百得利控股有限公司
BetterLife Holding Limited

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)
Stock Code 股份代號: 6909

ANNUAL REPORT 年度報告
2022

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CORPORATE INFORMATION

Board of directors

Executive directors

Mr. Chou Patrick Hsiao-Po (Chairman)
Ms. Sun Jing
Mr. Xu Tao
Mr. Chau Kwok Keung

Independent non-executive directors

Mr. Liu Dengqing
Mr. Wong Ka Kit
Mr. Yau Ka Chi

Company secretary

Mr. Chau Kwok Keung

Authorised representatives

Ms. Sun Jing
Mr. Chau Kwok Keung

Audit committee

Mr. Yau Ka Chi (Chairman)
Mr. Liu Dengqing
Mr. Wong Ka Kit

Remuneration committee

Mr. Wong Ka Kit (Chairman)
Mr. Chou Patrick Hsiao-Po
Mr. Liu Dengqing

Nomination committee

Mr. Chou Patrick Hsiao-Po (Chairman)
Mr. Liu Dengqing
Mr. Yau Ka Chi

Strategic development committee

Mr. Chou Patrick Hsiao-Po (Chairman)
Mr. Wong Ka Kit
Ms. Sun Jing

Corporate headquarters

No. 1 Donghuan North Road,
Beijing Economic and Technological
Development Area,
Beijing
People's Republic of China (the "PRC")

Principal place of business in Hong Kong

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No. 248 Queen's Road East
Wanchai
Hong Kong

Registered office

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Cayman Islands share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong share registrar

Computershare Hong Kong Investor Services Limited
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17th Floor Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Legal advisors as to Hong Kong law

Morgan, Lewis & Bockius
Suites 1902–09
19th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Compliance adviser

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Auditor

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Stock code

06909

Company website

www.blchina.com

CHAIRMAN STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of BetterLife Holding Limited (the "**Company**"), I am pleased to present the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Year**" or "**Reporting Period**"). During the Year, our revenue increased by approximately RMB118.8 million, or approximately 1.2%, from approximately RMB9,962.9 million for the year ended 31 December 2021 to approximately RMB10,081.7 million for the Year. The Group's net profits in the Year were RMB242.8 million, representing a decrease of approximately 56.7% from approximately RMB560.7 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 31 December 2022, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, 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.

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 Year, our operations have been negatively affected by regional outbreaks and public health control measures at the cities which the Group has 4S dealership stores in operation, resulting in a decline in the operating results of the Group for the Year as compared to the year ended 31 December 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 Year, our two new 4S dealership stores of Jaguar-Land Rover in Shanghai and Chengdu respectively and a new showroom of SAIC Audi in Beijing have already been in operation. 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 2023. 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 Year for a total consideration of USD80.0 million and RMB5.0 million, respectively. Please refer to the announcement of the Company dated 14 April 2022 for further details. We still plan to acquire other suitable 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 (the "**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.

