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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board (“**Board**”) of Directors (the “**Directors**”) of Guan Chao Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<i>S\$'000</i>	<i>S\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue</b>	4	<b>80,120</b>	112,213
Cost of sales	6	<b>(71,041)</b>	(97,899)
<b>Gross profit</b>		<b>9,079</b>	14,314
Other income		<b>1,122</b>	135
Other gains/(losses) — net		<b>209</b>	1,964
Selling and distribution expenses	6	<b>(1,844)</b>	(2,087)
General and administrative expenses	6	<b>(5,908)</b>	(5,488)
<b>Operating profit</b>		<b>2,658</b>	8,838
Finance income	5	<b>80</b>	54
Finance expenses	5	<b>(1,583)</b>	(1,569)
Finance expenses — net		<b>(1,503)</b>	(1,515)
Share of profit of joint ventures		<b>151</b>	225
Share of (loss)/profit of associates		<b>(141)</b>	29
<b>Profit before income tax</b>		<b>1,165</b>	7,577
Income tax expense	7	<b>(515)</b>	(1,179)
<b>Profit and total comprehensive income for the period</b>		<b>650</b>	6,398
<b>Profit and total comprehensive income attributable to:</b>			
— Equity holders of the Company		<b>951</b>	6,398
— Non-controlling interests		<b>(301)</b>	—
		<b>650</b>	6,398
<b>Earnings per share for profit attributable to equity holders of the Company for the period (expressed in Singapore cents per share)</b>			(restated)
— Basic	8(a)	<b>1.09</b>	7.11
— Diluted	8(b)	<b>1.09</b>	7.11

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2024</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2023 <i>S\$'000</i> (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>32,514</b>	33,576
Financial assets at fair value through other comprehensive income		<b>14</b>	100
Deferred income tax assets		<b>250</b>	301
Finance lease receivables		<b>32,827</b>	37,908
Investments in joint ventures		<b>1,311</b>	1,160
Investments in an associates		<b>2,055</b>	2,197
		<hr/> <b>68,971</b> <hr/>	<hr/> 75,242 <hr/>
<b>Current assets</b>			
Inventories		<b>41,461</b>	36,730
Trade and other receivables and prepayments	<i>10</i>	<b>24,138</b>	19,926
Finance lease receivables		<b>9,895</b>	9,066
Cash and bank balances		<b>8,622</b>	12,975
		<hr/> <b>84,116</b> <hr/>	<hr/> 78,697 <hr/>
<b>Total assets</b>		<hr/> <b>153,087</b> <hr/>	<hr/> 153,939 <hr/>

		As at <b>30 June 2024</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2023 <i>S\$'000</i> (audited)
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		1,842	1,550
Share premium		13,514	11,864
Capital reserve		3,494	3,494
Share based payment reserve		1,440	1,440
Retained earnings		54,209	53,258
		<u>74,499</u>	<u>71,606</u>
Non-controlling interest		<u>88</u>	<u>389</u>
<b>Total equity</b>		<u>74,587</u>	<u>71,995</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	<u>45,173</u>	<u>51,466</u>
		<u>45,173</u>	<u>51,466</u>
<b>Current liabilities</b>			
Trade and other payables and provision for warranty	11	11,450	8,073
Borrowings	12	20,095	20,110
Derivative financial liabilities		84	87
Income tax liabilities		1,698	2,208
		<u>33,327</u>	<u>30,478</u>
<b>Total liabilities</b>		<u>78,500</u>	<u>81,944</u>
<b>Total equity and liabilities</b>		<u><u>153,087</u></u>	<u><u>153,939</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2024*

## 1. GENERAL INFORMATION OF THE GROUP

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 Tarn Vincent (“**Mr. Vincent Tan**”).

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

The condensed consolidated interim financial information is presented in Singapore Dollar (“**S\$**”) unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 is prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”).

### **3. IMPACT OF NEW, AMENDED STANDARDS AND INTERPRETATIONS**

In the current accounting period, the Group has adopted the followings new and amended standards and interpretations, a collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB which are mandatory and relevant to the Group's operations for the accounting period beginning on 1 January 2024:

IAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current
IAS 1 (Amendments)	Non-current Liabilities with Covenants
IAS 7 and IFRS 7 (Amendments)	Supplier Finance Arrangements
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback

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

The Group has not early adopted those new standards, amendments to standards and interpretations which have been issued but are not yet effective. The Group is in the process of assessing their impact on the condensed consolidated interim financial information of the Group.

