BetterLife Holding Limited
百 得 利 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6909)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

GROUP FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 increased by approximately 47.3% to approximately RMB4,942.6 million as compared to that of the corresponding period of 2020.

- The Group has sold 7,410 passenger vehicles in total during the six months ended 30 June 2021, representing an increase of approximately 42.7% from that of the corresponding period in 2020.

- The revenue generated from the sales of automobiles for the six months ended 30 June 2021 amounted to approximately RMB4,331.5 million, representing an increase of approximately 47.6% over that of the corresponding period in 2020.

- For the six months ended 30 June 2021, the Group's revenue from after-sales services reached approximately RMB611.2 million, representing an increase of approximately 44.6% as compared to that of the corresponding period of 2020.

- Profit for the six months ended 30 June 2021 grew by approximately 146.8% to approximately RMB266.8 million as compared to that of the corresponding period of 2020. The net profit margin for the six months ended 30 June 2021 increased to approximately 5.4%, comparing to the net profit margin of approximately 3.2% for the corresponding period in 2020.

- The Group was in net cash position of approximately RMB166.1 million as at 30 June 2021, comparing to net debt of approximately RMB63.8 million as at 31 December 2020.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of BetterLife Holding Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2021 (the "**Period**"), together with the comparative figures for the corresponding period in 2020. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors, with one of them chairing the committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
REVENUE	*4*	**4,942,644**	3,356,601
Cost of sales		**(4,378,947)**	(3,014,969)
Gross profit		**563,697**	341,632
Other income and gains	*4*	**106,159**	58,678
Selling and distribution expenses		**(199,877)**	(140,127)
Administrative expenses		**(107,957)**	(75,934)
Other expenses		**(11,947)**	(9,837)
Finance costs	*6*	**(9,176)**	(25,041)
PROFIT BEFORE TAX	*5*	**340,899**	149,371
Income tax expense	*7*	**(74,059)**	(41,266)
PROFIT FOR THE PERIOD		**266,840**	108,105
Attributable to:			
Owners of the parent		**209,140**	75,350
Non-controlling interests		**57,700**	32,755
		266,840	108,105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB0.46**	RMB0.17

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**266,840**	108,105
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(11)**	208
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**(11)**	208
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**266,829**	108,313
Attributable to:		
Owners of the parent	**209,129**	75,558
Non-controlling interests	**57,700**	32,755
	266,829	108,313

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**337,301**	335,015
Investment properties		**50,250**	—
Right-of-use assets		**256,319**	313,948
Goodwill		**210,396**	210,396
Intangible assets		**537,140**	549,120
Deferred tax assets		**37,997**	27,621
Long-term prepayments		**2,580**	5,179
Amounts due from related parties	*14*	**—**	10,296
Total non-current assets		**1,431,983**	1,451,575
CURRENT ASSETS			
Inventories	*11*	**628,487**	444,963
Trade receivables	*12*	**55,853**	38,246
Amounts due from related parties	*14*	**10,089**	11,621
Prepayments, other receivables and other assets		**488,180**	392,945
Financial assets at fair value through profit or loss		**178,000**	439,000
Pledged deposits		**—**	25,451
Cash in transit		**27,345**	6,160
Cash and cash equivalents		**432,785**	230,672
Total current assets		**1,820,739**	1,589,058
CURRENT LIABILITIES			
Trade and bills payables	*13*	**102,315**	145,625
Amounts due to related parties	*14*	**14,417**	11,059
Other payables and accruals		**182,378**	169,847
Contract liabilities		**333,612**	269,118
Interest-bearing bank and other borrowings		**294,023**	326,106
Lease liabilities		**34,711**	34,222
Tax payable		**63,864**	44,712
Total current liabilities		**1,025,320**	1,000,689
NET CURRENT ASSETS		**795,419**	588,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,227,402**	2,039,944

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Contract liabilities	**92,249**	88,273
Lease liabilities	**81,301**	110,642
Deferred tax liabilities	**142,837**	146,843
Total non-current liabilities	**316,387**	345,758
Net assets	**1,911,015**	1,694,186
EQUITY		
Equity attributable to owners of the parent		
Share capital	**—***	—*
Reserves	**1,737,146**	1,528,017
	1,737,146	1,528,017
Non-controlling interests	**173,869**	166,169
Total equity	**1,911,015**	1,694,186

* Less than RMB1,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial information for the three years ended 31 December 2020 included in the accountants' report set out in Appendix I to the Group's prospectus dated 30 June 2021.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's financial information for the year ended 31 December 2020 set out in Appendix I to the Group's prospectus dated 30 June 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. The amendment did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the sale and service of motor vehicles. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of motor vehicles and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

Since over 95% of the Group's revenue and operating profit were generated from the sale and service of motor vehicles in Mainland China and over 95% of the Group's non-current assets were located in Mainland China, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the reporting period, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Revenue from contracts with customers		
Sale of motor vehicles	**4,331,489**	2,933,803
After-sales services (note a)	**611,155**	422,798
	4,942,644	3,356,601
Disaggregated revenue information for revenue from contracts with customers		
Types of goods or services		
Sale of motor vehicles	**4,331,489**	2,933,803
After-sales services (note a)	**611,155**	422,798
Total revenue from contracts with customers	**4,942,644**	3,356,601
Geographical market		
Mainland China	**4,942,644**	3,356,601
Timing of revenue recognition		
Goods or services transferred at a point in time	**4,942,644**	3,356,601
Other income and gains		
Other income		
Interest income	**565**	7,524
Commission income	**69,714**	34,214
Rental income	**5,165**	3,967
Government grants	**255**	855
Others (note b)	**18,803**	2,172
	94,502	48,732

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gains		
Gain on disposal of items of property, plant and equipment	**6,946**	3,867
Investment income from financial assets at fair value through profit or loss	**4,711**	6,079
	11,657	9,946
	106,159	58,678

Notes:

(a) After-sales services include repair and maintenance services, sale of accessories and other automobile related products, insurance agency services and license plate registration services.