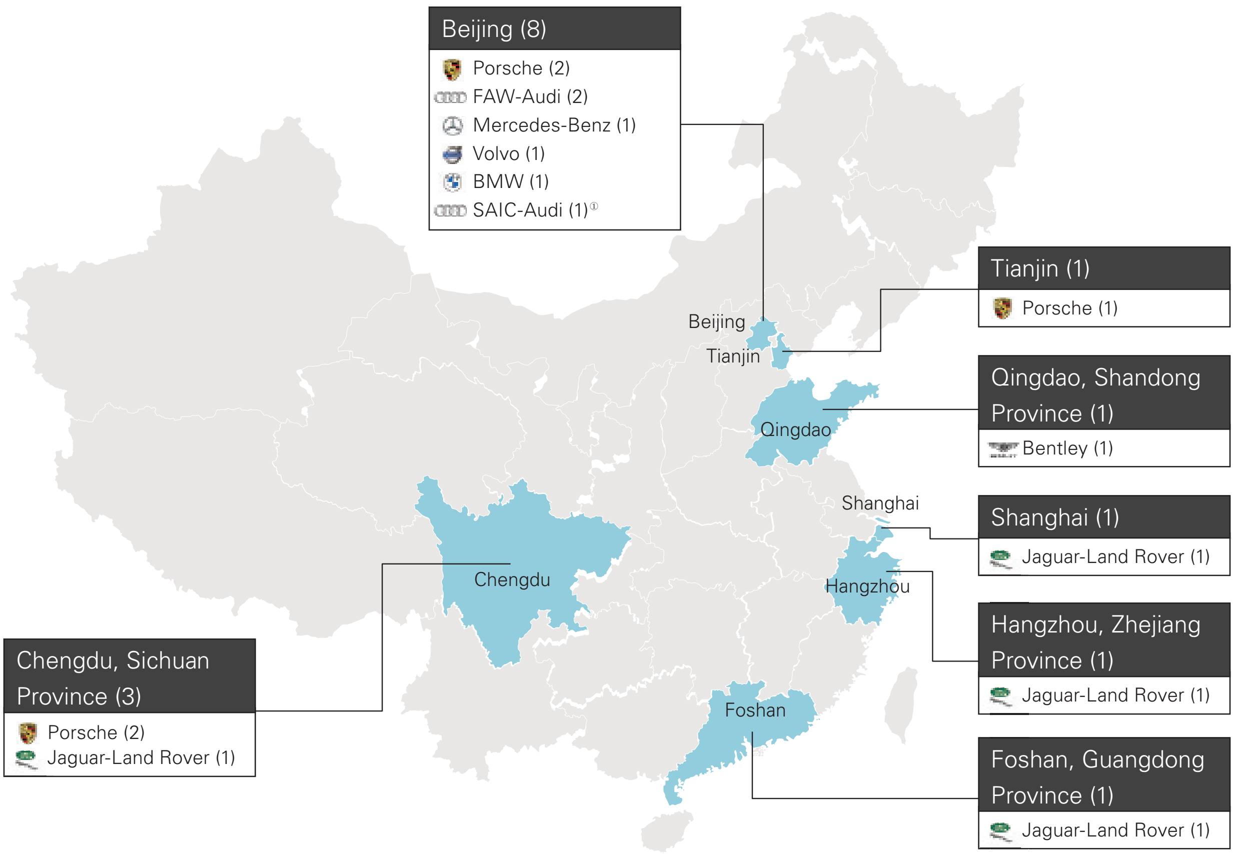
Mr. Chou Patrick Hsiao-Po
Chairman

Beijing, 31 March 2023

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 Annual Report, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, 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 SAIC-Audi showroom

During the Year, our two new 4S dealership stores of Jaguar-Land Rover in Shanghai and Chengdu respectively and a new showroom of SAIC Audi in Beijing have already been in operation. 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 2023. In additions, we completed acquisitions of a BMW 4S dealership store and a BMW car repair shop in Beijing during the Year at a total consideration of USD80.0 million and RMB5.0 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 additions, 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 Year, the Group has sold 15,154 passenger vehicles in total, representing an increase of approximately 7.0% from 14,158 passenger vehicles sold during the previous year. The revenue generated from the sales of automobiles for the Year amounted to approximately RMB8,915.9 million, representing an increase of approximately 2.2% over that of the previous year, which accounted for approximately 88.4% of the Group's total revenue. During the Year, the Group's revenue from after-sales services reached approximately RMB1,165.9 million, representing a decrease of approximately 5.6% as compared to that of the corresponding period of last year, which accounted for approximately 11.6% of the Group's total revenue.

Revenues from our top five customers for the Year represented approximately 5.3% of our total revenues, compared to approximately 4.2% for the previous year. The sales to our largest customer accounted for approximately 1.6% of our total revenues in the Year, as compared to approximately 1.3% in the previous year.

Our top five suppliers are automobile manufacturers that supply new automobiles and spare parts to us. During the Year, purchases from our top five suppliers represented approximately 76.5% of our total purchases compared to approximately 85.2% for the previous year. And the purchases from our largest supplier represented approximately 43.2% 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.

