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BetterLife Holding Limited
百得利控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6909)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 increased by approximately 16.8% to approximately RMB9,962.9 million as compared to that of the year ended 31 December 2020.
- The Group has sold 14,158 passenger vehicles in total during the year ended 31 December 2021, representing an increase of approximately 5.0% from that of the year ended 31 December 2020.
- The revenue generated from the sales of automobiles for the year ended 31 December 2021 amounted to approximately RMB8,728.0 million, representing an increase of approximately 17.0% as compared to that of the year ended 31 December 2020.
- For the year ended 31 December 2021, the Group's revenue from after-sales services reached approximately RMB1,234.9 million, representing an increase of approximately 15.3% as compared to that of the year ended 31 December 2020.
- Profit for the year ended 31 December 2021 grew by approximately 82.9% to approximately RMB560.7 million as compared to that of the year ended 31 December 2020. The net profit margin for the year ended 31 December 2021 increased to approximately 5.6%, comparing to the net profit margin of approximately 3.6% for the year ended 31 December 2020.
- The Group was in net cash position (the excess amount of the total of (i) pledged deposits; (ii) cash in transit; (iii) restricted cash; and (iv) cash and cash equivalents over the amount of interest-bearing bank and other borrowings) of approximately RMB1,134.6 million as at 31 December 2021, comparing to net debt (the excess amount of interest-bearing bank and other borrowings 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.

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of BetterLife Holding Limited (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**” or “**Reporting Period**”), together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

| | | Year ended 31 December | |
|---|--------------|------------------------|-------------|
| | | 2021 | 2020 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| REVENUE | 5 | 9,962,870 | 8,533,130 |
| Cost of sales | | (8,784,352) | (7,669,517) |
| Gross profit | | 1,178,518 | 863,613 |
| Other income and gains | 5 | 220,324 | 168,481 |
| Selling and distribution expenses | | (418,052) | (360,536) |
| Administrative expenses | | (221,149) | (192,394) |
| Other expenses | | (12,704) | (17,898) |
| Finance costs | 7 | (19,609) | (41,054) |
| PROFIT BEFORE TAX | 6 | 727,328 | 420,212 |
| Income tax expense | 8 | (166,643) | (113,721) |
| PROFIT FOR THE YEAR | | 560,685 | 306,491 |
| Attributable to: | | | |
| Owners of the parent | | 456,030 | 234,984 |
| Non-controlling interests | | 104,655 | 71,507 |
| | | 560,685 | 306,491 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | 10 | RMB0.86 | RMB0.52 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| PROFIT FOR THE YEAR | <u>560,685</u> | <u>306,491</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the financial statements of a subsidiary | (112) | (221) |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the financial statements of the Company | <u>(10,468)</u> | <u>—</u> |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX | <u>(10,580)</u> | <u>(221)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>550,105</u> | <u>306,270</u> |
| Attributable to: | | |
| Owners of the parent | 445,450 | 234,763 |
| Non-controlling interests | <u>104,655</u> | <u>71,507</u> |
| | <u>550,105</u> | <u>306,270</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

| | | As at 31 December | |
|---|-------|-------------------|-----------|
| | | 2021 | 2020 |
| | Notes | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 365,471 | 335,015 |
| Investment properties | | 65,755 | — |
| Right-of-use assets | | 317,466 | 313,948 |
| Goodwill | 12 | 210,396 | 210,396 |
| Intangible assets | 13 | 525,166 | 549,120 |
| Deferred tax assets | | 46,024 | 27,621 |
| Long-term prepayments | | 4,950 | 5,179 |
| Amounts due from related parties | | — | 10,296 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 1,535,228 | 1,451,575 |
| CURRENT ASSETS | | | |
| Inventories | 15 | 641,090 | 444,963 |
| Trade receivables | 16 | 41,113 | 38,246 |
| Amounts due from related parties | | 7,836 | 11,621 |
| Prepayments, other receivables and other assets | 17 | 525,766 | 392,945 |
| Financial assets at fair value through profit or loss | 14 | 50,000 | 439,000 |
| Pledged deposits | | 10 | 25,451 |
| Cash in transit | | 19,779 | 6,160 |
| Restricted cash | | 4,909 | — |
| Cash and cash equivalents | 18 | 1,333,369 | 230,672 |
| | | <hr/> | <hr/> |
| Total current assets | | 2,623,872 | 1,589,058 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 19 | 118,998 | 145,625 |
| Amounts due to related parties | | 7,686 | 11,059 |
| Other payables and accruals | | 221,542 | 169,847 |
| Contract liabilities | | 287,229 | 269,118 |
| Interest-bearing bank and other borrowings | 20 | 223,516 | 326,106 |
| Lease liabilities | | 36,605 | 34,222 |
| Tax payable | | 70,513 | 44,712 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 966,089 | 1,000,689 |
| NET CURRENT ASSETS | | | |
| | | <hr/> | <hr/> |
| | | 1,657,783 | 588,369 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <hr/> | <hr/> |
| | | 3,193,011 | 2,039,944 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2021

| | As at 31 December | |
|---|-------------------|------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| NON-CURRENT LIABILITIES | | |
| Contract liabilities | 101,629 | 88,273 |
| Lease liabilities | 144,915 | 110,642 |
| Deferred tax liabilities | 138,831 | 146,843 |
| | <u>385,375</u> | <u>345,758</u> |
| Total non-current liabilities | <u>385,375</u> | <u>345,758</u> |
| Net assets | <u>2,807,636</u> | <u>1,694,186</u> |
| EQUITY | | |
| Equity attributable to owners of the parent | | |
| Share capital | 5,180 | —* |
| Reserves | 2,581,632 | 1,528,017 |
| | <u>2,586,812</u> | <u>1,528,017</u> |
| Non-controlling interests | 220,824 | 166,169 |
| Total equity | <u>2,807,636</u> | <u>1,694,186</u> |

* Less than RMB1,000.