### **4. 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.

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>For the six months ended 30 June</b>	
	<b>2024</b> <i>S\$'000</i> <b>(unaudited)</b>	<b>2023</b> <i>S\$'000</i> <b>(unaudited)</b>
Sales of motor vehicles*	<b>73,254</b>	105,461
Motor vehicles financing related services		
— Finance commission income	<b>1,329</b>	1,547
— Insurance commission income	<b>339</b>	432
Sales of spare parts and accessories	<b>7</b>	1
	<hr/>	<hr/>
Revenue from contracts with customers under IFRS 15 recognised at point in time	<b>74,929</b>	107,441
Motor vehicles financing related services		
— Interest income from finance lease arrangements	<b>2,079</b>	2,026
Rental income from operating lease of motor vehicles	<b>3,112</b>	2,746
	<hr/>	<hr/>
Revenue from operating and finance lease arrangement under IFRS 16	<b>5,191</b>	4,772
	<hr/>	<hr/>
	<b>80,120</b>	112,213
	<hr/> <hr/>	<hr/> <hr/>

\* 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 of the period as disclosed in Note 11. Receipts in advance from customers as at the end of each of the period will be recognised as revenue in the next year of sales.

## Segment revenue and results

	Sales of motor vehicles and provision of related services S\$'000	Rental income from operating lease of motor vehicles S\$'000	Sales of spare parts and accessories S\$'000	Unallocated S\$'000	Total S\$'000
<b>For the six months ended</b>					
<b>30 June 2024 (unaudited)</b>					
<b>Segment revenue</b>					
Total sales	75,297	3,182	7	—	78,486
Inter-segment sales	(2,043)	(70)	—	—	(2,113)
External sales	73,254	3,112	7	—	76,373
Finance commission income	1,329	—	—	—	1,329
Insurance commission income	339	—	—	—	339
Interest income from finance lease arrangement	2,079	—	—	—	2,079
	<u>77,001</u>	<u>3,112</u>	<u>7</u>	<u>—</u>	<u>80,120</u>
<b>Segment profit/(loss)</b>	1,977	1,052	3	(374)	2,658
Finance expenses — net					<u>(1,503)</u>
Share of profit of joint ventures					151
Share of loss of associates					<u>(141)</u>
Profit before income tax					1,165
Income tax expense					<u>(515)</u>
Profit for the period					<u>650</u>



	<b>Sales of motor vehicles and provision of related services <i>S\$'000</i></b>	<b>Rental income from operating lease of motor vehicles <i>S\$'000</i></b>	<b>Sales of spare parts and accessories <i>S\$'000</i></b>	<b>Unallocated <i>S\$'000</i></b>	<b>Total <i>S\$'000</i></b>
<b>For the six months ended 30 June 2023 (unaudited)</b>					
<b>Segment revenue</b>					
Total sales	109,953	2,795	1	—	112,749
Inter-segment sales	(4,492)	(49)	—	—	(4,541)
External sales	105,461	2,746	1	—	108,208
Finance commission income	1,547	—	—	—	1,547
Insurance commission income	432	—	—	—	432
Interest income from finance lease arrangement	2,026	—	—	—	2,026
	<u>109,466</u>	<u>2,746</u>	<u>1</u>	<u>—</u>	<u>112,213</u>
<b>Segment profit/(loss)</b>	6,974	2,201	—	(337)	8,838
Finance expenses — net					(1,515)
Share of profit of joint ventures					225
Share of profit of associates					29
Profit before income tax					7,577
Income tax expense					(1,179)
Profit for the period					<u>6,398</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 S\$'000	Rental income from operating lease of motor vehicles S\$'000	Sales of spare parts and accessories S\$'000	Unallocated S\$'000	Total S\$'000
<b>As at 30 June 2024 (unaudited)</b>					
Segment assets	<u>123,875</u>	<u>28,348</u>	<u>206</u>	<u>658</u>	<u>153,087</u>
Segment liabilities	<u>55,480</u>	<u>21,028</u>	<u>—</u>	<u>1,992</u>	<u>78,500</u>
Capital expenditure	<u>1,645</u>	<u>1,935</u>	<u>—</u>	<u>—</u>	<u>3,580</u>
<b>As at 31 December 2023 (audited)</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>

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.