During the Year, our operations have been negatively affected by regional outbreaks and public health control measures at the cities which the Group has 4S stores in operation, resulting in a decline in the operating results of the Group in the Year as compared to the year ended 31 December 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 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

During the Year, our operations have been negatively affected by regional outbreaks and public health control measures at the cities which the Group has 4S dealership stores in operation, resulting in a decline in the operating results of the Group for the Year as compared to the year ended 31 December 2021. Such negative impacts have been partially offset by the increase in operating scale of the Group. As of 31 December 2022, the Group operated 15 4S dealership stores and one showroom, increasing from 12 4S dealership stores as of 31 December 2021. Due to the expansion in operating scale, our revenue increased by approximately RMB118.8 million, or approximately 1.2%, from approximately RMB9,962.9 million for the year ended 31 December 2021 to approximately RMB10,081.7 million for the Year. Revenue from sales of automobiles increased by approximately RMB187.9 million, or approximately 2.2%, from approximately RMB8,728.0 million for the year ended 31 December 2021 to approximately RMB8,915.9 million for the Year, accounting for approximately 88.4% of the total revenue of the Group (the year ended 31 December 2021: approximately 87.6%). In terms of sales volume, the Group sold 15,154 units of passenger vehicles in total for the Year, representing an increase of approximately 7.0% from 14,158 units of passenger vehicles sold during the year ended 31 December 2021. However, the average selling price of passenger vehicles sales decreased by approximately 4.6% from approximately RMB616,470 for the year ended 31 December 2021 to approximately RMB588,350 for the Year due to the challenging market environment. Revenue from after-sales services decreased by approximately RMB69.0 million, or approximately 5.6%, from approximately RMB1,234.9 million for the year ended 31 December in 2021 to approximately RMB1,165.9 million for the Year, accounting for approximately 11.6% of the total revenue of the Group (the year ended 31 December 2021: approximately 12.4%). We believe it was mainly attributable to the decrease in utilization of vehicles under the regional outbreaks of COVID-19 and the public health control measures which subsequently reduced the demand of after-sales services.

Cost of sales

Cost of sales increased by approximately 4.6% from approximately RMB8,797.1 million for the year ended 31 December 2021 to approximately RMB9,204.2 million for the Year, which was primarily due to the increase in sales volume of passenger vehicles as described above.

Gross Profit and Gross Profit Margin

During the Year, the Group recorded gross profits of approximately RMB877.5 million, representing a decrease of approximately 24.7% from the gross profit of approximately RMB1,165.8 million for the year ended 31 December 2021. Our gross profit margin decreased from approximately 11.7% for the year ended 31 December 2021 to approximately 8.7% for the Year.

Gross profit margin for the sales of passenger vehicles decreased to approximately 4.1% for Year from approximately 7.0% for the year ended 31 December 2021. Gross profit margin for after-sales services decreased to approximately 43.9% for the Year from approximately 46.0% for the year ended 31 December 2021. Such decrease was primarily due to the decrease in average selling price of passenger vehicles and the decrease in revenue of after-sales services which would record high profit margin.

Other Income and Gains

Our other income and gains increased by approximately 16.3% from approximately RMB220.3 million for the year ended 31 December 2021 to approximately RMB256.1 million for the Year. Other income and gains mainly comprised 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 etc. The increase of other income and gains during the Year was mainly due to the increase in the commission income and the gain from disposal of property, plant and equipment.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 22.7% from approximately RMB418.1 million for the year ended 31 December 2021 to approximately RMB513.2 million for the Year, which was mainly due to the increase in 4S dealership stores in operation during the Year. It accounted for approximately 5.1% of the total revenue of the Group which increased from approximately 4.2% recorded for the year ended 31 December 2021.

Administrative Expenses

Our administrative expenses increased by approximately 18.1% from approximately RMB221.1 million for the year ended 31 December 2021 to approximately RMB261.2 million for the Year, which was mainly due to the increase in scale of operations during the Year. It accounted for approximately 2.6% of the total revenue of the Group which increased slightly from approximately 2.2% recorded for the year ended 31 December 2021.

