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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)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**GROUP FINANCIAL HIGHLIGHTS**

- Revenue for the six months ended 30 June 2022 decreased by approximately 7.4% to approximately RMB4,578.7 million as compared to that of the corresponding period of 2021.
- The Group has sold 6,448 passenger vehicles in total during the six months ended 30 June 2022, representing a decrease of approximately 13.0% from that of the corresponding period in 2021.
- The revenue generated from the sales of automobiles for the six months ended 30 June 2022 amounted to approximately RMB4,056.8 million, representing a decrease of approximately 6.3% from that of the corresponding period in 2021.
- For the six months ended 30 June 2022, the Group's revenue from after-sales services reached approximately RMB521.9 million, representing a decrease of approximately 14.6% as compared to that of the corresponding period of 2021.
- Profit for the six months ended 30 June 2022 fell by approximately 19.9% to approximately RMB213.7 million as compared to that of the corresponding period of 2021. The net profit margin for the six months ended 30 June 2022 decreased to approximately 4.7%, comparing to the net profit margin of approximately 5.4% for the corresponding period in 2021.
- The Group was in net cash position of approximately RMB602.8 million as at 30 June 2022, comparing to net cash position of approximately RMB1,134.6 million as at 31 December 2021.

## 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 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021. 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 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		For the six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue	4	4,578,702	4,942,644
Cost of sales		<u>(4,091,172)</u>	<u>(4,390,894)</u>
<b>Gross profit</b>		<b>487,530</b>	551,750
Other income	5	117,859	106,159
Selling and distribution expenses		(213,055)	(199,877)
Administrative expenses		<u>(112,441)</u>	<u>(107,957)</u>
<b>Operating profit</b>		<b>279,893</b>	350,075
Finance costs	6(a)	<u>(16,616)</u>	<u>(9,176)</u>
<b>Profit before tax</b>	6	<b>263,277</b>	340,899
Income tax	7	<u>(49,620)</u>	<u>(74,059)</u>
<b>Profit for the period</b>		<u><b>213,657</b></u>	<u>266,840</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		159,124	209,140
Non-controlling interests		<u>54,533</u>	<u>57,700</u>
<b>Profit for the period</b>		<u><b>213,657</b></u>	<u>266,840</u>
<b>Earnings per share</b>	9		
Basic and diluted earnings per share (RMB)		<u><b>0.26</b></u>	<u>0.46</u>

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

*For the six months ended 30 June 2022*

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<u>213,657</u>	<u>266,840</u>
<b>Other comprehensive income for the period (after tax):</b>		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	26,404	15
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of an overseas subsidiary	<u>(1,470)</u>	<u>(26)</u>
<b>Other comprehensive income for the period</b>	<u>24,934</u>	<u>(11)</u>
<b>Total comprehensive income for the period</b>	<u>238,591</u>	<u>266,829</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	184,058	209,129
Non-controlling interests	<u>54,533</u>	<u>57,700</u>
<b>Total comprehensive income for the period</b>	<u>238,591</u>	<u>266,829</u>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		529,455	365,471
Investment properties		63,945	65,755
Right-of-use assets		441,917	317,466
Intangible assets	10	910,849	525,166
Goodwill	11	378,625	210,396
Deferred tax assets		41,054	46,024
Long-term prepayments		7,065	4,950
		2,372,910	1,535,228
<b>Current assets</b>			
Inventories	12	848,305	641,090
Trade receivables	13	47,869	41,113
Amounts due from related parties		8,745	7,836
Prepayments, other receivables and other assets	14	688,594	525,766
Financial assets measured at fair value through profit or loss		—	50,000
Pledged bank deposits		43,674	10
Cash in transit		27,307	19,779
Restricted cash		9,510	4,909
Cash and cash equivalents		996,454	1,333,369
		2,670,458	2,623,872
<b>Current liabilities</b>			
Trade and bills payables	15	312,592	118,998
Amounts due to related parties		8,388	7,686
Other payables and accruals		481,915	221,542
Contract liabilities		234,336	287,229
Interest-bearing bank and other borrowings		474,180	223,516
Lease liabilities		35,649	36,605
Income tax payables		62,054	70,513
		1,609,114	966,089
<b>Net current assets</b>		1,061,344	1,657,783
<b>Total assets less current liabilities</b>		3,434,254	3,193,011

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*30 June 2022*

	<b>30 June 2022 (Unaudited) RMB'000</b>	31 December 2021 (Audited) RMB'000
<b>Non-current liabilities</b>		
Contract liabilities	132,326	101,629
Lease liabilities	290,359	144,915
Deferred tax liabilities	<u>211,098</u>	<u>138,831</u>
	<u>633,783</u>	<u>385,375</u>
<b>NET ASSETS</b>	<u><b>2,800,471</b></u>	<u><b>2,807,636</b></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	5,180	5,180
Reserves	<u>2,639,934</u>	<u>2,581,632</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,645,114</b>	2,586,812
<b>Non-controlling interests</b>	<u><b>155,357</b></u>	<u>220,824</u>
<b>TOTAL EQUITY</b>	<u><b>2,800,471</b></u>	<u><b>2,807,636</b></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

BetterLife Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 May 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. Its registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in the 4S dealership business in the People’s Republic of China (the “**PRC**”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 July 2021.