(b) During the reporting period, a tax refund of RMB11,980,000 was received from the tax bureau and recognised as other income, which was a tax rebate at the preferential tax rate for the year ended 31 December 2015.

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Cost of sales of motor vehicles		**4,045,299**	2,794,055
Cost of after-sales services		**333,648**	220,914
Cost of sales		**4,378,947**	3,014,969
Depreciation of items of property, plant and equipment		**40,573**	31,900
Depreciation/amortisation of investment properties		**1,208**	—
Depreciation of right-of-use assets		**26,699**	25,989
Amortisation of intangible assets		**12,093**	11,631
Lease payments not included in the measurement of lease liabilities		**3,096**	986
Listing expenses		**10,672**	4,653
Write-down of inventories to net realisable value*		**11,947**	9,837
Interest income	4	**(565)**	(7,524)
Investment income from financial assets at fair value through profit or loss	4	**(4,711)**	(6,079)
Gain on disposal of property, plant and equipment	4	**(6,946)**	(3,867)

* The write-down of inventories to net realisable value was included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank and other borrowings	**5,057**	20,602
Interest on lease liabilities	**3,508**	3,931
Interest on sale and lease-back liabilities	**611**	508
	9,176	25,041

7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the reporting period.

All of the Group's subsidiaries established in the PRC were subject to the PRC corporate income tax rate of 25% during the reporting period.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the reporting period. The major components of income tax expense of the Group are as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China	**88,441**	37,953
Deferred	**(14,382)**	3,313
Total tax charge for the period	**74,059**	41,266

8. DIVIDENDS

No dividends were declared or paid by the Company during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the capitalisation issue as described in note 15 as if the capitalisation issue had been completed on 1 January 2020.

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB209,140,000 (six months ended 30 June 2020: RMB75,350,000), and the weighted average number of the Company's ordinary shares of 450,000,000 (six months ended 30 June 2020: 450,000,000) in issue and issuable, comprising 1 shares outstanding on 31 December 2020 as disclosed and the capitalisation issue of 449,999,999 shares on 15 July 2021 as further detailed in note 15, as if the respective shares were outstanding throughout the periods presented.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**209,140**	75,350

	Number of shares For the six months ended 30 June	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**450,000,000**	450,000,000

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021 (audited)							
Cost	243,303	58,383	29,674	119,307	54,536	9,194	514,397
Accumulated depreciation	(88,656)	(24,365)	(6,748)	(26,985)	(32,628)	—	(179,382)
Net carrying amount	154,647	34,018	22,926	92,322	21,908	9,194	335,015
At 1 January 2021, net of accumulated depreciation	154,647	34,018	22,926	92,322	21,908	9,194	335,015
Additions	—	1,856	15,803	67,672	2,556	9,878	97,765
Transfers	—	—	11,206	—	1,280	(12,486)	—
Transfer to investment properties	(21,168)	—	—	—	—	—	(21,168)
Disposals	—	(29)	—	(33,352)	(357)	—	(33,738)
Depreciation provided during the period	(13,589)	(2,949)	(6,593)	(13,534)	(3,908)	—	(40,573)
At 30 June 2021, net of accumulated depreciation	119,890	32,896	43,342	113,108	21,479	6,586	337,301
At 30 June 2021 (unaudited)							
Cost	213,022	60,056	56,683	143,393	54,826	6,586	534,566
Accumulated depreciation	(93,132)	(27,160)	(13,341)	(30,285)	(33,347)	—	(197,265)
Net carrying amount	119,890	32,896	43,342	113,108	21,479	6,586	337,301

Notes:

(a) The net carrying amounts of the Group's vehicles held under sale and lease-back transactions included in the total amounts of property, plant and equipment were RMB17,573,000 as at 30 June 2021 (31 December 2020: RMB18,165,000) .

(b) Certain of the Group's buildings with a net carrying amount of approximately RMB18,590,000 were pledged to secure general banking facilities granted to the Group as at 30 June 2021 (31 December 2020: RMB21,703,000).

11. INVENTORIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Motor vehicles	**578,896**	408,896
Spare parts and accessories	**61,538**	43,725
	640,434	452,621
Less: Provision for inventories	**(11,947)**	(7,658)
	628,487	444,963

Note: Inventories with a carrying amount of RMB117,841,000 were pledged as security for bank and other loans as at 30 June 2021 (31 December 2020: RMB143,080,000).

12. TRADE RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	**55,853**	38,246
Impairment	**—**	—
	55,853	38,246

The Group's trading terms with its customers are mainly on cash, except for some transactions which are traded on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 3 months	**55,269**	37,943
3 to 6 months	**581**	254
6 months to 1 year	**3**	49
	55,853	38,246

13. TRADE AND BILLS PAYABLES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Trade payables	**102,315**	98,171
Bills payables	**—**	47,454
	102,315	145,625

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Within 3 months	**94,926**	143,697
3 to 6 months	**4,905**	1,573
6 months to 1 year	**2,187**	41
Over 1 year	**297**	314
	102,315	145,625

The trade payables are non-interest-bearing and are normally settled on three-month terms.

14. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the opinion that the following companies are related parties that had transactions or balances with the Group during the reporting period.