Financial Costs

Our finance costs increased by approximately 92.9% from approximately RMB19.6 million for the year ended 31 December 2021 to approximately RMB37.8 million incurred for the Year, primarily due to the increase in our bank and other borrowings during the Year 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 of the Group comparing to approximately 0.2% recorded for the year ended 31 December 2021.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by approximately 55.8% from approximately RMB727.3 million for the year ended 31 December 2021 to approximately RMB321.4 million for the Year.

Income Tax Expense

Our income tax expense decreased by approximately 52.9% from approximately RMB166.6 million incurred for the year ended 31 December 2021 to approximately RMB78.6 million incurred for the Year, primarily due to the decrease in taxable profit that we recorded during the Year and the preferential tax rate granted to certain subsidiaries incorporated in Chengdu and Hainan. Our effective tax rate increased from approximately 22.9% for the year ended 31 December 2021 to approximately 24.4% for the Year.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the Year decreased by approximately 56.7% from approximately RMB560.7 million for the year ended 31 December 2021 to approximately RMB242.8 million for the Year. The net profit margin for the Year was approximately 2.4%, comparing to the net profit margin of approximately 5.6% for the year ended 31 December in 2021.

Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent for the Year decreased by approximately 62.4% from approximately RMB456.0 million for the year ended 31 December 2021 to approximately RMB171.5 million for the Year as a result of the foregoing.

Dividend

The Board resolved to recommend a final dividend of RMB3.0 cents per share for the Year (the year ended 31 December 2021: RMB22.0 cents), representing a total pay out of approximately RMB18.7 million, subject to approval by the Shareholders at the annual general meeting to be held on Wednesday, 28 June 2023. The total dividends for the Year, which include the interim, final and special dividends, represented approximately 11.0% of the profit attributable to holding company for the Year. 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

Driven by the increase of our 4S dealership stores in operations to 15 as of 31 December 2022 from 12 as of 31 December 2021, there was an increase in inventory balance of approximately 33.2% from approximately RMB641.1 million as at 31 December 2021 to approximately RMB853.8 million as at 31 December 2022. During the Year, our operations have been negatively affected by regional outbreaks and public health control measures at the cities which the Group has 4S dealership stores in operation, resulting in the percentage of increase in our sales volume were less the increase of its inventory balance. The average inventory turnover days as at 31 December 2022 totaled approximately 29.6 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 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. 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, the Group had adequate financial resources to meet all contractual obligations and operating requirements.

As at 31 December 2022, the total equity of the Group amounted to approximately RMB2,832.8 million (31 December 2021: approximately RMB2,807.6 million). As at 31 December 2022, the current asset of the Group amounted to approximately RMB2,495.6 million (31 December 2021: approximately RMB2,623.9 million) while current liabilities amounted to approximately RMB1,406.0 million (31 December 2021: approximately RMB966.1 million).

As at 31 December 2022, the Group's loans and borrowings amounted to RMB572.1 million, representing an increase of approximately 156.0% as compared to RMB223.5 million as at 31 December 2021. The Group's loans and borrowings were denominated in Renminbi and Hong Kong Dollars. The increase in the Group's bank loans and other borrowings during the Year was primarily to finance the purchase of inventory. The annual interest rates of the bank loans and other borrowings ranged from approximately 3.2% to approximately 7.6%. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group currently has not used any derivatives to hedge interest rate risk. The debt to equity ratio or gearing ratio (being the total loans and borrowings divided by total equity) was approximately 20.2% as at 31 December 2022 (31 December 2021: approximately 8.0%). The Group was in net cash position of approximately RMB184.6 million as at 31 December 2022 (31 December 2021: approximately RMB1,134.6 million).

As at 31 December 2022, cash and cash equivalents, cash in transit, restricted cash and pledged deposits amounted to approximately RMB756.7 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. During the Year, 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 acquisition. As at 31 December 2022, the capital commitments were approximately RMB14.5 million (31 December 2021: approximately RMB17.2 million). Save as disclosed above, the Group did not make any significant commitments during the Year.

Details of the Future Investment Plans for Material Investment

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

Significant Acquisition and Disposal of Subsidiaries

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 Year, 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 Significant Investment

The Group's capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the Year, the Group's total capital expenditures were approximately RMB784.3 million (the year ended 31 December 2021: approximately RMB183.4 million). Save as disclosed above, the Group did not make any significant investments during the Year.