## 2 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with International Accounting Standard (“**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standard (“**IASB**”). It was authorised for issue on 29 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

## 3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### 4 REVENUE

The Group is mainly engaged in sales of passenger motor vehicles and provision of after-sales services. Revenue represents the sales of goods and services income rendered to customers.

Disaggregation of revenue from contracts with customers by major products or service lines and geographical location of customers is as follows:

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Sales of passenger motor vehicles	4,056,797	4,331,489
Provision of after-sales services	<u>521,905</u>	<u>611,155</u>
	<u><b>4,578,702</b></u>	<u><b>4,942,644</b></u>
<b>Disaggregated by geographical location of customers</b>		
Mainland China	<u><b>4,578,702</b></u>	<u><b>4,942,644</b></u>
<b>Disaggregated by timing of revenue recognition</b>		
Point in time	<u><b>4,578,702</b></u>	<u><b>4,942,644</b></u>

#### 5 OTHER INCOME

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	4,299	565
Commission income	70,891	69,714
Rental income	2,325	5,165
Government grants	1,356	255
Gain on disposal of items of property, plant and equipment	13,571	6,946
Investment income from financial assets measured at fair value through profit or loss	1,327	4,711
Others	<u>24,090</u>	<u>18,803</u>
	<u><b>117,859</b></u>	<u><b>106,159</b></u>

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(a) Finance costs:</b>		
Interest on bank and other borrowings	6,560	5,057
Interest on lease liabilities	9,477	3,508
Interest on sale and lease-back liabilities	<u>579</u>	<u>611</u>
	<u><u>16,616</u></u>	<u><u>9,176</u></u>
	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>	
<b>(b) Staff costs:</b>		
Salaries, wages and other benefits	86,189	123,357
Contributions to defined contribution retirement plans	(i) 13,080	13,433
Equity settled share-based transactions ( <i>note 16(c)</i> )	<u>8,177</u>	<u>—</u>
	<u><u>107,446</u></u>	<u><u>136,790</u></u>

- (i) Employees of the Group's PRC subsidiaries are required to participate in defined contribution retirement schemes administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal government to the schemes to fund the retirement benefits of the employees. The Group remits all pension fund contributions to the respective tax bureau, which are responsible for the payment and liabilities relating to the pension funds.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Company's and its subsidiaries' contributions made to the above defined contribution schemes are non-refundable and cannot be used to reduce the future or existing level of contribution of the Company and its subsidiaries should any forfeiture be resulted from the schemes.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.



	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>(c) Other items:</b>		
Cost of inventories ( <i>note 12(b)</i> )	4,055,376	4,378,896
Depreciation		
— Owned property, plant and equipment	48,150	40,573
— Right-of-use assets	38,409	26,699
— Investment properties	1,810	1,208
Amortisation of intangible assets	13,147	12,093
Operating lease charges	2,523	3,096
Listing expenses	—	10,672

## 7 INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax:</b>		
Provision for PRC income tax for the period	71,951	88,441
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	<u>(22,331)</u>	<u>(14,382)</u>
	<u>49,620</u>	<u>74,059</u>

- (i) 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.
- (ii) No provision for Hong Kong Profits Tax was made for the Group's subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the period.
- (iii) The PRC subsidiaries of the Group are subject to PRC Corporate Income Tax rate of 25%, except for Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd. and Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd., both of which were incorporated in Chengdu for 4S dealership business and were granted a preferential rate of 15% for the development of the Western region for nine years starting from 2022.

Taxation for the Group's PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable.

## 8 DIVIDENDS

- (i) No interim dividend was proposed after the end of reporting periods of six months ended 30 June 2022 and 30 June 2021.
- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB0.22 per ordinary share (six months ended 30 June 2021: Nil)	<u>136,950</u>	<u>—</u>

### (iii) Other dividends

During the six months ended 30 June 2022, certain subsidiaries of the Group declared and paid dividends of RMB120,000,000 in cash to non-controlling shareholders (six months ended 30 June 2021: RMB50,000,000).

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2022 was based on the profit attributable to equity shareholders of the Company of RMB159,124,000 (six months ended 30 June 2021: RMB209,140,000), and the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 of 622,500,000 (six months ended 30 June 2021: 450,000,000). No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2022 and 2021 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.