Name of related parties	Relationship with the Group
Mr. Chou Patrick Hsiao-Po	Controlling shareholder of the Company
Chou Dynasty Holding Co., Ltd	Controlling shareholder of the Company
Beijing Zhoushi Xingye International Trading Co., Ltd.	A fellow subsidiary
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	A fellow subsidiary
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	A fellow subsidiary
Oule (Hangzhou) Automobile Technology Co., Ltd.	A fellow subsidiary
eCapital (China) Leasing Co., Ltd.	A fellow subsidiary
Beijing Xiaobo Technology Co., Ltd.	A fellow subsidiary
Tianjin Zhoushi International Trade Co., Ltd.	A fellow subsidiary
Tianjin Zhoushi Xingye Leasing Co., Ltd.	A fellow subsidiary
BetterLife Global Auctioneering Co., Ltd.	A fellow subsidiary
Sichuan Chuanwu Automobile Import and Export Trade Corporation	A fellow subsidiary of non-controlling interests
eCapital Technology Development Group Ltd.	Controlled by the brother of the controlling shareholder
Chengdu Chuanwu Investment Co., Ltd.	Non-controlling interests
Chengdu Riyue Industrial Development Co., Ltd.	Jointly controlled by a fellow subsidiary and non-controlling interests

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Lease payments:		
Oule (Hangzhou) Automobile Technology Co., Ltd. (i)	**1,186**	1,245
Beijing Zhoushi Xingye Enterprise Management Co., Ltd. (ii)	**10,990**	10,098
Beijing Zhoushi Xingye International Trading Co., Ltd. (iii)	**627**	1,254
Tianjin Zhoushi International Trade Co., Ltd. (iv)	**2,284**	3,207
Sichuan Chuanwu Automobile Import and Export Trade Corporation (v)	**232**	232
Chengdu Riyue Industrial Development Co., Ltd. (vi)	**430**	56
	15,749	16,092
Rental income from:		
eCapital Technology Development Group Ltd.	**272**	—
Insurance agency income from:		
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	3,948
Commission income from:		
eCapital (China) Leasing Co., Ltd.	**369**	24
Sales of motor vehicles:		
eCapital (China) Leasing Co., Ltd.	**34,909**	15,817

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Purchase of services and goods from:		
Beijing Xiaobo Technology Co., Ltd.	**4,402**	5,759
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**203**	696
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	**2**	2,791
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**7,072**	4,954
Tianjin Zhoushi International Trade Co., Ltd.	**218**	78
	11,897	14,278
Interest income from:		
eCapital (China) Leasing Co., Ltd.	**—**	2,139
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	**—**	295
Tianjin Zhoushi Xingye Leasing Co., Ltd.	**—**	236
Beijing Zhoushi Xingye International Trading Co., Ltd.	**—**	236
BetterLife Global Auctioneering Co., Ltd.	**—**	295
	—	3,201
Interest expense on sale and lease-back transactions:		
eCapital (China) Leasing Co., Ltd.	**611**	508
Finance cost paid to:		
eCapital (China) Leasing Co., Ltd.	**209**	408

Notes:

(i) The Group entered into a property leasing agreement with Oule (Hangzhou) Automobile Technology Co., Ltd., and accordingly recognised lease liabilities of RMB5,644,000 as at 30 June 2021 (31 December 2020: RMB6,689,000).

(ii) The Group entered into some property leasing agreements with Beijing Zhoushi Xingye Enterprise Management Co., Ltd., and accordingly recognised lease liabilities of RMB50,699,000 as at 30 June 2021 (31 December 2020: RMB61,337,000).

(iii) The Group entered into some property leasing agreements with Beijing Zhoushi Xingye International Trading Co., Ltd., and accordingly recognised lease liabilities of RMB4,018,000 as at 30 June 2021 (31 December 2020: RMB4,533,000).

(iv) The Group entered into a property leasing agreement with Tianjin Zhoushi International Trade Co., Ltd., and accordingly recognised lease liabilities of RMB17,700,000 as at 30 June 2021 (31 December 2020: RMB19,463,000).

(v) The Group entered into a property leasing agreement with Sichuan Chuanwu Automobile Import and Export Trade Corporation, and accordingly recognised lease liabilities of RMB1,430,000 as at 30 June 2021 (31 December 2020: RMB1,498,000).

(vi) The Group entered into a property leasing agreement with Chengdu Riyue Industrial Development Co., Ltd., and accordingly recognised lease liabilities of RMB5,025,000 as at 30 June 2021 (31 December 2020: RMB5,230,000).

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Other transactions with related parties

(i) During the reporting period, the Group sold its motor vehicles to eCapital (China) Leasing Co., Ltd., which were leased back for use by the Group. The proceeds from the sale and lease-back transactions amounted to approximately RMB8,633,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB9,073,000). Lease payments of the sale and lease-back transactions amounted to approximately RMB9,743,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB6,894,000). The annual interest rates of the sale and lease-back transactions ranged from 5.07% to 16.38%. In addition, rental fees of utilising the license plates owned by eCapital (China) Leasing Co., Ltd. amounting to approximately RMB503,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB300,000), were incurred.

As at 30 June 2021, sale and lease-back liabilities with eCapital (China) Leasing Co., Ltd. were RMB8,357,000 (31 December 2020: RMB8,876,000).

(ii) During the reporting period, the Group sold its motor vehicles to certain customers and then the customers carried out mortgage arrangements with eCapital (China) Leasing Co., Ltd. The proceeds from sale of motor vehicles were partly paid by eCapital (China) Leasing Co., Ltd., which amounted to RMB1,787,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

(iii) On 22 June 2020, the Group entered into an agreement with Beijing Zhoushi Xingye Enterprise Management Co., Ltd., to dispose of its interests of an unlisted equity investment for a cash consideration of RMB10,500,000.