Contingent Liabilities

As at 31 December 2022, there was no material contingent liability (31 December 2021: 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 2022, certain of our bank loans and other borrowings and bills payables were secured by (i) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB47.7 million (31 December 2021: approximately RMB72.5 million); and (ii) mortgages over the deposits, which had an aggregate carrying amount of approximately RMB36.6 million (31 December 2021: approximately RMB0.01 million). Save as disclosed above, as at 31 December 2022, no other assets of the Group were charged.

Human Resources

As of 31 December 2022, the Group had 1,490 employees (31 December 2021: 1,320). 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

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2022 and up to the date of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chou Patrick Hsiao-Po (周小波), aged 54, is the founder of our Group and was appointed as a director of our Company in May 2018. He was appointed as the chairman of the Board, the chief executive officer and re-designated as an executive Director in December 2020. Mr. Chou is responsible for the overall strategy and operation of our Group. And he is a director of certain subsidiaries of the Group.

Mr. Chou is an entrepreneur and has extensive industry experiences in automobile. He founded our Group in September 1998 and principally devoted his time and resources to our development, particularly in the areas of business development and operational management. He led the signing of the dealership agreement of Audi automobiles in China in 1999 and the dealership agreement of Porsche automobiles in China in 2000. Mr. Chou has accumulated over 20 years of experiences in the car dealing industry from his founding and development of our Group.

Mr. Chou has taken up various positions in the relevant societies of automobile dealership industry in the PRC. He was appointed as the vice-president of CADA (中國汽車流通協會) in 2010 for a term of five years, and served as the president of CADA Porsche Dealers Association (中國汽車流通協會保時捷經銷商聯會) from 2014 to 2016 and served as the vice-president of Audi Dealers Association (中國汽車流通協會奧迪經銷商聯會) in 2017. Mr. Chou received education in Braunschweig, Germany in the 1980s and completed grade 10 education at Sidonienstraße school in 1987. From 1987 to 1992, Mr. Chou worked for his family business in Germany (including serving as the general manager of Chou Dynasty GmbH, which primarily focused on trade, investment and catering business between China and Germany). From 1992 to 1998, Mr. Chou served as the chairman of the board of directors of Dynasty (Tianjin) International Trade Co. Ltd.* (王朝(天津)國際工貿有限公司) in China which primarily focused on wholesaling business and he shifted his focus on automobile business after founding our Group in September 1998. Mr. Chou did not hold any directorship in any listed companies during the last three years.

Ms. Sun Jing (孫靖), aged 53, joined our Group in December 2006 and was appointed as an executive Director and an authorized representative of our Company in December 2020, responsible for strategic development, coordination of investors relations, and management of mid-senior level personnel of our Group. Ms. Sun is currently the chief of the board office (董事會辦公室主任) of Beijing BetterLife Group.

From July 2014 to December 2018, Ms. Sun was the general manager of Beijing BetterLife Auto during which she was primarily responsible for formulating the strategy, sales goals and operation plans. Ms. Sun was also the general manager of BetterLife Tianjin from January 2011 to January 2013, primarily responsible for formulating the strategy, sales goals and operation plans for vehicle after-market business. Ms. Sun was the assistant to the chief executive officer of Beijing BetterLife Group from December 2006 to December 2010, responsible for supervising the operation of different stores and assisting the chief executive officer in development and negotiation of new projects.

Ms. Sun graduated from the Capital University of Economics and Business in the PRC with a bachelor's degree in management (majoring in Accounting) in June 2001. She obtained a Master of Science degree in Corporate Strategy and Finance from Edinburg Napier University in Scotland in November 2003.

Ms. Sun did not hold any directorship in any listed companies during the last three years.

Mr. Xu Tao (徐濤), aged 45, joined our Group in April 2008 and was appointed as an executive Director of our Company in January 2022. He also has been serving as the general manager of Beijing Haidian Mercedes-Benz operated by Beijing BetterLife Star since 2013 and is a director of certain subsidiaries of the Group.