## 5. FINANCE EXPENSES — NET

	For the six months ended	
	30 June	
	2024	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
<b>Finance income</b>		
Interest income on late payment ( <i>Note</i> )	—	54
Bank interest income	<u>80</u>	<u>—</u>
	<b><u>80</u></b>	<b><u>54</u></b>
<b>Finance expenses</b>		
Interest expenses on bank loans	(181)	(150)
Interest expenses on block discounting financing	(929)	(991)
Interest expenses on lease liabilities	(45)	(48)
Interest expenses on hire purchase liabilities	<u>(428)</u>	<u>(380)</u>
	<b><u>(1,583)</u></b>	<b><u>(1,569)</u></b>
Finance expenses — net	<b><u>(1,503)</u></b>	<b><u>(1,515)</u></b>

*Note:*

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

## 6. EXPENSES BY NATURE

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

	For the six months ended	
	30 June	
	2024	2023
	<i>S\$'000</i>	<i>S\$'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold	68,995	95,864
Auditor's remunerations for audit services	138	128
Depreciation expense	2,566	2,482
Employee benefit expense	4,945	5,158
Rental expenses relating to short-term leases	145	381
Advertising and marketing expenses	622	165
Sales commission to external parties	207	496
Travelling and entertainment expenses	74	94
Legal and professional fees	147	37
Bank charges	130	100
Forfeiture of trade deposit paid	12	25
Insurance	29	22
Office expenses	152	93
Donations	1	—
Other operating expenses	630	429
	<u>78,793</u>	<u>105,474</u>

## 7. INCOME TAX EXPENSE

Singapore statutory income tax has been provided at the rate of 17% on the estimated assessable profit during the six months ended 30 June 2024 (2023: 17%).

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

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>S\$'000</i></b>	<b><i>S\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Singapore profits tax		
— Current tax expense	<u>515</u>	<u>1,179</u>
Total tax expenses for the period	<u><u>515</u></u>	<u><u>1,179</u></u>

## 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 six months ended 30 June 2024 and 2023.

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited) (restated)
Profit attributable to the equity holders of the Company ( <i>S\$'000</i> )	<u>951</u>	<u>6,398</u>
Weighted average number of ordinary shares in issue ('000)	<u>87,478</u>	<u>90,000</u>
Basic earnings per share in Singapore cents	<u><u>1.09</u></u>	<u><u>7.11</u></u>

### (b) Diluted earnings per share

There were one type of potential dilutive ordinary shares outstanding for the six months ended 30 June 2024 and 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 period 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 be have no dilutive impact. Hence the diluted earnings per share is the same as basic earnings per share.

## 9. DIVIDENDS

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

## 10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at <b>30 June</b> <b>2024</b> <i>S\$'000</i> <b>(unaudited)</b>	As at 31 December 2023 <i>S\$'000</i> (audited)
Trade receivables	<b>6,534</b>	7,623
Less: Provision for impairment of trade receivables — third parties	<u>(23)</u>	<u>(40)</u>
Trade receivables — net	<b>6,511</b>	7,583
Prepayments	<b>15,376</b>	9,895
Amount due from joint ventures	<b>520</b>	655
Amount due from a related party	<b>894</b>	360
Other receivables	<b>1,093</b>	1,486
Less: Provision for impairment of other receivables — third parties	<u>(256)</u>	<u>(53)</u>
Other receivables — net	<u><b>837</b></u>	1,433
Total	<u><b>24,138</b></u>	<u>19,926</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.

Included in other receivables, S\$nil (31 December 2023: \$740,000) related to receivables from other car dealers. This amount was secured, bore an average interest rate of 10% and repayable within 3 months as at 31 December 2023.