(d) Balances with related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Amounts due from related parties:		
eCapital (China) Leasing Co., Ltd.	**3,894**	2,860
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**5,923**	18,644
eCapital Technology Development Group Ltd.	**272**	—
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	413
	10,089	21,917
Amounts due to related parties:		
eCapital (China) Leasing Co., Ltd.	**8,963**	10,979
Beijing Xiaobo Technology Co., Ltd.	**2,707**	—
Chou Dynasty Holding Co., Ltd.	**2,538**	—
Beijing Zhoushi Xingye International Trade Co., Ltd.	**209**	—
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**—**	53
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	27
	14,417	11,059

(e) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short term employee benefits	**3,353**	1,890
Post-employment benefits	**84**	16
	3,437	1,906

15. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 July 2021 ("the **Listing Date**"), 150,000,000 new ordinary shares were issued at a price of HK$4.40 per share in connection with the Company's initial public offering on the Stock Exchange. A total of 449,999,999 shares of HK$0.01 each were allotted and issued at par value to the shareholder as of the date immediately before the Listing Date in proportion by way of capitalisation of HK$4,500,000 (the "**Capitalisation Issue**") from the Company's share premium account on the Listing Date.

(b) On 6 August 2021, the over-allotment option has been fully exercised and the Company allotted and issued 22,500,000 additional shares at HK$4.40 per share on 11 August 2021.

(c) Subsequent to the reporting period, a subsidiary of the Group was verbally informed by the local tax bureau that a few of its former employees complained to the local tax bureau alleging that the subsidiary had made incorrect individual income tax ("**IIT**") filings for its employees. While the subsidiary had not received any written notification from the relevant local tax bureau concerning the specific details of the compliant, the Group initiated, for purpose of ensuring the propriety of its IIT filings, a group-wide review of the relevant records (including but not limiting to our payroll schedules of our human resources department, the respective payment records and IIT filings) and a series of interviews with selected employees regarding their IIT filings. As of the date of the interim results announcement, these internal reviews and interviews are still in progress. Based on the findings of the above mentioned exercises to date, the Group has not identified any events which may have a material impact on the financial statements of the Group and accordingly, the Group has not made any provision thereof in its unaudited interim condensed consolidated financial information as at and for the six months ended 30 June 2021. As disclosed in the Prospectus of the Company dated 30 June 2021, there is a Deed of Indemnity entered into by Mr. Chou Patrick Hsiao-Po and Chou Dynasty Holding Co., Ltd, the controlling shareholders of the Company, on 17 June 2021 in favour of the Group to provide indemnities in respect of, among other things, any liability of any or all of the members of the Group arising from non-compliance with any form of taxation including payroll tax and salaries tax.

CHAIRMAN STATEMENT

On behalf of the Board, I am pleased to present the unaudited interim results of the Group for the six months ended 30 June 2021. The Group's net profit of the Period was approximately RMB266.8 million, representing an increase of approximately 146.8% from approximately RMB108.1 million for the corresponding period in 2020.

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of 30 June 2021, we operated 12 4S dealership stores for the brands of Porsche, Audi, Mercedes-Benz, Bentley, Volvo and Jaguar-Land Rover across six provinces and municipalities in China, namely Beijing, Tianjin, Shandong, Sichuan, Zhejiang and Guangdong. According to the Frost & Sullivan Report, these six provinces and municipalities were all among the top ten provincial-level regions in China in terms of the number of high-net-worth individuals in 2020 and had shown strong purchase power and demands for luxury and ultra-luxury automobiles.

Driven by increases in both the number of high-net-worth individuals in China and the purchasing power of Chinese residents, the sales volume of luxury and ultra-luxury passenger vehicles in China is expected to grow at a CAGR of 10.2% and 3.3% from 2020 to 2025, respectively, and reach 5.7 million units and 118.4 thousand units in 2025, respectively, according to the Frost & Sullivan Report. We believe this has demonstrated the growth potential of our business operations. According to the 2021 Report on the Work of the Government issued by the National People's Congress (第十三屆全國人民代表大會第四次會議) in March 2021, promoting the consumption of passenger vehicles has been listed as one of the key tasks of the PRC government in 2021 as part of the efforts to stimulate domestic demand and consumption, which, we believe, would continue to fuel the growth of demand for our products and services by our customers.

We offer a comprehensive range of automobile-related products and services, including (i) sale of automobiles consisting of mainly imported and domestically manufactured petroleum models; and (ii) after-sales services, which consist of repair and maintenance services, sale of accessories and other automobile-related products, insurance agency services and automobile license plate registration services. We also provide other automobile-related value-added services to customers, such as automobile financing and pre-owned automobile brokerage services. We believe that our broad range of services allow us to build and maintain long-term relationships with our customers and establish a variety of revenue streams. By continuing to enhance customer satisfaction, we aim to become a one-stop provider of automobile products and services for our customers.

In 2000, we opened our first dealership store for Audi in Beijing and became one of the first dealers of Audi in China. In 2003, we opened our first dealership store for Porsche in Beijing, which was also the first Porsche 3S dealership store in China. Our success in the luxury and ultra-luxury brand automobile dealership segment is grounded in our in-depth understanding of the needs of luxury and ultra-luxury brand automobile purchasers, our effective marketing towards this group of customers and the high-quality services we provide. We believe that our operational capabilities and expertise have also helped automobile manufacturers gain market share and win customer loyalty in China, which, in turn, have contributed to our long-term relationships with them. In addition, we have established advanced information technology systems in our headquarters and across our 4S dealership stores as a uniform digital platform which integrates data and information relating to our customers and automobile brands. In 2016, we completed the roll-out of our ERP system, which maintains in one database the information needed for a variety of business functions, such as inventory, financial and human resources management. In addition to helping customers choose their preferred automobile models, we follow up with each customer and provide them with other after-sales and value-added services throughout the life cycle of their automobiles, including repair and maintenance, insurance and trading of used cars, in order to maintain customer relationships and cultivate further business opportunities.