## 10 INTANGIBLE ASSETS

	Office software <i>RMB'000</i>	Car Dealerships <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 1 January 2021	29,904	632,537	662,441
Additions	<u>226</u>	<u>—</u>	<u>226</u>
At 31 December 2021, and 1 January 2022	30,130	632,537	662,667
Additions	1,751	—	1,751
Acquisition of a subsidiary ( <i>note 17</i> )	<u>—</u>	<u>397,079</u>	<u>397,079</u>
At 30 June 2022	<u><b>31,881</b></u>	<u><b>1,029,616</b></u>	<u><b>1,061,497</b></u>
Accumulated amortisation:			
At 1 January 2021	(14,170)	(99,151)	(113,321)
Amortisation charge for the year	<u>(3,095)</u>	<u>(21,085)</u>	<u>(24,180)</u>
At 31 December 2021, and 1 January 2022	(17,265)	(120,236)	(137,501)
Amortisation charge for the period	<u>(1,502)</u>	<u>(11,645)</u>	<u>(13,147)</u>
At 30 June 2022	<u><b>(18,767)</b></u>	<u><b>(131,881)</b></u>	<u><b>(150,648)</b></u>
Net book value:			
At 30 June 2022	<u><b>13,114</b></u>	<u><b>897,735</b></u>	<u><b>910,849</b></u>
At 31 December 2021	<u><b>12,865</b></u>	<u><b>512,301</b></u>	<u><b>525,166</b></u>

The car dealerships arise from business combinations and relate to relationships with automakers, with an estimated useful life of 30 years.

## 11 GOODWILL

RMB'000

### Cost:

At 1 January 2021 and 31 December 2021 862,427

Goodwill arising from business combination:

— Beijing Yingzhibao Automobile Trading Co., Ltd. (“Beijing Yingzhibao”) (note 17) 168,229

At 30 June 2022 1,030,656

### Accumulated impairment losses:

At 1 January 2021, 31 December 2021 and 30 June 2022 (652,031)

### Carrying amount:

At 30 June 2022 378,625

At 31 December 2021 210,396

## 12 INVENTORIES

### (a) Inventories in the consolidated statement of financial position comprise:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
4S dealership business		
— Motor vehicles	767,590	585,012
— Spare parts and accessories	92,995	68,759
	<u>860,585</u>	<u>653,771</u>
Less: Provision for inventories	<u>(12,280)</u>	<u>(12,681)</u>
	<u>848,305</u>	<u>641,090</u>

Inventories with a carrying amount of RMB158,486,000 were pledged as security for bank loans and other borrowings as at 30 June 2022 (31 December 2021: RMB72,493,000).

Inventories with a carrying amount of RMB90,209,000 were pledged as security for bills payable as at 30 June 2022 (31 December 2021: Nil) (note 15).

- (b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<i>Note</i>	Six months ended 30 June	
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Carrying amount of inventories sold		4,044,448	4,366,949
Write-down of inventories		12,280	11,947
Reversal of write-down of inventories	(i)	<u>(1,352)</u>	<u>—</u>
		<u><b>4,055,376</b></u>	<u><b>4,378,896</b></u>

- (i) The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain motor vehicles as a result of a change in consumer preferences.

### 13 TRADE RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 3 months	45,921	40,181
3 to 6 months	1,451	654
6 months to 1 year	445	254
Over 1 year	<u>52</u>	<u>24</u>
	<u><b>47,869</b></u>	<u><b>41,113</b></u>

All of the trade receivables are expected to be recovered within one year. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent receivables from individual customers, who obtain mortgages from their financial institutions and used the drawn-down mortgage principal to settle the Group's trade receivables within one month when the mortgages were granted by their financial institutions, and warranty receivables from automobile manufacturers. For the receivables from automobile manufacturers, risk of default is considered low, as these are companies with good credit rating.

#### 14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Prepayments	380,851	232,571
Other receivables	141,357	138,833
Rebate receivables	155,280	160,870
Value-added tax recoverable	<u>33,411</u>	<u>13,682</u>
	710,899	545,956
Less: Long-term prepayments	(7,065)	(4,950)
Provision for impairment of other receivables	<u>(15,240)</u>	<u>(15,240)</u>
Current portion	<u><u>688,594</u></u>	<u><u>525,766</u></u>

#### 15 TRADE AND BILLS PAYABLES

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade payables	136,461	118,998
Bills payable	<u>176,131</u>	<u>—</u>
	<u><u>312,592</u></u>	<u><u>118,998</u></u>

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 3 months	307,760	117,389
Over 3 months but within 6 months	2,672	193
Over 6 months but within 12 months	676	29
Over 1 year	<u>1,484</u>	<u>1,387</u>
Trade and bills payables	<u><u>312,592</u></u>	<u><u>118,998</u></u>

- (i) Bills payable were secured by inventories with a carrying amount of RMB90,209,000 as at 30 June 2022 (31 December 2021: Nil) (note 12).

- (ii) Bills payable were secured by pledged bank deposits with a carrying amount of RMB41,174,000 as at 30 June 2022 (31 December 2021: Nil).

## 16 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the share option scheme (“**Share Option Scheme**”) launched on 1 September 2021 (“**Grant Date**”), 9,800,000 share options of the Company were approved for granting to core employees of the Group. The exercise price of the share option granted is HK\$8.264 per share, as determined based on the average Stock Exchange closing price of the Company’s shares for the five business days immediately preceding the offer date.