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade receivables based on invoice date are as follows:

	<b>As at 30 June 2024 S\$'000 (unaudited)</b>	<b>As at 31 December 2023 S\$'000 (audited)</b>
Up to 3 months	<b>1,967</b>	6,778
3 to 4 months	<b>18</b>	68
4 months to 1 year	<b>4,485</b>	720
More than 1 year	<b>41</b>	17
	<hr/> <b>6,511</b> <hr/>	<hr/> 7,583 <hr/>



## 11. TRADE AND OTHER PAYABLES AND PROVISION FOR WARRANTY

	As at <b>30 June</b> <b>2024</b> <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Trade payables	1,190	917
Other payables	786	898
Amounts due to joint ventures	63	61
Amounts due to related parties	400	—
Contract liabilities	5,518	3,340
Accrued operating expenses	2,615	2,145
Provision for warranty	878	712
	<u>11,450</u>	<u>8,073</u>

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

An ageing analysis of the trade payables as at 30 June 2024 and 31 December 2023, based on the invoice date, is as follows:

	As at <b>30 June</b> <b>2024</b> <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
Within 1 month	938	545
1 to 4 months	59	23
4 months to 1 year	102	349
More than 1 year	91	—
	<u>1,190</u>	<u>917</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.

## 12. BORROWINGS

	As at <b>30 June 2024</b> <i>S\$'000</i> (unaudited)	As at 31 December 2023 <i>S\$'000</i> (audited)
<b>Non-current</b>		
Block discounting financing ( <i>Note c</i> )	<b>30,260</b>	35,136
Lease liabilities	<b>14,221</b>	15,720
Hire purchase liabilities ( <i>Note d</i> )	<b>692</b>	—
Term loan ( <i>Note e</i> )	<b>—</b>	610
	<hr/> <b>45,173</b>	<hr/> 51,466
<b>Current</b>		
Trust receipts ( <i>Note a</i> )	<b>3,113</b>	—
Term bills ( <i>Note b</i> )	<b>—</b>	2,547
Block discounting financing ( <i>Note c</i> )	<b>8,826</b>	9,442
Lease liabilities	<b>821</b>	827
Hire purchase liabilities ( <i>Note d</i> )	<b>5,628</b>	6,263
Term loan ( <i>Note e</i> )	<b>1,130</b>	1,031
Borrowings against inventories ( <i>Note f</i> )	<b>577</b>	—
	<hr/> <b>20,095</b>	<hr/> 20,110
	<hr/> <b>65,268</b>	<hr/> 71,576

*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 of approximately S\$42.7 million and S\$47.0 million as at 30 June 2024 and 31 December 2023 respectively and corporate guarantee provided by the Company.
- (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 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 first half of 2024, the Group sold 390 and 202 units of new motor vehicles and pre-owned motor vehicles, respectively, as compared with 388 and 202 units of new motor vehicles and pre-owned motor vehicles sold, respectively, for the corresponding period in 2023. In addition, the revenue decreased by approximately S\$32.1 million, and such decrease was mainly attributable to the decreased 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 decreased by approximately S\$32.1 million or 28.6% from approximately S\$112.2 million for the six months ended 30 June 2023 ("PE2023") to approximately S\$80.1 million for the six months ended 30 June 2024 ("PE2024"), which was mainly attributable to the decrease in sales of motor vehicles amounted to approximately S\$32.2 million or 30.5%.

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

The sales of motor vehicles decreased by approximately S\$32.2 million or 30.5% which was mainly attributable to the decrease in sales of new motor vehicles by approximately S\$26.9 million or 33.7%. The decrease in sales of new motor vehicles was mainly due to the decrease in average selling price of new motor vehicles sold from approximately S\$205,000 for PE2023 to approximately S\$135,000 for PE2024.

The sales of pre-owned motor vehicles decreased by approximately S\$5.5 million or 20.8%, which was mainly due to the decrease in the average selling price of pre-owned motor vehicles sold from S\$128,000 for PE2023 to approximately S\$101,000 for PE2024.

### ***Motor vehicle financing services***

The Group's revenue from motor vehicle financing services remained stable at approximately S\$3.6 million for PE2023 and approximately S\$3.4 million for PE2024 as it was correlated to the units of motor vehicles sold.

### ***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 PE2023 and PE2024 which amounted to approximately S\$0.4 million and S\$0.3 million, respectively.

### ***Leasing of motor vehicles***

The income from leasing of motor vehicles increased by approximately S\$0.4 million or 12.9% from approximately S\$2.7 million for PE2023 to approximately S\$3.1 million for PE2024. The increment was mainly attributable to an increase in motor vehicles with higher value being leased to corporate customers during PE2024 versus motor vehicles with lower value being leased to private hire drivers. The Group's number of motor vehicles being rented to customers was 179 units and 179 units as at 30 June 2023 and 2024, respectively.

