

IPO FACT SHEET
Guan Chao Holdings Ltd. (1872 HK)
ISSUE STATISTICS

Offer Size:	HK\$96.75m – HK\$105.75m
Placement Tranche:	225m
Price:	HK\$0.43 – HK\$0.47
Board lot:	5,000
Entry fee:	HK\$2,373.68
Historical PE	8.98x – 9.81x
Net tangible asset per share:	HK\$0.26 – HK\$0.27
Market Cap (post-IPO):	HK\$387m – HK\$423m
Open:	13 Feb 2019
Close:	12.00 noon on 18 Feb 2019
Trading:	28 Feb 2019
Sponsor:	Titan Financial Services Limited

Year ended 31 Dec	(\$'000)	yoy % chg
Revenue		
2017	204,898	41.9%
2018	184,993	-9.7%
Profit for the years/period		
2017	7,996	72.5%
2018	7,430	-7.1%

BACKGROUND

- They are a Singapore-based motor vehicle group 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 during the Track Record Period.
- Apart from the sales of motor vehicles, they also provide 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.
- In addition, as part of their core business, they also provide motor vehicle leasing services. According to the CIC Report, they ranked 12th by sales volume of new motor vehicle units among all motor vehicle dealers in Singapore and ranked first by sales volume of new motor vehicle units among parallel-import motor vehicle dealers in Singapore in both 2016 and 2017.

BUSINESS STRATEGY AND FUTURE PLANS

- Expanding their motor vehicle hire purchase financing business.
- Expanding the scale of their pre-owned motor vehicle sales business in Singapore.
- Setting up of their motor vehicle workshop.
- Enhancing their branding, sales and marketing efforts.

COMPETITIVE STRENGTHS

- They have an established track record in the motor vehicles dealership industry in Singapore.
- They have the ability to source and offer a wide variety of motor vehicles to the market in Singapore.
- Their showrooms are located in strategic locations.
- They have established and maintained good relationships with their principal bankers.

KEY RISKS

- The expected downward trend in the sales of new motor vehicles industry in Singapore may adversely affect their business and their financial performance should they be unable to implement appropriate business strategies in response to such downward trend.
- They are exposed to the credit risks of their customers.
- They rely on their suppliers for the supply of motor vehicles for their business.
- Their ability to obtain financing on acceptable terms is critical to their ability to operate, maintain and grow their business.
- Their ability to meet customer demands is dependent on their ability to effectively maintain their inventories.
- Their profit margins may be eroded if they are unable to secure COEs for motor vehicles at an appropriate premium.
- They may be affected by measures or policies which reduce the rate of growth of the vehicle population in Singapore.
- They operate in a highly competitive industry.
- Their sales of motor vehicles are dependent on market demand in Singapore.

DIVIDEND POLICY

- A general annual dividend policy of declaring and paying dividends on an annual basis of not less than 15% of their distributable profit for any particular financial year.

USE OF PROCEEDS

	HK '000	As a percentage of gross proceeds from the Invitation (%)
Expanding the scale of their motor vehicle hire purchase financing business.	27,678	45.8%
Expanding the scale of their pre-owned motor vehicle sales business.	18,247	30.2%
Setting up a motor vehicle workshop.	6,281	10.4%
Enhancing their branding, sales and marketing efforts.	4,640	7.7%
Working capital.	3,597	5.9%
Total:	60,443	100.00%

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