The share options are subject to various lock-up period (The “**Lock-Up Period**”) of 1 year, 2 years, 3 years and 4 years, respectively, immediately from the Grant Date. During the Lock-Up Period, these shares are not transferrable, nor subject to any guarantee or indemnity.

Subject to fulfilment of all vesting conditions under the Share Option Scheme, the restriction over the share options will be removed after the expiry of the corresponding lock-up period for each tranche and the participants will be fully entitled to these incentive share options. If the vesting conditions are not fulfilled and hence the share options cannot be unlocked, all the unvested or outstanding share options not yet vested shall be immediately forfeited.

**(a) The terms and conditions of the grants are as follows:**

	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Options granted to directors:			
— on 1 September 2021	2,450,000	One year from the date of grant	10 years
— on 1 September 2021	2,450,000	Two years from the date of grant	10 years
— on 1 September 2021	2,450,000	Three years from the date of grant	10 years
— on 1 September 2021	<u>2,450,000</u>	Four years from the date of grant	10 years
Total share options granted	<u><u>9,800,000</u></u>		

(b) The number and weighted average exercise prices of share options are as follows:

	<i>Note</i>	At 30 June 2022 Weighted average exercise price	Number of options '000	At 31 December 2021 Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year		HK\$8.264	8,800	—	—
Granted during the period/year		—	—	HK\$8.264	9,800
Forfeited during the period/year	<i>(i)</i>	—	<u>—</u>	HK\$8.264	<u>(1,000)</u>
Outstanding at the end of the period/year			<u>8,800</u>		<u>8,800</u>
Exercisable at the end of the period/year			<u>8,800</u>		<u>8,800</u>

(i) The share options granted to the certain employee being forfeited during 2021 were mainly due to resignation.

(c) Total expenses of RMB8,177,000 (six months ended 30 June 2021: Nil) were recognised as personnel expenses during the six months ended 30 June 2022.

## 17 ACQUISITION OF A SUBSIDIARY

### Acquisition of Beijing Yingzhibao

In April 2022, the Group entered into an agreement with a third party, YZB Auto Services Group Limited, pursuant to which the Group agreed to acquire 100% equity interest in Beijing Yingzhibao (“北京盈之寶汽車貿易有限公司”). The transaction was completed on 1 June 2022 (“Acquisition Date”) with a total consideration of USD80,000,000 (RMB equivalents: 533,208,000).



The acquisition had the following effect on the Group's assets and liabilities:

	<b>Pre- acquisition carrying amount</b>	<b>Fair value adjustment</b>	<b>Recognised value on acquisition</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Car dealership (note 10)	—	397,079	397,079
Cash and cash equivalents	66,831	—	66,831
Other net identifiable (liabilities)/assets	(384)	963	579
Deferred tax liabilities	—	(99,510)	(99,510)
	<u>66,447</u>	<u>298,532</u>	<u>364,979</u>
Net identified assets			<u>364,979</u>
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			364,979
Goodwill on acquisition (note 11)			<u>168,229</u>
Total consideration, in cash			<u>533,208</u>
Analysis of the net cash flow in respect of the acquisition			
Cash consideration			533,208
Less: cash acquired			(66,831)
consideration payables			<u>(184,107)</u>
Net cash outflow in acquisition			<u>282,270</u>

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

The revenue and loss that Beijing Yingzhibao contributed to the Group from Acquisition Date to 30 June 2022 are RMB61,383,000 and RMB6,500,000, respectively.

## 18 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's presentation.

## 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 2022. The Group's net profits in the Period were approximately RMB213.7 million, representing a decrease of approximately 19.9% from approximately RMB266.8 million for the corresponding period in 2021.

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of 30 June 2022, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, one BMW car repair shop and one SAIC-Audi showroom across seven provinces and municipalities in China, namely Beijing, Tianjin, Shandong, Sichuan, Zhejiang, Shanghai and Guangdong. These seven provinces and municipalities were all among the well-developed regions in China 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. Promoting the consumption of passenger vehicles is considered as one of the key tasks of the PRC 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.

During the Period, our operations have been negatively affected by regional outbreaks and public health control measures in relation to COVID-19 at the cities where the Group has 4S dealership stores in operation, resulting in a decline in the operating results of the Group in the first half of 2022 as compared to the same period in 2021. 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 in the long run. 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. During the first half of 2022, we have established two new 4S dealership stores of Jaguar-Land Rover in Shanghai and Chengdu respectively and a new showroom of SAIC Audi in Beijing. The two new 4S dealership stores and the new showroom have already been in operation during the Period. We have also obtained preliminary approvals from the manufacturer of Mercedes-Benz and Jaguar-Land Rover for a new showroom in Beijing and Shanghai 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 half 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 completed acquisitions of a BMW 4S dealership store and a BMW car repair shop in Beijing during the Period for a total consideration of USD80 million and RMB5 million respectively. Please refer to the announcement of the Company dated 14 April 2022 for further details. We still plan to acquire other 4S dealership stores that operate luxury and ultra-luxury brands, including, among others, Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover, Volvo and Rolls-Royce. And target locations would be similar to our plans of opening new stores. We expect to finance our capital expenditures with our cash inflow from operating activities and the bank borrowings.

