor vehicles business. The overall gross profit margin decreased from approximately 13.3% for FY2022 to approximately 12.4% for FY2023 which was mainly due to the decrease of 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\$1.3 million, or 8.2% from approximately S\$15.8 million for FY2022 to approximately S\$14.5 million for FY2023, and the Group's gross profit margin for sales of motor vehicles was approximately 9.5% for FY2022 and approximately 8.6% for FY2023. The decrease in gross profit margin for sales of motor vehicles was mainly contributed to that the Group sold proportionally more Japanese brands motor vehicles which are normally sold at a lower margin as compared to European brands.

### **Gross profit and gross profit margin from motor vehicle financing services**

The net interest spread for FY2023 decreased by approximately 0.7% from approximately 5.8% for FY2022 to approximately 5.1% for FY2023, as a result of an increase of approximately 0.5% in the average interest expense and a decrease of approximately 0.2% 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\$0.9 million for FY2022 and approximately S\$0.7 million for FY2023.

### **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\$56,000 for FY2022 and approximately S\$22,000 for FY2023.

## **Other income**

The Group's other income remained stable at approximately S\$0.4 million for FY2022 and approximately S\$0.4 million for FY2023.

## **Other gains — net**

The Group's other gains, net increased by approximately S\$2.5 million or 1,250.0% from net gains of approximately S\$0.2 million for FY2022 to net gains of approximately S\$2.7 million for FY2023 which was mainly due to the effect of (i) foreign exchange gains of approximately S\$0.2 million for FY2022 to foreign exchange losses of approximately S\$0.5 million for FY2023; (ii) the disposal of property, plant and equipment recorded from gain of approximately S\$1.0 million for FY2022 to gain of approximately S\$2.8 million for FY2023 and (iii) fair value loss on derivative instruments of approximately S\$0.5 million for FY2022 to fair gain of approximately S\$0.4 million for FY2023.

## **Selling and distribution expenses**

The Group's selling and distribution expenses decreased by approximately S\$1.2 million or 26.7% from approximately S\$4.5 million for FY2022 to approximately S\$3.3 million for FY2023. The decrease was mainly due to the decrease in advertising and marketing expenses and sales commission to salespersons for FY2023.

## **General and administrative expenses**

The Group's general and administrative expense decreased by approximately S\$1.6 million or 13.4% from approximately S\$11.9 million for FY2022 to approximately S\$10.3 million for FY2023. The decrease was mainly attributable to the decrease in employee benefit expense, forfeiture of trade deposit paid and pre-delivery inspection expenses.

## **Finance income and finance expenses**

Finance income represents bank interest income. The Group had minimal finance income for FY2023.

The Group's finance expenses increased from approximately S\$2.0 million for FY2022 to S\$3.1 million for FY2023. The increase was mainly due to the increase in interest expenses on block discounting financing of approximately S\$0.8 million as a result of the increase in average effective interest rate of approximately 3.7% for FY2022 to approximately 4.1% for FY2023.

## **Income tax expense**

The Group's income tax expense increased by approximately S\$0.4 million or 33.3% from approximately S\$1.2 million for FY2022 to approximately S\$1.6 million for FY2023, which was mainly due to the increase 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 increased by approximately S\$2.7 million or 54.0% from approximately S\$5.0 million for FY2022 to approximately S\$7.7 million for FY2023 and the Group's net profit margin increased from approximately 2.8% for FY2022 to approximately 4.3% for FY2023. Such increase in profit for FY2023 was primarily due to the (i) increase in other gains — net by approximately S\$2.5 million; (ii) decrease in selling and distribution expenses by approximately S\$1.2 million; (iii) decrease in general and administrative expenses of approximately S\$1.6 million and offset by the (iv) decrease in gross profit by approximately S\$1.3 million and (iv) increase in income tax expense by approximately S\$0.4 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.



	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	<b>11,831</b>	7,815
Add:		
Depreciation	<b>4,477</b>	4,031
	<hr/>	<hr/>
<b>EBIDTA</b>	<b>16,308</b>	11,846
Less:		
Government grants under JSS and JGI	<b>(76)</b>	(58)
	<hr/>	<hr/>
<b>Adjusted EBIDTA</b>	<b><u>16,232</u></b>	<b><u>11,788</u></b>

## **CAPITAL STRUCTURE**

As at 31 December 2023, 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 FY2023, 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 against inventories, trust receipts, block discounting financing, hire purchase liabilities and term loan, etc.

## LIQUIDITY RATIOS

As at 31 December 2023, the Group had cash and bank balances of approximately S\$13.0 million (2022: approximately S\$5.5 million). The Group's current ratio, debt to equity ratio and gearing ratio ratios are as follows:

	As at 31 December	
	2023	2022
Current ratio	2.6	1.4
Debt to equity ratio	99.4%	117.7%
Gearing ratio	<u>44.9%</u>	<u>52.2%</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 2023, the Group had borrowings of approximately S\$71.6 million (2022: approximately S\$75.1 million). Certain borrowings were secured by certain inventories, 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 FY2023, the capital expenditures amounted to approximately S\$11.8 million which was used for the purchases of property, plant and equipment in Singapore (2022: approximately S\$20.8 million). The Group finances its capital expenditures primarily through cash generated from operating activities and bank borrowings.

As at 31 December 2023, the Group did not have material capital commitments (2022: 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 2023.

## **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, Hong Kong dollars and United States 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 2023.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2023 (2022: nil).

## **EMPLOYEE, EMPLOYEE REMUNERATION AND REMUNERATION POLICY**

As at 31 December 2023, the Group employed a total of 77 employees (2022: 90 employees), excluding the Directors. Employee benefit expense (including directors' emoluments) of approximately S\$9.4 million incurred for the year ended 31 December 2023 (2022: S\$10.4 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 2023.

### 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 2023:

	Approximate percentage of total amounts	Actual Net Proceeds HK\$'000	Planned utilised amounts as at 31 December 2023 HK\$'000	Utilised amounts as at 31 December 2023 HK\$'000	Unutilised amounts as at 31 December 2023 HK\$'000
Expanding the scale of the Group’s motor vehicle hire purchase financing business	45.8%	24,230	<b>24,230</b>	<b>24,230</b>	—
Expanding the scale of the Group’s pre-owned motor vehicle sales business	30.2%	15,974	<b>15,974</b>	<b>15,974</b>	—
Setting up a motor vehicle workshop	10.4%	5,499	<b>5,499</b>	—	<b>5,499</b>
Enhancing the Group’s branding, sales and marketing efforts	7.7%	4,062	<b>4,062</b>	<b>4,062</b>	—
Working capital	5.9%	3,148	<b>3,148</b>	<b>3,148</b>	—
<b>Total</b>	<b>100%</b>	<b>52,913</b>	<b>52,913</b>	<b>47,414</b>	<b>5,499</b>

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 2024.

## **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 2023.

### **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 2023, 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 2023.

### **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 2023.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2023, 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 2023 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 FY2023, 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 2023 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 draft 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 FY2023 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, 28 March 2024

*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.*