We aim to strengthen our market position as a leading luxury and ultra-luxury automobile dealership service provider in China and to capture opportunities in the automobile market by pursuing the following strategies: (i) further expand our automobile dealership network and brand portfolio through organic growth and selective acquisitions; (ii) continue to maintain and upgrade our information technology systems to strengthen our operating capabilities, enhance customers' experience and increase our same-store sales growth; (iii) enhance our after-sales services and automobile-related value-added services to achieve fast business growth; (iv) further expand our new energy vehicle business to adapt to and capture the growing new energy vehicle market; and (v) continue to focus on the recruitment, training and retention of employees to support our future growth and expansion.

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2021 (the "**IPO**"). Being the first automobile dealership service provider in China successfully closed an IPO on the Stock Exchange since the outbreak of COVID-19, we obtained worldwide supports from the investors. The IPO proceeds have contributed the source of funding for the Group's long-term development, expansions of our dealership store network through organic growth and, if suitable opportunities arise, through selective acquisitions, the renovation of our existing 4S dealership stores, upgrading our information technology systems and funding our working capital and general corporate purposes requirements.

With the support of our Board and management team, I am confident that our business will continue to grow and to develop steadily and healthily. We are now in the process of further expanding our dealership network among tier-one and tier two cities in China. We plan to expand our network by opening new dealership stores for the brands that we currently operate. For the locations, we will target tier-one and tier-two cities in China which are close to the cities where our existing 4S dealership stores are located, especially the Yangtze River Delta and the Greater Bay Area in Guangdong province. We have obtained a preliminary approval from the manufacturer of Jaguar-Land Rover for a new dealership store in Shanghai. We will proceed to negotiate with the manufacturer of Jaguar-Land Rover on the dealership agreement and expect to open such new dealership store in the fourth quarter this year. We will also follow up with other manufacturers on their expansion plans. If they plan to establish new dealership stores in our target cities, we will formulate a proposal which sets out the background information of the operating entity, the track record of our Group in operating 4S dealership stores and a preliminary plan in relation to, among others, the properties or land to be used for the new dealership store and the expected timeline for the construction and renovation of the premises. We also plan to acquire other 4S dealership stores that operate luxury and ultra-luxury brands, including, among others, Porsche, Mercedes-Benz, BMW, Audi, Volvo, Jaguar-Land Rover, Bentley and Rolls-Royce. And target locations would be similar to our plans of opening new stores. We expect to finance our capital expenditures with the IPO proceeds, our cash inflow from operating activities and the bank borrowings.

The Group will continue to strive for improving our operating efficiency and profitability to further strengthen our competitive advantages. At present, the Group is proactively refining the existing business strategies and identifying potential business opportunities, in an effort to capture enormous opportunities in the automobiles dealership industry, in order to create the greatest return for our shareholders.

I look forward to further reporting to the shareholders at the coming result announcements and annual general meetings in respect of the effective stewardship of the Company's business and assets and the continuous delivery of value to our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of 30 June 2021, we operated 12 4S dealership stores for the brands of Porsche, Audi, Mercedes-Benz, Bentley, Volvo and Jaguar-Land Rover across six provinces and municipalities in China, namely Beijing, Tianjin, Shandong, Sichuan, Zhejiang and Guangdong. According to the Frost & Sullivan Report, these six provinces and municipalities were all among the top ten provincial-level regions in China in terms of the number of high-net-worth individuals in 2020 and had shown strong purchase power and demands for luxury and ultra-luxury automobiles. All of our stores are strategically located near commercial centers in affluent cities in the economically well-developed regions in China, including Beijing, Tianjin, Hangzhou, Chengdu, Qingdao and Foshan.

We began our business relationships with Audi in 1999. We were among the first automobile dealership groups in the PRC granted dealership rights by Audi. In 2002, we were authorized to open our first dealership store for Porsche. Our success in the luxury and ultra-luxury brand automobile dealership segment is grounded in our in-depth understanding of the needs of luxury and ultra-luxury brand automobile purchasers, our effective marketing towards this group of customers and the high-quality services we provide. We believe that our operational capabilities and expertise have also helped the premium automobile manufacturers to gain market share and to win customer loyalty in China, which, in turn, have contributed to our long-term relationships with them and have helped us to obtain dealership authorizations also from many other luxury automobile brands, including Bentley and Mercedes-Benz in Qingdao and Beijing, respectively. In 2018, we entered into the dealership agreement with Volvo and established our first 4S dealership store for Volvo in the same year. In order to further expand our operations in the luxury and ultra-luxury brand automobile dealership market, we established our first dealership store for Jaguar-Land Rover in Hangzhou, Zhejiang province in 2019.

We offer a comprehensive range of automobile-related products and services, including (i) sale of automobiles consisting of mainly imported and domestically manufactured petroleum models; and (ii) after-sales services, which consist of repair and maintenance services, sale of accessories and other automobile-related products, insurance agency services and automobile license plate registration services. We also provide other automobile-related value-added services to customers, such as automobile financing and pre-owned automobile brokerage services. We believe that our comprehensive service offerings are key to our success, particularly in the luxury and ultra-luxury automobile market in which customers usually are less price-sensitive and place more value on comprehensive and high-quality services. Our high-quality services are critical to building long-lasting customer relationships as well as attracting new customers. By continuing to enhance customer satisfaction, we aim to become a one-stop provider of automobile products and services for our customers.