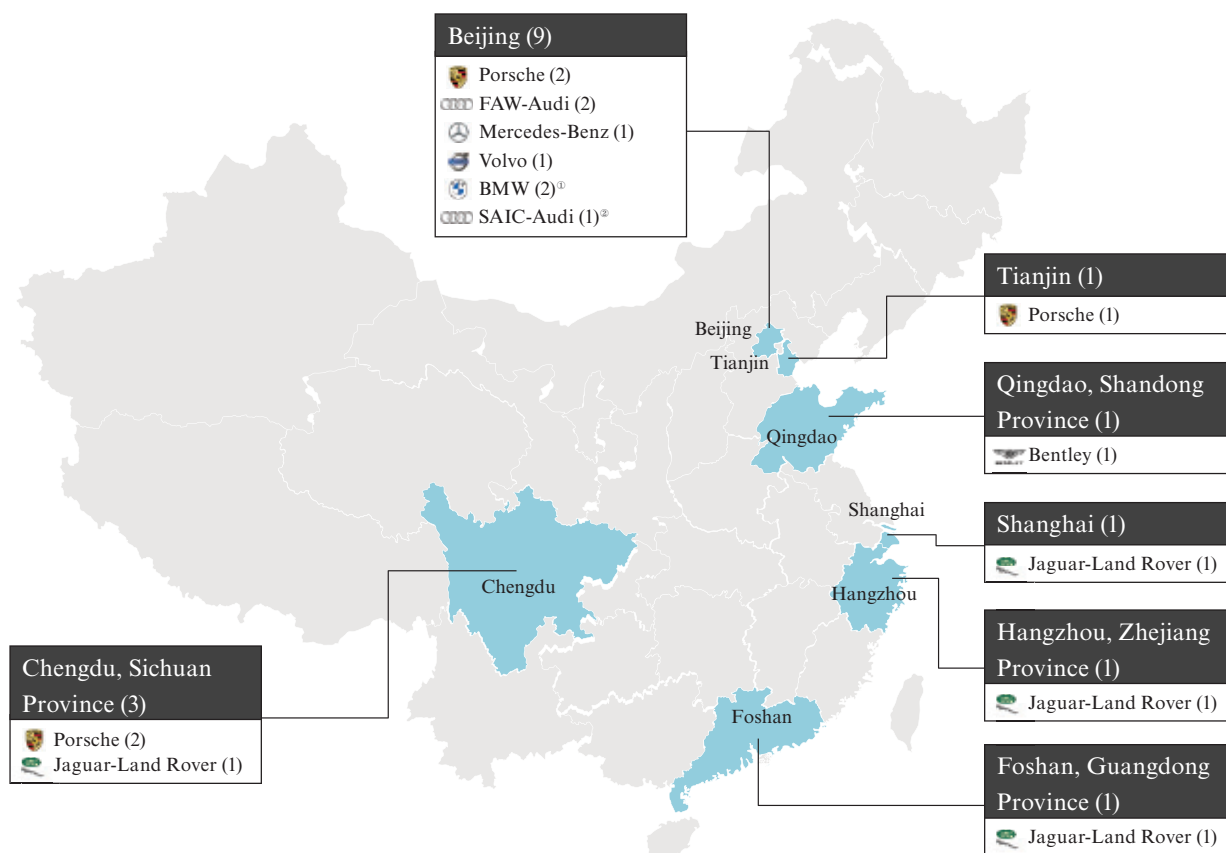
The Group will continue to strive for improving our operating efficiency and profitability to further strengthen our competitive advantages. At present, the Group is proactively refining the existing business strategies and identifying potential business opportunities, in an effort to capture enormous 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 the date of this announcement, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, one BMW car repair shop and one SAIC-Audi showroom 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.



\*Note: ① One 4S store and one repair shop  
 ② SAIC-Audi showroom

During the first half of 2022, we have established two new 4S dealership stores of Jaguar-Land Rover in Shanghai and Chengdu respectively and a new showroom of SAIC Audi in Beijing. The two new 4S dealership stores and the new showroom have already been in operation during the Period. We have also obtained preliminary approvals from the manufacturer of Mercedes-Benz and Jaguar-Land Rover for a new showroom in Beijing and Shanghai respectively. We have acquired properties, which is planned to be used as the showroom of Mercedes-Benz automobiles, at a total consideration of approximately RMB155.0 million. Please refer to the announcements of the Company dated 4 March 2022 for further details. 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 half of 2022. In addition, we completed acquisitions of a BMW 4S dealership store and a BMW car repair shop in Beijing during the Period at a total consideration of USD80 million and RMB5 million respectively. Please refer to the announcement of the Company dated 14 April 2022 for further details.