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 May 2018 and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the sale and service of motor vehicles in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company of the Company is Chou Dynasty Holding Co., Ltd and Mr. Chou Patrick Hsiao-Po is the ultimate controlling shareholder of the Company.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which comprise all standards and interpretations approved by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the 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 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 amendments 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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

4. 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 Year, no major customer information in accordance with IFRS 8 *Operating Segments* is presented.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Types of goods or services | | |
| Sale of motor vehicles | 8,727,977 | 7,462,455 |
| After-sales services (note) | 1,234,893 | 1,070,675 |
| | <hr/> | <hr/> |
| Total revenue from contracts with customers | 9,962,870 | 8,533,130 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Geographical market | | |
| Mainland China | 9,962,870 | 8,533,130 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Timing of revenue recognition | | |
| Goods transferred at a point in time | 9,000,907 | 7,690,052 |
| Services transferred at a point in time | 961,963 | 843,078 |
| | <hr/> | <hr/> |
| Total revenue from contracts with customers | 9,962,870 | 8,533,130 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

The following table shows the amounts of revenue recognised during the Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period:

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period: | | |
| Sale of motor vehicles | 178,791 | 158,497 |
| After-sales services | 57,923 | 77,279 |
| | <u>236,714</u> | <u>235,776</u> |

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required.

Other income and gains

| | Year ended 31 December | |
|---------------------|-------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Other income | | |
| Interest income | 1,205 | 11,592 |
| Commission income | 150,263 | 102,171 |
| Rental income | 8,086 | 7,196 |
| Government grants | 1,146 | 4,942 |
| Others (note) | 34,060 | 21,074 |
| | <u>194,760</u> | <u>146,975</u> |

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Gains | | |
| Gain on disposal of property, plant and equipment | 12,079 | 8,826 |
| Gain on disposal of financial assets at fair value through profit or loss | — | 500 |
| Investment income from financial assets at fair value through profit or loss | 13,485 | 9,936 |
| Gain on disposal of subsidiaries | — | 2,244 |
| | <u>25,564</u> | <u>21,506</u> |
| | <u>220,324</u> | <u>168,481</u> |

Note: In 2021, 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.

6. PROFIT BEFORE TAX

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

| | <i>Notes</i> | Year ended 31 December | |
|--|--------------|------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Cost of sales of motor vehicles | | 8,117,576 | 7,082,878 |
| Cost of after-sales services | | 666,776 | 586,639 |
| | | <hr/> | <hr/> |
| Cost of sales | | 8,784,352 | 7,669,517 |
| | | <hr/> | <hr/> |
| Depreciation of property, plant and equipment | 11 | 78,862 | 64,901 |
| Depreciation/amortisation of investment properties | | 2,417 | — |
| Depreciation of right-of-use assets | | 56,409 | 57,373 |
| Amortisation of intangible assets | 13 | 24,180 | 23,265 |
| Lease payments not included in the measurement of lease liabilities | | 2,789 | 3,083 |
| Listing expenses | | 9,214 | 22,558 |
| Auditor's remuneration | | 4,580 | — |
| Employee benefit expense (including directors' and chief executive's remuneration)**: | | | |
| Wages, salaries and allowances | | 290,072 | 206,424 |
| Equity-settled share option expense | | 5,299 | — |
| Pension scheme contributions | | 25,789 | 1,428 |
| | | <hr/> | <hr/> |
| | | 321,160 | 207,852 |
| | | <hr/> | <hr/> |
| Write-down of inventories to net realisable value* | 15 | 12,681 | 7,658 |
| Impairment of prepayments, other receivables and other assets* | | — | 10,240 |
| Interest income | 5 | (1,205) | (11,592) |
| Investment income from financial assets at fair value through profit or loss | 5 | (13,485) | (9,936) |
| Gain on disposal of financial assets at fair value through profit or loss | 5 | — | (500) |
| Gain on disposal of subsidiaries | 5 | — | (2,244) |
| Gain on disposal of property, plant and equipment | 5 | (12,079) | (8,826) |
| | | <hr/> | <hr/> |

* The write-down of inventories to net realisable value and impairment of prepayments, other receivables and other assets are included in "Other expenses" in the consolidated statement of profit or loss.

** Employee benefit expense of approximately RMB58,659,000 (2020: RMB36,347,000) is included in cost of sales in the consolidated statement of profit or loss for the year ended 31 December 2021.

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Interest on bank and other borrowings | 8,292 | 32,204 |
| Interest on lease liabilities | 10,152 | 7,774 |
| Interest on sale and lease-back liabilities | 1,165 | 1,076 |
| | <u>19,609</u> | <u>41,054</u> |

8. 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 year ended 31 December 2021.

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

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 Year. The major components of income tax expense of the Group are as follows:

| | Year ended 31 December | |
|--------------------------|------------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Current — Mainland China | | |
| Charge for the year | 193,058 | 110,656 |
| Deferred | (26,415) | 3,065 |
| | <u>166,643</u> | <u>113,721</u> |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | |
|---|-------------------------------|---------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Profit before tax | 727,328 | 420,212 |
| Tax at the statutory tax rate of 25% | 181,832 | 105,053 |
| Expenses not deductible for tax | 6,701 | 6,460 |
| Tax losses not recognised | 3,696 | 9,435 |
| Tax losses utilised from previous periods | (19,467) | (7,078) |
| Deductible temporary differences not recognised | 5,858 | 1,418 |
| Deductible temporary differences utilised from previous periods | (321) | (1,567) |
| Deferred tax assets in relation to tax losses of previous periods | (16,286) | — |
| Effect of lower tax rates (note) | 4,630 | — |
| Tax charge at the Group's effective tax rate | 166,643 | 113,721 |

Note: The Company was incorporated in the Cayman Islands and is not subject to any income tax pursuant to the local rules and regulations.