We have implemented standardized and centralized management for our extensive 4S dealership store network across different regions in China. At the group level, we have adopted standardized management for our 4S dealership stores, including investment in new stores, pricing, procurement, inventory management, financial management and budgeting. These standardized management processes have resulted in an effective operation model which can be readily replicated to our future 4S dealership stores in new geographic areas. In addition, we have established advanced information technology systems in our headquarters and across our 4S dealership stores as a uniform digital platform which integrates data and information relating to our customers and automobile brands. In 2016, we completed the roll-out of our ERP system, which maintains in one database the information needed for a variety of business functions, such as inventory, financial and human resources management.

We have been committed to building our own corporate brand since our inception. Our "BetterLife" (百得利) brand was designed with the commitment to encourage people to pursue a better life. Adhering to our customer-oriented philosophy of "Customer for Life" (待客以恒), we are dedicated to providing customized services to satisfy each customer's specific demands. We have established a "butler service model" (管家式服務), where we provide each customer with detailed services in the process of purchasing a new automobile, including the introduction of the brand and performance of the automobiles, selection of automobile models, arranging for test-drives and procuring the relevant financing and insurance products, as well as license plate registration services. In addition, we are dedicated to providing our customers with comprehensive after-sales services, including repairs, maintenance and warranty extension services during the life cycle of their automobiles. This service model has allowed us to increase the frequency of interactions with our customers, maintain uniform service quality across our dealership store network, and create customer loyalty.

In addition, we believe that customer retention is an important criterion in evaluating the management of each of our 4S dealership stores. We require our sales and after-sales staff to utilize the information technology systems to serve each customer in a flexible and proactive manner to enhance customers' experience at our 4S dealership stores. We also encourage customers to conduct online service review for our sales and after-sales staff, which allows us to collect feedback and assess the quality of our services in a timely manner. Our highly effective and efficient information technology systems and digital platforms have helped to streamline and significantly enhance our ordering, inventory and logistics management as well as financial and cash management, which, in turn, enabled us to minimize the costs of maintaining inventory and improve our overall sales performance and customers' satisfaction with our services.

We have a seasoned and stable senior management team with substantial experience in the PRC automobile dealership sector. Our senior management has been working with our Group in the PRC automobile dealership industry for an average of 14 years. In addition, we have experienced executives at our 4S dealership level across the regions we operate. We are committed to developing home grown talents. The majority of general managers at our 4S dealership stores have been promoted through our internal assessments. They have extensive experience in the management of 4S dealership stores and have a high degree of loyalty to us. Our general managers of each of our 4S dealership stores have been working with our Group for an average of 12 years. We are dedicated to identifying and promoting talented employees and provide them with a clear career track. We primarily fill management vacancies through internal promotions, which enable us to maintain and foster a consistent corporate culture, motivate the better performance of employees and reduce management turnover. We organize practical workplace training and meetings for our staff and management team on a regular basis, which cover various aspects of the management of 4S dealership stores, including, among others, business development on sales and after-sales services, inventory management, management of customer satisfaction, intelligent management and other business operations.

During the first half of 2021, the Group has sold 7,410 passenger vehicles in total, representing an increase of approximately 42.7% from 5,194 passenger vehicles sold during the corresponding period in 2020. The revenue generated from the sales of automobiles for the Period amounted to approximately RMB4,331.5 million, representing an increase of approximately 47.6% over that of the corresponding period in 2020, which accounted for approximately 87.6% of the Group's total revenue. For the six months ended 30 June 2021, the Group's revenue from after-sales services reached RMB611.2 million, representing an increase of approximately 44.6% as compared to that of the corresponding period of last year, which accounted for approximately 12.4% of the Group's total revenue.

We intend to explore further opportunities and make further expansion of our dealership networks so as to fuel the growth of our businesses. To leverage on our high quality product and service offerings, premium customer bases, deep industrial experiences and the strategic partnership with reputable premium automobile manufacturers, we are confident in our ability to capture enormous opportunities in the automobile dealership industry and to drive continued and healthy growth for the Group in the future.

The past 16 months have not been easy due to the outbreak of COVID-19. The prudent business strategy we have pursued in recent years, including a disciplined approach to dealership network expansion, efficient management of our various inventories, and the maintenance of a conservative capital structure as well as a solid financial position, has rewarded us with a position in the market that is able to weather the challenging economic environment and to capture future growth opportunities. We managed and mitigated the risks to our business which arose from the volatile and challenging economic environment due to the outbreak of COVID-19. We were not only able to ride out the storm, but came out of it stronger than ever to capture the opportunities that the automobile dealership sector will offer in the coming years.

Financial Review

Revenue

Our revenue increased by approximately RMB1,586.0 million, or approximately 47.3%, from approximately RMB3,356.6 million for the corresponding period in 2020 to approximately RMB4,942.6 million for the Period. Revenue from sales of automobiles increased by approximately RMB1,397.7 million, or approximately 47.6%, from approximately RMB2,933.8 million for the corresponding period in 2020 to approximately RMB4,331.5 million for the Period, accounting for approximately 87.6% (first half of 2020: approximately 87.4%) of the total revenue. In terms of sales volume, the Group sold 7,410 units of passenger vehicles in total during the Period, representing an increase of approximately 42.7% from 5,194 units of passenger vehicles sold during the corresponding period in 2020. Revenue from after-sales services increased by approximately RMB188.4 million, or approximately 44.6%, from approximately RMB422.8 million for the corresponding period in 2020 to approximately RMB611.2 million for the Period, accounting for approximately 12.4% (first half of 2020: approximately 12.6%) of the total revenue. We believe the substantial increase in revenue and sales volume during the Period was mainly attributable to (i) the increase in purchasing power of Chinese residents and the trend of consumption upgrade in China, and (ii) the relatively lower of revenue and sales volume for the six months ended 30 June 2020 as impacted by the outbreak of COVID-19.