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 15 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 11 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 Period, the Group has sold 6,448 passenger vehicles in total, representing a decrease of approximately 13.0% from 7,410 passenger vehicles sold during the corresponding period in 2021. The revenue generated from the sales of automobiles for the Period amounted to approximately RMB4,056.8 million, representing a decrease of approximately 6.3% over that of the corresponding period in 2021, which accounted for approximately 88.6% of the Group's total revenue. During the Period, the Group's revenue from after-sales services reached approximately RMB521.9 million, representing a decrease of approximately 14.6% as compared to that of the corresponding period of last year, which accounted for approximately 11.4% of the Group's total revenue.

Revenues from our top five customers for the Period represented approximately 5.0% of our total revenues, compared to approximately 4.1% for the corresponding period in 2021. The sales to our largest customer accounted for approximately 1.5% of our total revenues in the Period, as compared to approximately 1.3% in the corresponding period in 2021.

Our top five suppliers are automobile manufacturers that supply new automobiles and spare parts to us. During the Period, purchases from our top five suppliers represented approximately 79.8% of our total purchases compared to approximately 84.8% for the corresponding period in 2021. And the purchases from our largest supplier represented approximately 45.1% of our total purchases for the Period, as compared to approximately 46.9% for the corresponding period in 2021.

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.

During the Period, our operations have been negatively affected by regional outbreaks and public health control measures in relation to COVID-19 at the cities where the Group has 4S stores in operation, resulting in a decline in the operating results of the Group in the first half of 2022 as compared to the same period in 2021. The past three 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 would continue to manage and to mitigate the risks to our business which arose from the volatile and challenging economic environment due to the outbreak of COVID-19. We aim not only able to ride out the storm, but to come out of it stronger to capture the opportunities that the automobile dealership sector will offer in the coming years.



## **Financial Review**

### ***Revenue***

As negatively affected by regional outbreaks and public health control measures in relation to COVID-19 at the cities where the Group has 4S dealership stores in operation, our revenue decreased by approximately RMB363.9 million, or approximately 7.4%, from approximately RMB4,942.6 million for the corresponding period in 2021 to approximately RMB4,578.7 million for the Period. Revenue from sales of automobiles decreased by approximately RMB274.7 million, or approximately 6.3%, from approximately RMB4,331.5 million for the corresponding period in 2021 to approximately RMB4,056.8 million for the Period, accounting for approximately 88.6% (first half of 2021: approximately 87.6%) of the total revenue. In terms of sales volume, the Group sold 6,448 units of passenger vehicles in total for the Period, representing a decrease of approximately 13.0% from 7,410 units of passenger vehicles sold during the corresponding period in 2021. Revenue from after-sales services decreased by approximately RMB89.3 million, or approximately 14.6%, from approximately RMB611.2 million for the corresponding period in 2021 to approximately RMB521.9 million for the Period, accounting for approximately 11.4% (first half of 2021: approximately 12.4%) of the total revenue.

### ***Cost of sales***

Cost of sales decreased by approximately 6.8% from approximately RMB4,390.9 million for the corresponding period in 2021 to approximately RMB4,091.2 million for the Period, which was in line with the decrease in revenue as described above.

### ***Gross Profit and Gross Profit Margin***

During the Period, the Group recorded gross profits of approximately RMB487.5 million, representing a decrease of approximately 11.7% from the gross profit of approximately RMB551.8 million for the corresponding period in 2021. Our gross profit margin decreased from approximately 11.2% for the corresponding period in 2021 to approximately 10.6% during the Period. It was primarily due to the decrease in sales volume and gross profit margin for sales of passenger vehicles.

Gross profit margin for the sales of passenger vehicles decreased to approximately 5.9% during the Period from approximately 6.3% for the corresponding period in 2021. Gross profit margin for after-sales services increased to approximately 47.5% during the Period from approximately 45.4% for the corresponding period in 2021.

### ***Other Income***

Our other income increased by approximately 11.0% from approximately RMB106.2 million for the corresponding period in 2021 to approximately RMB117.9 million during the Period. Other income mainly included commission income from other value-added automobile services, including referring customers who require financing arrangements for purchasing automobiles and pre-owned automobile brokerage services and the gain from disposal of property, plant and equipment which was mainly related to sales of test-drive vehicles etc. The increase of other income during the Period was mainly due to the increase in gain from disposal of property, plant and equipment.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses increased by approximately 6.6% from approximately RMB199.9 million for the corresponding period in 2021 to approximately RMB213.1 million during the Period, which was mainly due to the increase in 4S dealership stores in operation during the Period. It accounted for approximately 4.7% of the total revenue, comparing to approximately 4.0% recorded for the corresponding period in 2021.