9. DIVIDENDS

| | Year ended 31 December | |
|---|-------------------------------|---------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Proposed final — RMB0.22 (2020: nil) per ordinary share | 136,950 | — |

The proposed final dividend for the Year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the Year, subsidiaries of the Group declared and paid dividends of RMB50,000,000 (2020: RMB100,000,000) in cash to non-controlling interests.

10. 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 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 year attributable to ordinary equity holders of the parent of RMB456,030,000 (2020: RMB234,984,000), and the weighted average number of the Company's ordinary shares of 528,678,082 (2020: 450,000,000) in issue during the Year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

| | Year ended 31 December | |
|---|-------------------------------|--------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | <u>456,030</u> | <u>234,984</u> |
| | Year ended 31 December | |
| | 2021 | 2020 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations | <u>528,678,082</u> | <u>450,000,000</u> |

11. 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 |
|--|----------------------|-----------------------------------|--------------------------------------|---------------------|-------------------------------|--|------------------|
| 31 December 2021 | | | | | | | |
| At 1 January 2021: | | | | | | | |
| 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 | <u>154,647</u> | <u>34,018</u> | <u>22,926</u> | <u>92,322</u> | <u>21,908</u> | <u>9,194</u> | <u>335,015</u> |
| At 1 January 2021, net of accumulated depreciation | | | | | | | |
| Additions | — | 7,340 | 22,546 | 105,370 | 4,285 | 44,142 | 183,683 |
| Business combination | — | 2,381 | 14,313 | 5,630 | 1,265 | — | 23,589 |
| Transfers | — | 1,264 | 22,436 | — | 2,982 | (26,682) | — |
| Transfer to investment properties | (35,980) | — | — | — | — | — | (35,980) |
| Disposals | — | (95) | (239) | (60,775) | (865) | — | (61,974) |
| Depreciation provided during the year | (27,131) | (5,638) | (14,011) | (24,431) | (7,651) | — | (78,862) |
| At 31 December 2021, net of accumulated depreciation | <u>91,536</u> | <u>39,270</u> | <u>67,971</u> | <u>118,116</u> | <u>21,924</u> | <u>26,654</u> | <u>365,471</u> |
| At 31 December 2021: | | | | | | | |
| Cost | 189,327 | 68,814 | 88,969 | 150,048 | 53,885 | 26,654 | 577,697 |
| Accumulated depreciation | (97,791) | (29,544) | (20,998) | (31,932) | (31,961) | — | (212,226) |
| Net carrying amount | <u>91,536</u> | <u>39,270</u> | <u>67,971</u> | <u>118,116</u> | <u>21,924</u> | <u>26,654</u> | <u>365,471</u> |

| | 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 |
|--|----------------------|-----------------------------------|--------------------------------------|---------------------|-------------------------------|--|------------------|
| 31 December 2020 | | | | | | | |
| At 1 January 2020: | | | | | | | |
| Cost | 243,139 | 57,333 | 76,476 | 123,818 | 48,528 | 192 | 549,486 |
| Accumulated depreciation | (69,878) | (24,569) | (52,846) | (24,446) | (29,439) | — | (201,178) |
| Net carrying amount | <u>173,261</u> | <u>32,764</u> | <u>23,630</u> | <u>99,372</u> | <u>19,089</u> | <u>192</u> | <u>348,308</u> |
| At 1 January 2020, net of accumulated depreciation | | | | | | | |
| Additions | 164 | 7,885 | 5,610 | 81,582 | 10,519 | 11,743 | 117,503 |
| Transfers | — | 1,270 | 1,471 | — | — | (2,741) | — |
| Business combination | — | 835 | — | 7,148 | 138 | — | 8,121 |
| Disposals | — | (635) | — | (67,756) | (163) | — | (68,554) |
| Disposal of subsidiaries | — | (1,723) | (35) | (3,478) | (226) | — | (5,462) |
| Depreciation provided during the year | (18,778) | (6,378) | (7,750) | (24,546) | (7,449) | — | (64,901) |
| At 31 December 2020, net of accumulated depreciation | <u>154,647</u> | <u>34,018</u> | <u>22,926</u> | <u>92,322</u> | <u>21,908</u> | <u>9,194</u> | <u>335,015</u> |
| At 31 December 2020: | | | | | | | |
| 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 | <u>154,647</u> | <u>34,018</u> | <u>22,926</u> | <u>92,322</u> | <u>21,908</u> | <u>9,194</u> | <u>335,015</u> |

Notes:

- (a) The net carrying amount of the Group's vehicles held under sale and lease-back transactions included in the total amounts of property, plant and equipment was RMB16,125,000 (2020: RMB18,165,000) as at 31 December 2021.
- (b) Certain of the Group's buildings with a net carrying amount of nil (2020: RMB21,703,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2021.