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

The income from sales of spare part and accessories increased by approximately S\$6,000 or 600.0% from S\$1,000 for PE2023 to approximately S\$7,000 for PE2024.

## **Cost of sales**

The Group's cost of sales decreased by approximately S\$26.9 million or 27.5% from approximately S\$97.9 million for PE2023 to approximately S\$71.0 million for PE2024. The decrease was in line with the decrease in the Group's total revenue for the period.

For PE2024, the cost of motor vehicles (and related costs) sold decreased by approximately S\$26.6 million or 27.9% from approximately S\$95.2 million for PE2023 to approximately S\$68.6 million for PE2024.

## **Gross profit and gross profit margin**

As a result of the foregoing, the Group's total gross profit decreased by approximately S\$5.2 million or 36.4% from approximately S\$14.3 million for PE2023 to approximately S\$9.1 million for PE2024, which was mainly attributable to the decrease in the sales of motor vehicles business. The overall gross profit margin remained stable at approximately 12.8% for PE2023 and approximately 11.3% for PE2024.

### ***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\$5.4 million, or 54.0%, from approximately S\$10.0 million for PE2023 to approximately S\$4.6 million for PE2024, and the Group's gross profit margin for sales of motor vehicles was approximately 9.5% for PE2023 and approximately 6.3% for PE2024. The decrease in gross profit margin for sales of motor vehicles was mainly contributed to that the Group sold proportionally more Japanese brands of motor vehicles which are normally sold at a lower margin as compared to European brands of motor vehicles.

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

The net interest spread for PE2024 decreased by approximately 0.1% from approximately 3.7% for PE2023 to approximately 3.6% for PE2024, as a result of an increase of approximately 0.8% in the average interest expense and an increase of approximately 0.7% 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 increased by approximately S\$0.4 million or 133.3%, from approximately S\$0.3 million for PE2023 to approximately S\$0.7 million for PE2024, with the Group's gross profit margin from leasing of motor vehicles increased from approximately 11.1% for PE2023 to 22.6% for PE2024. Such increase in gross profit margin was mainly due to the revenue from leasing of motor vehicle had increased by approximately S\$0.4 million or 12.9%, while the costs of leasing of motor vehicles remained stable at approximately S\$2.5 million and S\$2.4 million for PE2023 and PE2024 respectively.

### ***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\$1,000 for PE2023 and a gross profit of approximately S\$7,000 for PE2024.

### **Other income**

The Group's other income increased by approximately S\$1.0 million or 1,000.0% from approximately S\$0.1 million for PE2023 to approximately S\$1.1 million for PE2024. The increase was mainly due to a gain of approximately S\$0.7 million from disposal of financial assets at fair value through other comprehensive income was recorded in PE2024.

### **Other gains/(losses) — net**

The Group recorded net gains of approximately S\$2.0 million for PE2023 to net gains of approximately S\$0.2 million for PE2024, which was mainly due to the decrease of gain on disposal of property, plant and equipment from S\$1.9 million for PE2023 to S\$0.1 million for PE2024.

### **Selling and distribution expenses**

The Group's selling and distribution expenses decreased by approximately S\$0.3 million or 14.3% from approximately S\$2.1 million for PE2023 to approximately S\$1.8 million for PE2024. The decrease was mainly attributable to the decrease in sales commission to the salespersons as a result of the decrease in sales of motor vehicles and offset by the increase of advertising and marketing expenses.

### **General and administrative expenses**

The Group's general and administrative expenses remained stable at approximately S\$5.5 million for PE2023 and approximately S\$5.9 million for PE2024.

### **Finance income and finance expenses**

Finance income represents bank interest income. The Group had minimal finance income for PE2024.

The Group's finance expenses remained stable at approximately S\$1.6 million for PE2023 and approximately S\$1.6 million for PE2024.

## **Income tax expenses**

The Group's income tax expenses decreased by approximately S\$0.7 million or 58.3% from approximately S\$1.2 million for PE2023 to approximately S\$0.5 million for PE2024, which was mainly due to the decrease in taxable profit from the Group's operation in Singapore.