Cost of sales

Cost of sales increased by approximately 45.2% from approximately RMB3,015.0 million for the first half of 2020 to approximately RMB4,378.9 million for the Period, which was in line with the increase in revenue as described above.

Gross Profit and Gross Profit Margin

During the Period, the Group recorded gross profits of approximately RMB563.7 million, representing an increase of approximately 65% from the gross profit of approximately RMB341.6 million for the corresponding period in 2020. Our gross profit margin increased from approximately 10.2% for the corresponding period in 2020 to approximately 11.4% during the Period. It was primarily due to the increase in average selling price of our products and services and, increase in sales volume.

Gross profit margin for the sales of passenger vehicles increased to approximately 6.6% for the six months ended 30 June 2021, from approximately 4.8% for the six months ended 30 June 2020. Gross profit margin for after-sales services was approximately 45.4% for the six months ended 30 June 2021, which decreased from approximately 47.7% for the six months ended 30 June 2020.

Other Income and Gains

Our other income and gains increased by approximately 80.9% from approximately RMB58.7 million for the corresponding period in 2020 to approximately RMB106.2 million during the Period. The increase was primarily due to the increase in commission income from other value-added automobile services, including referring customers who require financing arrangements for purchasing automobiles and pre-owned automobile brokerage services as well as a tax refund of approximately RMB12.0 million was received from the tax bureau and recongnised as other income, etc.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 42.6% from approximately RMB140.1 million for the corresponding period in 2020 to approximately RMB199.9 million during the Period, which was in line with the increase in revenue and sales volume during the Period as described above. It accounted for approximately 4.0% of the total revenue which decreased slightly from approximately 4.2% for the corresponding period in last year.

Administrative Expenses

Our administrative expenses increased by approximately 42.2% from approximately RMB75.9 million for the corresponding period in 2020 to approximately RMB108.0 million during the Period, which was in line with the increase in the total revenue during the Period as described above as well as the listing expenses incurred during the Period. It accounted for approximately 2.2% of the total revenue which was similar to that of the corresponding period last year.

Other Expenses

We incurred other expenses of approximately RMB11.9 million and approximately RMB9.8 million for the Period and for the corresponding period last year, respectively, and which was mainly related to the provisions on inventory balances by end of the respective period.

Financial Costs

Our finance costs decreased by approximately 63.4% from approximately RMB25.0 million for the corresponding period in 2020 to approximately RMB9.2 million incurred during the Period, primarily due to the decrease in our bank and other borrowings during the Period and the decrease of effective interest rate of the bank and other borrowings. It accounted for approximately 0.2% of the total revenue which decreased from approximately 0.7% for the corresponding period in 2020.

Profit before Tax

As a result of the foregoing, our profit before tax increased by approximately 128.2% from approximately RMB149.4 million for the corresponding period in 2020 to approximately RMB340.9 million for the Period.

Income Tax Expense

Our income tax expense increased by approximately 79.5% from approximately RMB41.3 million incurred for the corresponding period in 2020 to approximately RMB74.1 million incurred for the Period, primarily due to the increase in taxable profit that we recorded during the Period. Our effective tax rate decreased from approximately 27.6% for the corresponding period in 2020 to approximately 21.7% for the Period, primarily due to tax losses utilized from previous periods and deferred tax assets in relation to tax losses of previous periods of approximately RMB9.9 million which was recognised during the Period.

Profit for the Period

As a result of the foregoing, our profit for the Period increased by approximately 146.8% from RMB108.1 million for the corresponding period in 2020 to approximately RMB266.8 million for the Period. The net profit margin for the six months ended 30 June 2021 was approximately 5.4%, comparing to the net profit margin of approximately 3.2% for the corresponding period in 2020.

Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent for the Period increased by approximately 177.6% from approximately RMB75.4 million for the corresponding period in 2020 to approximately RMB209.1 million for the Period.

Inventory Turnover Days

There was an increase in inventory balance of approximately 41.2% from RMB445.0 million as at 31 December 2020 to RMB628.5 million as at 30 June 2021. It was mainly due to increase in demand of customers and sales volume of the Group during the Period, we increased the inventory level to fulfill the increasing demands of customers. The average inventory turnover days as at 30 June 2021 totaled approximately 22.1 days (31 December 2020: approximately 26.7 days).

Liquidity and Financial Resources

The Group’s principal sources of working capital included cash inflow from operating activities and bank borrowings. The Group has adopted a prudent treasury policy and had maintained a healthy liquidity position throughout the Period. To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements from time to time. During the Period, the Group has adequate financial resources to meet all contractual obligations and operating requirements.

As at 30 June 2021, total equity of the Group amounted to approximately RMB1,911.0 million (31 December 2020: approximately RMB1,694.2 million). As at 30 June 2021, the current assets of the Group amounted to approximately RMB1,820.7 million (31 December 2020: approximately RMB1,589.1 million) while current liabilities amounted to approximately 1,025.3 million (31 December 2020: approximately RMB1,000.7 million).