12. GOODWILL

| | RMB'000 |
|---|-------------------|
| Cost at 1 January 2020, net of impairment Business combination | 199,715 10,681 |
| At 31 December 2020 and 2021 | <u>210,396</u> |
| Cost | 862,427 |
| Accumulated impairment | (652,031) |
| At 31 December 2020 and 2021 | <u>210,396</u> |

13. INTANGIBLE ASSETS

| | Software RMB'000 | Dealership RMB'000 | Total RMB'000 |
|--|-----------------------------|-------------------------------|--------------------------|
| 31 December 2021 | | | |
| Cost at 1 January 2021, net of accumulated amortisation | 15,734 | 533,386 | 549,120 |
| Additions | 226 | — | 226 |
| Amortisation provided during the year | (3,095) | (21,085) | (24,180) |
| At 31 December 2021 | <u>12,865</u> | <u>512,301</u> | <u>525,166</u> |
| At 31 December 2021: | | | |
| Cost | 30,130 | 632,537 | 662,667 |
| Accumulated amortisation | (17,265) | (120,236) | (137,501) |
| Net carrying amount | <u>12,865</u> | <u>512,301</u> | <u>525,166</u> |
| 31 December 2020 | | | |
| Cost at 1 January 2020, net of accumulated amortisation | 18,893 | 522,135 | 541,028 |
| Business combination | — | 31,357 | 31,357 |
| Amortisation provided during the year | (3,159) | (20,106) | (23,265) |
| At 31 December 2020 | <u>15,734</u> | <u>533,386</u> | <u>549,120</u> |
| At 31 December 2020: | | | |
| Cost | 29,904 | 632,537 | 662,441 |
| Accumulated amortisation | (14,170) | (99,151) | (113,321) |
| Net carrying amount | <u>15,734</u> | <u>533,386</u> | <u>549,120</u> |

The Group's principal identifiable intangible assets represent dealership agreements in Mainland China with various vehicle manufacturers acquired from third parties.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | |
|-----------------------------------|-------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Financial products, at fair value | <u>50,000</u> | <u>439,000</u> |
| Analysed into: | | |
| Current assets | <u>50,000</u> | <u>439,000</u> |

Financial products at 31 December 2021 were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss.

15. INVENTORIES

| | As at 31 December | |
|---------------------------------|-------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Motor vehicles | 585,012 | 408,896 |
| Spare parts and accessories | <u>68,759</u> | <u>43,725</u> |
| | 653,771 | 452,621 |
| Less: Provision for inventories | <u>(12,681)</u> | <u>(7,658)</u> |
| | <u>641,090</u> | <u>444,963</u> |

Inventories with a carrying amount of RMB72,493,000 (2020: RMB143,080,000) were pledged as security for bank and other loans as at 31 December 2021.

16. TRADE RECEIVABLES

| | As at 31 December | |
|-------------------|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Trade receivables | 41,113 | 38,246 |
| Impairment | <u>—</u> | <u>—</u> |
| | <u>41,113</u> | <u>38,246</u> |

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:

| | As at 31 December | |
|--------------------|--------------------------|---------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Within 3 months | 40,181 | 37,943 |
| 3 to 6 months | 654 | 254 |
| 6 months to 1 year | 254 | 49 |
| Over 1 year | 24 | — |
| | 41,113 | 38,246 |

The Group has applied the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days of ageing. The expected loss rate of trade receivables of the Group is assessed to be very low. There was no significant change in the ECL rates during the Reporting Period, mainly because there were no significant changes in the historical default rates of trade receivables, economic conditions and performance and behaviour of the customers, which the ECL rates were used as the basis for determining.

No expected credit loss of trade receivables was provided as at the end of the Reporting Period.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Prepayments | 232,571 | 118,563 |
| Other receivables | 138,833 | 131,206 |
| Rebate receivables | 160,870 | 153,787 |
| Value-added tax recoverable | 13,682 | 9,808 |
| | <u>545,956</u> | <u>413,364</u> |
| Less: Non-current portion | (4,950) | (5,179) |
| Provision for impairment of other receivables (note) | (15,240) | (15,240) |
| | <u>(19,190)</u> | <u>(20,419)</u> |
| Current portion | <u>525,766</u> | <u>392,945</u> |

Note: As at 31 December 2021, none of the balances, except for the other receivables with a carrying amount of RMB15,240,000 (2020: RMB15,240,000), which were impaired and fully provided, is either past due or impaired as they related to balances for whom there was no recent history of default.

18. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

| | As at 31 December | |
|---------------------------|-------------------|----------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Cash and bank balances | 1,333,369 | 230,672 |
| Restricted cash | 4,909 | — |
| | <u>1,338,278</u> | <u>230,672</u> |
| Less: Restricted cash | (4,909) | — |
| Cash and cash equivalents | <u>1,333,369</u> | <u>230,672</u> |

Cash and bank balances of the Group denominated in RMB amounted to RMB759,552,000 (2020: RMB223,928,000) as at 31 December 2021. The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE AND BILLS PAYABLES

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:

| | As at 31 December | |
|--------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Within 3 months | 117,389 | 143,697 |
| 3 to 6 months | 193 | 1,573 |
| 6 months to 1 year | 29 | 41 |
| Over 1 year | 1,387 | 314 |
| | <u>118,998</u> | <u>145,625</u> |