### ***Administrative Expenses***

Our administrative expenses increased by approximately 4.1% from approximately RMB108.0 million for the corresponding period in 2021 to approximately RMB112.4 million during the Period. It accounted for approximately 2.5% of the total revenue and increased slightly from approximately 2.2% in the corresponding period in 2021.

### ***Financial Costs***

Our finance costs increased by approximately 80.4% from approximately RMB9.2 million for the corresponding period in 2021 to approximately RMB16.6 million incurred for the Period, primarily due to the increase in our bank and other borrowings during the Period and the increase in finance expenses from right of use assets in relation to leased properties for operations of 4S dealership stores. It accounted for approximately 0.4% of the total revenue comparing to approximately 0.2% for the corresponding period in 2021.

### ***Profit before Tax***

As a result of the foregoing, our profit before tax decreased by approximately 22.8% from approximately RMB340.9 million for the corresponding period in 2021 to approximately RMB263.3 million during the Period.

### ***Income Tax Expense***

Our income tax expense decreased by approximately 33.0% from approximately RMB74.1 million incurred for the corresponding period in 2021 to approximately RMB49.6 million incurred for the Period, primarily due to the decrease in taxable profit that we recorded during the Period. Our effective tax rate decreased from approximately 21.7% for the corresponding period in 2021 to approximately 18.8% for the Period, primarily due to (i) tax losses utilized from previous period and recognized deferred tax assets in relation to tax losses of previous period; and (ii) Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd. and Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd., both of which were incorporated in Chengdu for 4S dealership business were granted a preferential rate of 15% for the development of the Western region for nine years starting from 2022.

### ***Profit for the Period***

As a result of the foregoing, our profit for the Period decreased by approximately 19.9% from approximately RMB266.8 million for the corresponding period in 2021 to approximately RMB213.7 million for the Period. The net profit margin for the Period was approximately 4.7%, comparing to the net profit margin of approximately 5.4% for the corresponding period in 2021.

### ***Profit Attributable to Equity Shareholders of the Company***

The profit attributable to equity shareholders of the Company for the Period decreased by approximately 23.9% from approximately RMB209.1 million for the corresponding period in 2021 to approximately RMB159.1 million for the Period.

### ***Inventory Turnover Days***

There was an increase in inventory balance of approximately 32.3% from approximately RMB641.1 million as at 31 December 2021 to approximately RMB848.3 million as at 30 June 2022. During the Period, our operations have been negatively affected by regional outbreaks and public health control measures in relation to COVID-19 at the cities where the Group has 4S stores in operation, resulting in a decline in the sales volume of the Group in the first half of 2022 as compared to that of the same period in 2021. Since there was shortage of supply in the market during 2021, we have not reduced the purchase volume during the Period. The average inventory turnover days as at 30 June 2022 totaled approximately 32.9 days (31 December 2021: approximately 22.3 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 2022, the total equity of the Group amounted to approximately RMB2,800.5 million (31 December 2021: approximately RMB2,807.6 million). As at 30 June 2022, the current asset of the Group amounted to approximately RMB2,670.5 million (31 December 2021: approximately RMB2,623.9 million) while current liabilities amounted to approximately RMB1,609.1 million (31 December 2021: approximately RMB966.1 million).

As at 30 June 2022, the Group's interest-bearing bank and other borrowings amounted to RMB474.2 million, representing an increase of approximately 112.2% as compared to RMB223.5 million as at 31 December 2021. The Group's loans and borrowings were denominated in Renminbi. The increase in the Group's interest-bearing bank and other borrowings during the Period was primarily to finance the purchase of inventory. The annual interest rates of interest-bearing bank and other borrowings ranged from approximately 3.7% to approximately 5.7%. 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 16.9% as at 30 June 2022 (31 December 2021: approximately 8.0%). 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 RMB602.8 million as at 30 June 2022 (31 December 2021: approximately RMB1,134.6 million).

As at 30 June 2022, cash and cash equivalents, cash in transit, pledged deposits and restricted deposits amounted to approximately RMB1,076.9 million (31 December 2021: approximately RMB1,358.1 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 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, intangible assets and business acquisitions. As at 30 June 2022, the capital commitments were approximately RMB26.8 million (31 December 2021: approximately RMB17.2 million). Save as disclosed above, the Group did not make any significant commitments during the six months ended 30 June 2022.

### ***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.

### ***Significant Acquisition and Disposal of Subsidiaries***

On 14 April 2022 (after trading hours), a wholly-owned subsidiary of the Company entered into an agreement to acquire the entire issued share capital of YZB Auto Services Group Limited and its subsidiaries, a car dealing group which was engaged in the business of car dealership for BMW branded automobiles in Beijing, for a total consideration of US\$80.0 million. During the Period, the Group has completed the acquisition. Please refer to the announcement of the Company dated 14 April 2022 for further details. Save as disclosed above, the Group did not have any significant acquisition and disposal of subsidiaries.