Mr. Xu has approximately 19 years of experience in the automobile industry. Prior to joining our Group, Mr. Xu served as the sales director of Beijing Shouchuang Senmei Auto Trade Ltd.* (北京首創森美汽車貿易有限公司), an authorized dealer for Buick automobiles, from June 2004 to March 2008. Mr. Xu also served as a sales manager of Beijing Yazhijie Century Auto Sales Ltd.* (北京亞之傑世紀汽車銷售有限公司), an authorized dealer for Ford automobiles, from January 2003 to January 2004 and a sales consultant (also in charge of inventory management) of Beijing Yazhijie Auto Trade Ltd.* (北京亞之傑汽車貿易有限責任公司), an authorized dealer for Audi automobiles, from September 2001 to December 2001. Mr. Xu joined Beijing BetterLife Star as a sales director in April 2008, and was promoted as the general manager in May 2013. Under the leadership of Mr. Xu, Beijing BetterLife Star has received the Top 5 Best Warranty Business Performance Award 2019 in Northern China by Beijing Mercedes-Benz Sales Service Co., Ltd. and the best retailer dealer for Start Elite second-hand vehicles in Northern China in the first half of 2010 by Mercedes-Benz.

Mr. Xu graduated from Beijing University of Technology with a bachelor's degree in Automobile and Internal Combustion Engine in July 2000. Mr. Xu did not hold any directorship in any listed companies during the last three years.

Mr. Chau Kwok Keung (鄒國強), aged 46, joined our Group as our chief financial officer in September 2020 and was appointed as an executive Director in December 2020. Mr. Chau is responsible for overall financial planning and management, company secretarial affairs, coordination of investors relationship and administrative work.

Prior to joining our Group, Mr. Chau has served as an executive director and the chief financial officer of Comtec Solar Systems Group Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code: 712.HK) from November 2007 to January 2020. Mr. Chau was responsible for its corporate financial and general management. He was also appointed as (i) an independent non-executive director and the chairman of the audit committee of Qingdao Port International Co., Ltd., a company dual-listed on the Stock Exchange (stock code: 6198.HK) and the Shanghai Stock Exchange (stock code: 601298.SH) from May 2014 to May 2019; (ii) an independent director of The9 Limited, whose shares are listed by way of American Depository Shares on the National Association of Securities Dealers Automated Quotations ("**NASDAQ**") (symbol: NCTY), since October 2015; (iii) an independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Ltd., a company listed on the Stock Exchange (stock code: 2779.HK), from October 2017 to November 2022; (iv) an independent non-executive director of China Tobacco International (HK) Company Limited, a company listed on the Stock Exchange (stock code: 6055.HK), since December 2018; (v) an independent non-executive director and the chairman of the audit committee of Forward Fashion (International) Holdings Company Limited, a company listed on the Stock Exchange (stock code: 2528.HK), from December 2019 to August 2021; (vi) an independent non-executive director of Bank of Zhangjiakou Co., Ltd (張家口銀行股份有限公司) since April 2020; (vii) an independent non-executive director and the chairman of audit committee of Suzhou Basecare Medical Corporation Limited (a company listed in the Stock Exchange with stock code: 2170) since October 2021; and (viii) an independent non-executive director, the chairman of each of the audit committee and the remuneration committee, and a member of the nomination committee of China Infrastructure & Logistics Group Ltd., a company listed on the Stock Exchange (stock code: 1719.HK) since May 2022. He also acted as a member of supervisory board of RIB Software AG (symbol: RIB), a software company in Germany, which was listed on the Frankfurt Stock Exchange, from May 2010 to June 2013.

Mr. Chau has also served in various positions at China.com Inc. (currently known as Sino Splendid Holdings Limited), a company listed on the Stock Exchange (stock code: 8006.HK) from October 2005 to October 2007, including qualified accountant, chief financial officer, company secretary and authorised representative. Prior to joining China.com Inc., he was the deputy group financial controller of China South City Holdings Limited, a company listed on the Stock Exchange (stock code: 1668.HK) from August 2003 to April 2005 and the financial controller of Shanghai Hawei New Materials and Technology Company Limited from June 2002 to August 2003. Mr. Chau was employed by Arthur Andersen & Co. initially as an experienced staff accountant and then he was subsequently promoted to be a senior consultant in the Global Corporate Finance Division of Arthur Andersen & Co. in March 2002.