The trade payables are non-interest-bearing and are normally settled on 3-month terms.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | As at 31 December 2021 | | | As at 31 December 2020 | | |
|------------------|-----------------------------------|----------|----------------|-----------------------------------|----------|----------------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Current | | | | | | |
| Bank loans | | | | | | |
| — secured | 3.85 | 2022 | 12,753 | 3.90–4.79 | 2021 | 118,873 |
| — unsecured | 3.80–3.85 | 2022 | 145,748 | 4.00–4.80 | 2021 | 158,412 |
| Other borrowings | | | | | | |
| — secured | 6.13–7.60 | 2022 | 65,015 | 6.13–7.60 | 2021 | 48,821 |
| | | | <u>223,516</u> | | | <u>326,106</u> |

| | As at 31 December | |
|------------------------------|--------------------------|---------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Analysed into: | | |
| Bank loans: | | |
| Within one year or on demand | 158,501 | 277,285 |
| Other borrowings: | | |
| Within one year or on demand | 65,015 | 48,821 |
| | 223,516 | 326,106 |

Certain of the Group's bank loans and other borrowings are secured by:

- (i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had an aggregate carrying amount of nil (2020: RMB21,662,000) as at 31 December 2021;
- (ii) mortgages over the Group's buildings, which had an aggregate carrying amount of nil (2020: RMB21,703,000) as at 31 December 2021;
- (iii) mortgages over the Group's inventories, which had a carrying amount of RMB72,493,000 (2020: RMB143,080,000) as at 31 December 2021; and
- (iv) mortgages over the Group's deposits, which had a carrying amount of RMB10,000 (2020: RMB25,451,000) as at 31 December 2021.

CHAIRMAN STATEMENT

On behalf of the board of directors (the “**Board**”) of BetterLife Holding Limited (the “**Company**”), I am very pleased to present the annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021. The Group’s net profit for the Year was approximately RMB560.7 million, representing an increase of approximately 82.9% from approximately RMB306.5 million for the year ended 31 December 2020.

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of the date of this announcement, we operated 14 4S dealership stores for the brands of Porsche, Audi, Mercedes-Benz, Bentley, Volvo and Jaguar-Land Rover across seven provinces and municipalities in China, namely Beijing, Tianjin, Shandong, Sichuan, Zhejiang, Shanghai and Guangdong. We believe these seven provinces and municipalities were all among the major provincial-level regions in China in terms of the number of high-net-worth individuals 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 approximately 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 Chinese government 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.

We are one of the first dealers of Audi and Porsche in China. We operated the first dealership store for Audi and 3S dealership store for Porsche in Beijing in 2000 and 2003, respectively. Our in-depth understanding of our customers’ needs and high-quality service with effective marketing strategies are the keys to our success in the luxury and ultra-luxury brand automobile industry. 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.

Our advanced information systems support our daily operation and management. We have a uniform digital platform across our headquarters and 4S dealership stores integrating the information of customers and automobile brands. In 2016, we also launched our ERP system, an integrated database containing business information, such as inventory, financial and human resources management. In order to maintain customer relationships and cultivate further business opportunities, we also offer after-sales and value-added services to our customers throughout the life cycle of their automobiles, including repair and maintenance, insurance and trading of used cars.

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**") 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. 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. As of the date of this announcement, we have established two new 4S stores of Jaguar-Land Rover in Shanghai and Chengdu and both stores have commenced its operations in January 2022. We have also obtained preliminary approvals from the manufacturer of Mercedes-Benz, Jaguar-Land Rover and SAIC Audi for a new showroom in Beijing, Shanghai and Beijing respectively. We will proceed to negotiate with these manufacturers on the required agreements and authorization documents. We expect to open such new showrooms during the second and third quarter of 2022. 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.