### ***Capital Expenditures and Investment***

The Group's capital expenditures mainly comprised expenditures on property, plant and equipment and business acquisitions. For the six months ended 30 June 2022, the Group's total capital expenditures were approximately RMB550.6 million (six months ended 30 June 2021: approximately RMB79.7 million). Save as disclosed above, the Group did not make any significant investments during the six months ended 30 June 2022.

### ***Contingent Liabilities***

As at 30 June 2022, there was no material contingent liability (31 December 2021: Nil).

### ***Charges on Group Assets***

The Group pledged its group assets as securities for bills payable and interest-bearing bank and other borrowings which were used to finance daily business operation. As of 30 June 2022, certain of our bills payable and interest-bearing bank and other borrowings were secured by (i) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB248.7 million (31 December 2021: approximately RMB72.5 million); and (ii) mortgages over the deposits, which had an aggregate carrying amount of approximately RMB41.2 million (31 December 2021: approximately RMB0.01 million). Save as disclosed above, as at 30 June 2022, no other assets of the Group were charged.

### ***Human Resources***

As of 30 June 2022, the Group had 1,535 (31 December 2021: 1,320) employees. The remuneration of the existing includes basic salaries, discretionary bonus, social security contributions and share-based incentives. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

### ***Important Events after the Period***

Reference is made to the announcements of the Company dated 6 July 2022, 25 July 2022 and 3 August 2022, and the circulars of the Company dated 21 April 2022 and 8 July 2022, KPMG has been appointed as the auditors of the Company with effect from 2 August 2022. The term of the appointment shall expire at the conclusion of the next annual general meeting of the Company.

## 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 30 June 2022:

Intended use of net proceeds	% of total net proceeds	Amount of net proceeds (HK\$ million)	Utilized as of 31 December 2021 (HK\$ million)	Utilized during the Period (HK\$ million)	% utilized	Amount not yet utilized (HK\$ million)	Expected timeframe for utilization
Acquire other automobile dealership store network	45	318	Nil	318	100	Nil	N/A
Open new automobile dealership store network	30	212	96	116	100	Nil	N/A
Renovate of our existing 4S dealership stores	10	71	47	24	100	Nil	N/A
Optimize and upgrade the information technology Systems	5	35	12	5	49	18	Before 31 December 2023
Working capital and general corporate purposes	10	71	71	Nil	100	Nil	N/A
<b>Total</b>	<b>100</b>	<b>707</b>	<b>226</b>	<b>463</b>	<b>97</b>	<b>18</b>	

*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.

During the Period, the Group did not issue any equity securities (including securities convertible into equity securities).

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities.

### **Significant Investments Held**

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

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

Save as disclosed above, during the Period, the Company did not acquire and/or dispose any of its subsidiaries, associates, interests in joint ventures or affiliated companies.

### **Corporate Governance Code**

During the Period, 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, 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, apart from Mr. Chou Patrick Hsiao-Po, each of them has complied with the required standard as set out in the Model Code during the Period and up to the date of this announcement.

According to code provision A.3(a)(ii) of the Model Code, a Director must not deal in any securities of the Company on any day on which its financial results are published and during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results. According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board of directors of the Company for the specific purpose and receiving a dated written acknowledgement.

An executive Director, Mr. Chou Patrick Hsiao-Po, on 2 August 2022, purchased a total of 551,000 shares of the Company in the open market through his broker without notifying the Board prior to such dealings, as he did not remember the prohibition and notification requirements under the Model Code at the time when he conducted such dealings which was in contravention of code provision A.3(a)(ii) and B.8 of the Model Code.

The Company has taken or will take the following remedial steps to avoid the re-occurrence of similar incidents:

- Communicated and reminded Mr. Chou Patrick Hsiao-Po and other Directors of the blackout period in respect of the Company’s interim results and will communicate and remind Directors of the blackout period for any future interim or annual results of the Company;
- Recirculated the Model Code to the Board and reminded them of the procedures that they should follow should they wish to deal in the Company’s shares; and
- To coordinate with Company’s legal counsel to arrange a refresher training on directors’ duties.

The Board considers that by adopting the aforesaid measures, it would enable the directors to understand the dealing restriction during the black-out period and the procedures that they need to follow before dealing in the securities of the Company. The Board therefore considered that the implementation of the above measures would minimize the chance of breach of the Model Code by the Directors in the future.

## **Audit Committee and Review of Interim Results**

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.

An Audit Committee meeting was held on 23 August 2022 and the Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2022. KPMG, the Group’s external auditor, has carried out a review of the interim financial report for the six months ended 30 June 2022 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **Interim Dividend**

The Board proposed not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## **Public Float**

During the Period and 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.

## **Publication of Interim Results Announcement and Interim Report**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.blchina.com](http://www.blchina.com). The interim report of the Company for the Period 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, 29 August 2022

*As at the date of this announcement, the executive Directors are Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing, Mr. Xu Tao and Mr. Chau Kwok Keung, and the independent non-executive Directors are Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi.*

*This announcement is available for viewing on the Company's website at [www.blchina.com](http://www.blchina.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*