## **Profit and total comprehensive income for the period and net profit margin**

As a result of the foregoing, the Group's profit and total comprehensive income for the period decreased by approximately S\$5.7 million or 89.1% from approximately S\$6.4 million for PE2023 to approximately S\$0.7 million for PE2024 and the Group's net profit margin decreased from approximately 5.7% for PE2023 to approximately 0.8% for PE2024. Such decrease in profit for PE2024 was primarily due to the decrease in gross profit by approximately S\$5.2 million.

## **SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE**

On 27 May 2024, the Company entered into subscription agreement with an independent third party (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, a total 18,000,000 shares of HK\$0.63 each for a cash consideration of approximately HK\$11.34 million ("**the Subscription**"). Further details were set out in the Company's announcements dated 27 May 2024 and 29 May 2024 (the "**Announcements**").

On 7 June 2024, all conditions precedent have been fulfilled and the completion took place on 7 June 2024 in accordance with the terms of the subscription agreement. The net proceeds from the Subscription amounted to approximately HK\$11.24 million and were utilised to expand its motor vehicle portfolio as disclosed in the Announcements.

## **CAPITAL STRUCTURE**

As at 30 June 2024, 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 the six months ended 30 June 2024, 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 and the net proceeds from the Subscription.

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, lease liabilities, hire purchase liabilities and term loan, etc.

## LIQUIDITY RATIOS

As at 30 June 2024, the Group had cash and bank balances of approximately S\$8.6 million (31 December 2023: approximately S\$13.0 million). The Group's current ratio, debt to equity ratio and gearing ratio are as follows:

	<b>As at 30 June 2024 (unaudited)</b>	As at 31 December 2023 (audited)
Current ratio	<b>2.5</b>	2.6
Debt to equity ratio	<b>87.5%</b>	99.4%
Gearing ratio	<b><u>43.2%</u></b>	<b><u>44.9%</u></b>

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 bank balances, 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 30 June 2024, the Group had borrowings of approximately S\$65.3 million (31 December 2023: approximately S\$71.6 million). Certain borrowings were secured by certain inventories, leasehold properties, motor vehicles, finance lease receivables and corporate guarantee provided by the Company as disclosed in note 12 to the condensed consolidated interim 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 the six months ended 30 June 2024, the capital expenditures amounted to approximately S\$3.6 million which was used for the purchases of property, plant and equipment in Singapore (31 December 2023: approximately 12.1 million). The Group finances its capital expenditures primarily through cash generated from operating activities and bank borrowings.

As at 30 June 2024, the Group did not have material capital commitments (31 December 2023: 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 six months ended 30 June 2024.

## **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.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2024 (31 December 2023: nil).

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

As at 30 June 2024, the Group employed a total of 91 employees (31 December 2023: 80 employees). Employee benefit expense (including directors' emoluments) of approximately S\$4.9 million incurred for the six months ended 30 June 2024 (2023: S\$5.2 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 section headed "Reasons for the Rights Issue and the Use of Proceeds" in the Company's announcement dated 12 July 2024 in relation to the proposed rights issue 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 30 June 2024.

## 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 30 June 2024:

	Approximate percentage of total amounts	Actual Net Proceeds HK\$'000	Planned unutilised amounts as at 30 June 2024 HK\$'000	Utilised amounts as at 30 June 2024 HK\$'000	Unutilised amounts as at 30 June 2024 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	—
<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 2020. As Singapore’s economy has been severely affected by the outbreak of COVID-19 since the 1st quarter of 2020, 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its code of conduct regarding securities transaction by Directors. The Company, having made specific enquiry, confirms that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

## **CORPORATE GOVERNANCE CODE**

During the six months ended 30 June 2024, 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.

## **CHANGE IN DIRECTOR’S INFORMATION**

Mr. Jin Zhehui has been appointed as an executive Director of the Company with effect from 29 July 2024.

Save as disclosed above, there is no information in respect of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024, including the accounting principles and practices adopted by the Group.

## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere in this announcement, the Directors are not aware of any significant event which had material effect on the Group subsequent to 30 June 2024 and up to the date of this announcement.

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

Hong Kong, 30 August 2024

*As at the date of this announcement, the board of Directors comprises Mr. Tan Shuay Tarnng Vincent, Ms. Ng Hui Bin Audrey, Ms. Beng Lee Ser Marisa and Mr. Jin Zhehui 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.*