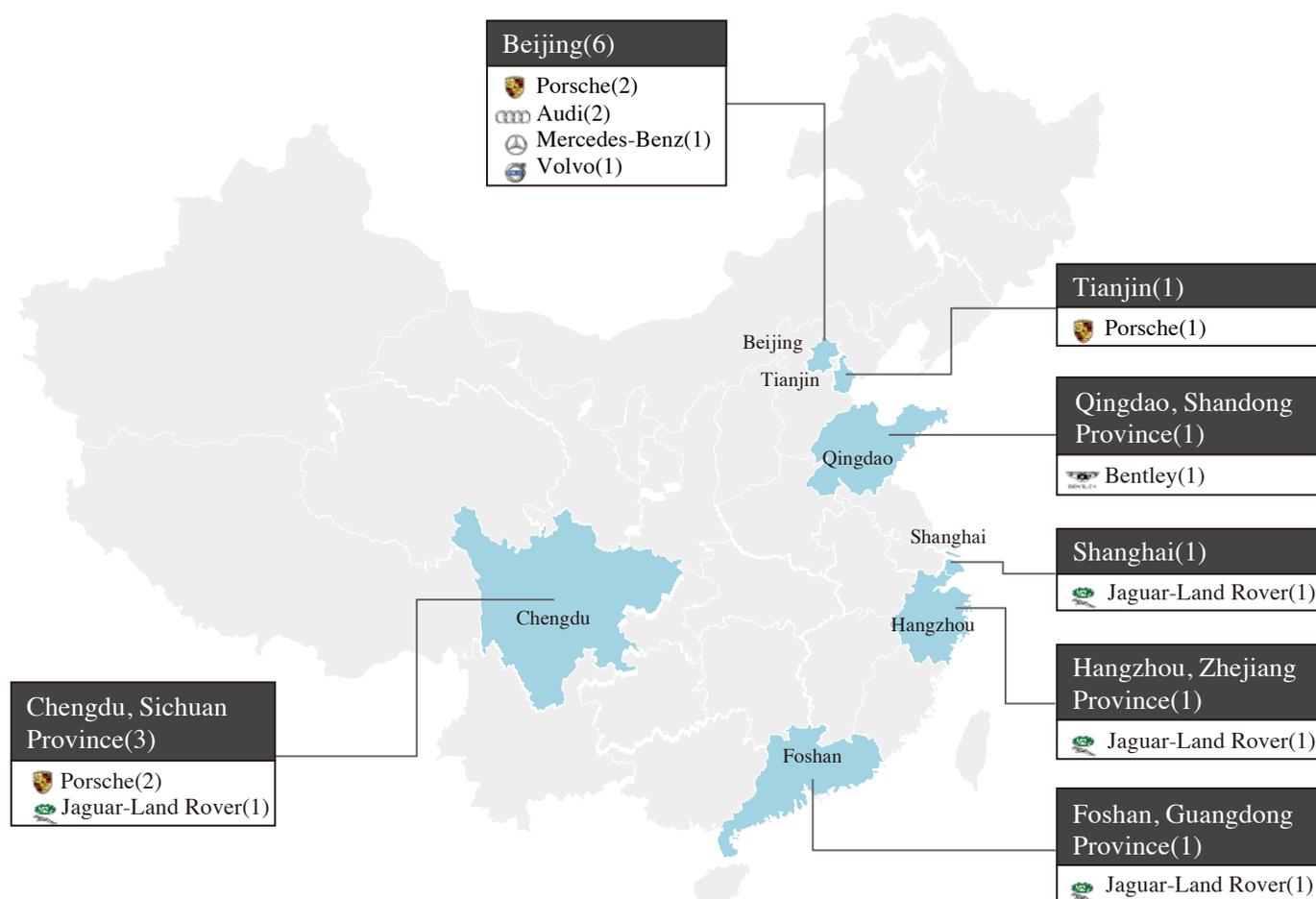
Mr. Chou Patrick Hsiao-Po
Chairman

Beijing, 28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of the date of this announcement, we operated 14 4S dealership stores for the brands of Porsche, Audi, Mercedes-Benz, Bentley, Volvo and Jaguar-Land Rover across seven provinces and municipalities in China, namely Beijing, Shanghai, Tianjin, Shandong, Sichuan, Zhejiang and Guangdong. We believe these seven provinces and municipalities were all among the major provincial-level regions in China in terms of the number of high-net-worth individuals 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, Shanghai, Tianjin, Hangzhou, Chengdu, Qingdao and Foshan.



As of the date of this announcement, we have established two new 4S stores of Jaguar-Land Rover in Shanghai and Chengdu and both stores have commenced its operations in January 2022. We have also obtained preliminary approvals from the manufacturer of Mercedes-Benz, Jaguar-Land Rover and SAIC Audi for a new showroom in Beijing, Shanghai and Beijing respectively. We will proceed to negotiate with these manufacturers on the required agreements and authorization documents. We expect to open such new showrooms during the second and the third quarter of 2022.

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's 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, including a complete ERP system, 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.

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 efficient 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 approximately 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 approximately 10 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.

For the year ended 31 December 2021, the Group has sold 14,158 passenger vehicles in total, representing an increase of approximately 5.0% from 13,480 passenger vehicles sold during the year ended 31 December 2020. The revenue generated from the sales of automobiles for the Year amounted to approximately RMB8,728.0 million, representing an increase of approximately 17.0% over that of the corresponding period in 2020, which accounted for approximately 87.6% of the Group's total revenue. For the year ended 31 December 2021, the Group's revenue from after-sales services reached approximately RMB1,234.9 million, representing an increase of approximately 15.3% as compared to that of the corresponding period of last year, which accounted for approximately 12.4% of the Group's total revenue.

Revenues from our top five customers for the Year represented approximately 4.2% of our total revenues, compared to approximately 4.0% for the previous year.

Our top five suppliers are automobile manufacturers that supply new automobiles and spare parts to us. For the year ended 31 December 2021, purchases from our top five suppliers represented approximately 85.2% of our total purchases compared to approximately 86.2% for the previous year. And the purchases from our largest supplier represented approximately 48.4% of our total purchases for the Year, as compared to approximately 48.5% for the previous year.

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 two years 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 RMB1,429.8 million, or approximately 16.8%, from approximately RMB8,533.1 million for the year ended 31 December 2020 to approximately RMB9,962.9 million for the year ended 31 December 2021. Revenue from sales of automobiles increased by approximately RMB1,265.5 million, or approximately 17.0%, from approximately RMB7,462.5 million for the year ended 31 December 2020 to approximately RMB8,728.0 million for the year ended 31 December 2021, accounting for approximately 87.6% (2020: approximately 87.5%) of the total revenue. In terms of sales volume, the Group sold 14,158 units of passenger vehicles in total for the Year, representing an increase of approximately 5.0% from 13,480 units of passenger vehicles sold for the year ended 31 December 2020. Revenue from after-sales services increased by approximately RMB164.2 million, or approximately 15.3%, from RMB1,070.7 million for the year ended 31 December 2020 to RMB1,234.9 million for the year ended 31 December 2021, accounting for approximately 12.4% (2020: approximately 12.5%) of the total revenue.

Cost of sales

Cost of sales increased by approximately 14.5% from approximately RMB7,669.5 million for the year ended 31 December 2020 to approximately RMB8,784.4 million for the year ended 31 December 2021, which was in line with the increase in revenue as described above.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the Group recorded gross profits of approximately RMB1,178.5 million, representing an increase of approximately 36.5% from the gross profit of approximately RMB863.6 million for the year ended 31 December 2020. Our gross profit margin increased from approximately 10.1% for the year ended 31 December 2020 to approximately 11.8% during the year ended 31 December 2021. It was primarily due to the increase in average selling price of our products and services, increase in sales volume and improvement of gross profit margin.