As at 30 June 2021, the Group's loans and borrowings amounted to approximately RMB294.0 million, representing a decrease of approximately 9.8% as compared to approximately RMB326.1 million as at 31 December 2020. The Group's loans and borrowings were denominated in Renminbi. The decrease in the Group's bank loans and other borrowings during the Period was primarily due to the repayment of the loan and other borrowings, benefiting from the substantial amount of cash generated from our operating activities. The annual interest rates of the bank loans and other borrowings ranged from 3.85% to 7.6%. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group currently has not used any derivatives to hedge interest rate risk. The debt to equity ratio (being the total loans and borrowings divided by total equity) was approximately 15.4% as at 30 June 2021 (31 December 2020: approximately 19.2%). The Group was in net cash position (the excess amount of the total of (i) pledged deposits; (ii) cash in transit; and (iii) cash and cash equivalents over the amount of interest-bearing bank and other borrowings) of approximately RMB166.1 million as at 30 June 2021, comparing to net debt (the excess amount of Interest-bearing bank and other borrowing over the total of (i) pledged deposits; (ii) cash in transit; and (iii) cash and cash equivalents) of approximately RMB63.8 million as at 31 December 2020.

As at 30 June 2021, cash and cash equivalents, cash in transit and pledged deposits amounted to approximately RMB460.1 million (31 December 2020: approximately RMB262.3 million). The cash and cash equivalents and pledged bank deposits were mainly denominated in Renminbi, U.S. Dollars and Hong Kong Dollars. Apart from part of the cash denominated in U.S. Dollars and Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. For the Period, the Group did not employ in any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes, nor did it employ any major financial instruments for hedging purposes. The management of the Group will closely monitor foreign exchange risks and will consider measures to hedge potential major foreign exchange risks when necessary.

Capital Commitments

The Group's capital commitments mainly comprised expenditures on property, plant and equipment. As at 30 June 2021, the capital commitments were approximately RMB14.1 million (31 December 2020: approximately RMB8.6 million). Save as disclosed above, the Group did not make any significant commitments during the six months ended 30 June 2021.

Details of the Future Investment Plans for Material Investment

The Group is planning to further expand its dealership networks. Due to the rapid changing market environment, the Group prefers to maintain flexibilities throughout the expansion process and avoid fixing a capacity target under a pre-determined timeline. Save as disclosed above, the Group has not made any material amount of capital commitments for its expansion which would depend on and be subject to the market conditions and opportunities. We believe this strategy would enable the Group to maximize its advantages from the industry consolidation process.

Significant Acquisition and Disposal of Subsidiaries

During the Period, the Group did not have any significant acquisition and disposal of subsidiaries.

Capital Expenditures and Investment

The Group's capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the six months ended 30 June 2021, the Group's total capital expenditures were approximately RMB79.7 million (the corresponding period in 2020: approximately RMB50.4 million). Save as disclosed above, the Group did not make any significant investments during the six months ended 30 June 2021.

Contingent liabilities

As at 30 June 2021, there was no material contingent liability (31 December 2020: Nil).

Charges on group assets

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As of 30 June 2021, certain of our bank loans and other borrowings were secured by (i) mortgages over our prepaid land lease payments in China, which had an aggregate carrying amount of approximately RMB21.3 million (31 December 2020: approximately RMB21.7 million); (ii) mortgages over our buildings, which had an aggregate carrying amount of approximately RMB18.6 million (31 December 2020: RMB21.7 million); (iii) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB117.8 million (31 December 2020: RMB143.1 million); and (iv) mortgages over the deposits, which did not have any carrying amount (31 December 2020: RMB25.5 million).

Human resources

As of 30 June 2021, the Group had 1,311 (31 December 2020: 1,298) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Important Events after the Period

The shares of the Company were listed on the main board of the Stock Exchange on 15 July 2021 (the "**Listing Date**") with total net proceeds from (i) the global offering of the Company and (ii) issue and allotment of additional shares pursuant to the exercise of over-allotment option on 11 August 2021 of approximately HK$706.8 million (after deducting underwriting commissions and related expenses). Please refer to the announcements of the Company dated 14 July 2021 and 6 August 2021, respectively, for further details.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code"**) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for the following deviation.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Chou Patrick Hsiao-Po is the chairman of the Board and the chief executive officer of the Company. As Mr. Chou has been managing the Group's business and overall strategic planning for over 20 years, the Board considers that the vesting of the roles of chairman and chief executive officer in Mr. Chou is beneficial to the business prospects and management of the Group by ensuring consistent leadership within the Group, aligning the directions and approaches on the board level and execution level and enabling more effective and efficient overall strategic planning for the Group. Taking into account all the corporate governance measures that the Company is going to implement upon Listing, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company had not segregated the roles of its chairman and chief executive officer. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

As the shares of the Company had not been listed on the Stock Exchange as of 30 June 2021, the CG Code was not applicable to the Company during the Period.

Compliance with the 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**") set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by the Directors. As the Company was not yet listed on the Stock Exchange during the Period, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company.

After specific enquiries made to all Directors, Directors have confirmed compliance with the required standard set out in the Model Code since the listing of the Company on the Listing Date up to the date of this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

As the shares of the Company had not yet been listed on the Stock Exchange for the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

Audit Committee and Review of Interim Results

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, being Mr. Yau Ka Chi, Mr. Liu Dengqing and Mr. Wong Ka Kit. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited consolidated interim financial results of the Company for the six months ended 30 June 2021. The Audit Committee considers that the interim financial results for the six months ended 30 June 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF ERNST & YOUNG

The financial information in respect of the announcement of the Group's results for the six months ended 30 June 2021 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's interim consolidated financial statements. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.blchina.com). The interim report of the Company for the six months ended 30 June 2021 will be despatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
BetterLife Holding Limited
Chou Patrick Hsiao-Po
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the Board comprises Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing, Ms. Wei Hongjing and Mr. Chau Kwok Keung as executive directors and Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi as independent non-executive directors.

This announcement is available for viewing on the Company's website at www.blchina.com and the website of the Stock Exchange at www.hkexnews.hk.