Gross profit margin for the sales of passenger vehicles increased to approximately 7.0% for the year ended 31 December 2021 from approximately 5.1% for the year ended 31 December 2020. Gross profit margin for after-sales services was approximately 46.0% for the year ended 31 December 2021, which increased from approximately 45.2% for the year ended 31 December 2020.

Other Income and Gains

Our other income and gains increased by approximately 30.8% from approximately RMB168.5 million for the year ended 31 December 2020 to approximately RMB220.3 million for the year ended 31 December 2021. 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, etc.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 16.0% from approximately RMB360.5 million for the year ended 31 December 2020 to approximately RMB418.1 million for the year ended 31 December 2021, which was in line with the increase in revenue and sales volume during the year as described above. It accounted for approximately 4.2% of the total revenue which was same as last year.

Administrative Expenses

Our administrative expenses increased by approximately 14.9% from approximately RMB192.4 million for the year ended 31 December 2020 to approximately RMB221.1 million for the year ended 31 December 2021, which was in line with the increase in the total revenue in 2021 as described above as well as the listing expenses incurred during the year. It accounted for approximately 2.2% of the total revenue which decreased slightly from approximately 2.3% in 2020.

Other Expenses

We incurred other expenses of approximately RMB12.7 million and RMB17.9 million for the years ended 31 December 2021 and 2020, 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 52.2% from approximately RMB41.1 million for the year ended 31 December 2020 to approximately RMB19.6 million incurred for the year ended 31 December 2021, primarily due to the decrease in our bank and other borrowings during the Year 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 0.5% for the year ended 31 December 2020.

Profit before Tax

As a result of the foregoing, our profit before tax increased by approximately 73.1% from approximately RMB420.2 million for the year ended 31 December 2020 to approximately RMB727.3 million for the year ended 31 December 2021.

Income Tax Expense

Our income tax expense increased by approximately 46.5% from approximately RMB113.7 million incurred for the year ended 31 December 2020 to approximately RMB166.6 million incurred for the year ended 31 December 2021, primarily due to the increase in taxable profit that we recorded during the Year. Our effective tax rate decreased from approximately 27.1% for the year ended 31 December 2020 to approximately 22.9% for the year ended 31 December 2021, primarily due to tax losses utilized from previous period and recognized deferred tax assets in relation to tax losses of previous period.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 82.9% from approximately RMB306.5 million for the year ended 31 December 2020 to approximately RMB560.7 million for the year ended 31 December 2021. The net profit margin for the year ended 31 December 2021 was approximately 5.6%, comparing to the net profit margin of approximately 3.6% for the year ended 31 December 2020.

Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent for the year ended 31 December 2021 increased by approximately 94.1% from approximately RMB235.0 million for the year ended 31 December 2020 to approximately RMB456.0 million for the year ended 31 December 2021.

Dividend

The Board resolved to recommend a final dividend of RMB22.0 cents per share for the year ended 31 December 2021 (2020: nil), representing a total pay out of approximately RMB137.0 million, subject to approval by the shareholders of the Company at the annual general meeting to be held on 28 June 2022. The total dividends for the year ended 31 December 2021, which include the interim, final and special dividends, represented approximately 30% of the profit attributable to holding company for the year ended 31 December 2021. Any amount of dividend we pay will be considered annually at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, the Company does not have a fixed dividend distribution ratio.

Inventory Turnover Days

There was an increase in inventory balance of approximately 44.1% from RMB445.0 million as at 31 December 2020 to RMB641.1 million as at 31 December 2021. It was mainly due to increase in revenue and sales volume of the Group during the year ended 31 December 2021. The average inventory turnover days as at 31 December 2021 totaled approximately 22.3 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, bank borrowings and the proceeds from the issue of equity securities. The Group has adopted a prudent treasury policy and had maintained a healthy liquidity position throughout the year ended 31 December 2021. 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 year ended 31 December 2021, the Group has adequate financial resources to meet all contractual obligations and operating requirements.

As at 31 December 2021, total equity of the Group amounted to approximately RMB2,807.6 million (31 December 2020: approximately RMB1,694.2 million). As at 31 December 2021, the current assets of the Group amounted to approximately RMB2,623.9 million (31 December 2020: approximately RMB1,589.1 million) while current liabilities amounted to approximately 966.1 million (31 December 2020: approximately RMB1,000.7 million).

As at 31 December 2021, the Group's interest-bearing bank and other borrowings amounted to RMB223.5 million, representing a decrease of approximately 31.5% as compared to RMB326.1 million as at 31 December 2020. The Group's interest-bearing bank and other borrowings were denominated in Renminbi. The decrease in the Group's interest-bearing bank and other borrowings during the year ended 31 December 2021 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 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 interest-bearing bank and other borrowings divided by total equity) was approximately 8.0% as at 31 December 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; (iii) restricted cash; and (iv) cash and cash equivalents over the amount of interest-bearing bank and other borrowings) of approximately RMB1,134.6 million as at 31 December 2021, comparing to net debt (the excess amount of interest-bearing bank and other borrowings 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 31 December 2021, cash and cash equivalents, restricted cash, cash in transit and pledged deposits amounted to RMB1,358.1 million (31 December 2020: RMB262.3 million). The cash and cash equivalents and pledged bank deposits were mainly denominated in Renminbi and Hong Kong Dollars. Apart from part of the cash denominated in Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. For the year ended 31 December 2021, 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. 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, intangible assets and business acquisition. As at 31 December 2021, the capital commitments were approximately RMB17.2 million (31 December 2020: RMB8.6 million). Save as disclosed above, the Group did not make any significant commitments as at 31 December 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. Saved 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.

Capital Expenditures and Investment

The Group's capital expenditures comprised expenditures on property, plant and equipment, additions to intangible assets, prepayments of right-of-use assets and payments for business combination. For the year ended 31 December 2021, the Group's total capital expenditures were RMB183.4 million (2020: RMB169.5 million). Save as disclosed above, the Group did not make any significant investments during the year ended 31 December 2021.

Contingent liabilities

As at 31 December 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 31 December 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 nil (31 December 2020: RMB21.7 million); (ii) mortgages over our buildings, which had an aggregate carrying amount of nil (31 December 2020: RMB21.7 million); (iii) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB72.5 million (31 December 2020: RMB143.1 million); and (iv) mortgages over the deposits, which had an aggregate carrying amount of approximately RMB0.01 million (31 December 2020: RMB25.5 million). Save as disclosed above, as at 31 December 2021, no other assets of the Group were charged.

Human resources

As of 31 December 2021, the Group had 1,320 (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 Year

- (a) On 4 March 2022, the Group entered into a sale and purchase agreement with an independent third party to purchase a property situated in Mainland China at a cash consideration of RMB155.0 million (equivalent to approximately HK\$191.4 million). The property is to be used as a showroom of Mercedes-Benz automobiles.
- (b) On 28 March 2022, the board of directors of the Company recommend a final dividend of RMB0.22 per share for the year ended 31 December 2021, representing approximately RMB137.0 million in total.

OTHER INFORMATION

Use of Net Proceeds from Initial Public Offering

The ordinary shares of the Company with a nominal value of HK\$0.01 each (“Share(s)”) 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 (the “IPO”), of approximately HK\$706.8 million (after deducting underwriting commissions and related expenses) in total. The Company issued 172,500,000 Shares in total at a price of HK\$4.4 per Share. The net price to the Company (which was calculated by dividing the Net Proceeds by the number of Shares issued in connection with the initial public offering of Shares of the Company) was approximately HK\$4.10 per Share. The Net Proceeds have been and will continue to be used in a manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2021 (the “Prospectus”). Please refer to the Prospectus and the announcements of the Company dated 14 July 2021 and 6 August 2021, respectively, for further details. Set out below is a summary of the utilization of the net proceeds from the IPO as of 31 December 2021:

| Intended use of net proceeds | % of total net proceeds | Amount of net proceeds (HK\$ million) | Utilized from Listing Date up to 31 December 2021 (HK\$ million) | % utilized | Amount not yet utilized (HK\$ million) | Expected timeframe for utilization |
|---|-------------------------|---------------------------------------|--|-------------|--|------------------------------------|
| Acquire other automobile dealership store network | 45 | 318 | Nil | Nil | 318 | Before 31 December 2022 |
| Open new automobile dealership store network | 30 | 212 | 96 | 45.3 | 116 | Before 31 December 2022 |
| Renovate of our existing 4S dealership stores | 10 | 71 | 47 | 66.2 | 24 | Before 31 December 2022 |
| Optimize and upgrade our information technology systems | 5 | 35 | 12 | 34.3 | 23 | Before 31 December 2023 |
| Working capital and general corporate purposes | 10 | 71 | 71 | 100 | Nil | N/A |
| Total | 100 | 707 | 226 | 32.0 | 481 | |

Note: The expected timeline for utilization of the unutilized Net Proceeds above is based on the Group’s best estimation and is subject to change based on the future development of market conditions.

As at the date of this announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Save as disclosed above, during the year ended 31 December 2021, the Group did not issue any equity securities (including securities convertible into equity securities).

Final Dividend

A final dividend in respect of the year ended 31 December 2021 of RMB22.0 cents per Share (2020: nil) was proposed pursuant to a resolution passed by the Board on 28 March 2022 and subject to the approval of the shareholders of the Company at the annual general meeting of the Company. The expected date of payment of final dividend will be on or no later than 26 July 2022.

Purchase, Sale or Redemption of Listed Securities of the Company

Other than pursuant to the IPO, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2021.

Significant Investments Held

The Group did not hold any significant investment in equity interest in any company during the Year.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Company did not acquire and/or dispose any of its subsidiaries, associates, interests in joint ventures or affiliated companies for the period from the Listing Date up to 31 December 2021.

Corporate Governance Code

During the period from the Listing Date up to 31 December 2021, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) except for the following deviation.

The code provision C.2.1 of the CG Code (previously known as A.2.1 of the CG Code prior to 1 January 2022) 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 has implemented 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.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code for the period from the Listing Date up to 31 December 2021.

Audit committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditor, and to assist the Board in fulfilling its oversight responsibilities in relation to the Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The Audit Committee consists of three members, being Mr. Yau Ka Chi, Mr. Liu Dengqing, and Mr. Wong Ka Kit, with Mr. Yau Ka Chi being the chairman of the Audit Committee.

The Audit Committee has reviewed, together with the management, the accounting principles and policies adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2021.

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. 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 preliminary announcement.

Public Float

As at the date of this announcement, the Company had maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Annual General Meeting

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 28 June 2022. Shareholders should refer to the circular of the Company, the notice of AGM and the enclosed form of proxy to be dispatched by the Company for details regarding the AGM.

Closure of Register of Members

For the purpose of determining the following entitlements:-

(i) AGM

The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

(ii) Proposed Final Dividend

The register of members of the Company will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive) for the purpose of determining the Shareholder's entitlement to the proposed final dividend of the Company. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the AGM), unregistered holders of Shares shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Monday, 4 July 2022.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.blchina.com. The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Shareholders 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, 28 March 2022

As at the date of this announcement, the Board comprises Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing, Mr. Xu Tao 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.