Mr. Chau has been a member of the Association of Chartered Certified Accountants (ACCA) since June 2002, a Chartered Financial Analyst of CFA Institute since September 2003 and a member of Hong Kong Institute of Certified Public Accountants (HKICPA) since July 2005. Mr. Chau also obtained a certificate of Qualified Independent Director from the Shanghai Stock Exchange since August 2017 and was approved by China Banking and Insurance Regulatory Commission as qualified director of banking institutions in China since March 2020. Mr. Chau has been a fellow member of the Institute of Public Accountants (IPA) of Australia and Institute of Financial Accountants (IFA) since June 2020. Mr. Chau received a bachelor's degree in Business Administration from the Chinese University of Hong Kong in December 1998.

Save as disclosed above, Mr. Chau did not hold any directorship in any listed companies during the last three years.

Independent Non-executive Directors

Mr. Liu Dengqing (劉登清), aged 52, was appointed as an independent non-executive Director of our Company in December 2020 and is responsible for providing independent opinion and judgment to our Board.

Mr. Liu is the director, president and chief executive officer of China Enterprise Appraisals Consultation Co., Ltd.* (北京中企華資產評估有限責任公司). Mr. Liu also serves as a member of the 1st Listing Committee of ChiNext board of the Shenzhen Stock Exchange, a project appraisal expert of financial institution state assets appraisal project of the MoF, and a vice president of Beijing Appraisal Society (北京資產評估協會). Since November 2018, he has served as a part-time professor of the School of Public Finance and Taxation and a researcher of the Research Institute of Asset Appraisals of the Central University of Finance and Economics. Mr. Liu served as a member of the 10th and 11th Public Offering Review Committee of the CSRC in 2008 and 2009 and a member of the 4th and 5th Merger and Reorganization Committee of the CSRC from 2012 to 2016.

Mr. Liu has served as an independent director of Polaris Bay Group Co., Ltd. (華創陽安股份有限公司) (formerly known as Hebei Baoshuo Co., Ltd. (河北寶碩股份有限公司)) (a company listed on the Shanghai Stock Exchange (stock code: 600155)) since December 2016 and an independent director of Dongfang Electric Co., Ltd. (東方電氣股份有限公司) (a company listed on the Stock Exchange (stock code: 1072) and the Shanghai Stock Exchange (stock code: 600875)) since June 2018. He has also served as an independent director of China Spacesat Co., Ltd. (中國東方紅衛星股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600118)) from November 2014 to June 2021 and was an independent director of Hengxin Shambala Culture Co., Ltd. (恒信東方文化股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300081)) from June 2015 to August 2021. In addition, he served as an independent non-executive director of Harbin Electric Company Limited (哈爾濱電氣股份有限公司) (a company listed on the Stock Exchange (stock code: 01133)) from December 2009 to December 2017 and also served as an independent supervisor of Qingdao Port International Co., Ltd.* (青島港國際股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601298) and the Stock Exchange (stock code: 6198)) from September 2014 to May 2019.

Mr. Liu has extensive experience in assets appraisal and he is a mineral rights valuer (礦業權評估師) recognized by the Chinese Association of Mineral Resources Appraisers (中國礦業權評估師協會) and is a registered real estate appraiser (註冊房地產估價師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部). He is also a certified asset appraiser (資產評估師) recognized by China Appraisal Society (中國資產評估協會).

Mr. Liu obtained a doctorate degree in management studies from Tsinghua University in the PRC in 1999, a master's degree in engineering from Shanghai Jiao Tong University in the PRC in 1995 and a bachelor's degree in Industrial Management and Engineering from Beijing Institute of Technology in the PRC in 1992.

Save as disclosed above, Mr. Liu did not hold any directorship in any listed companies during the last three years.

Mr. Wong Ka Kit (黃家傑), aged 46, was appointed as an independent non-executive Director of our Company in December 2020 and is responsible for providing independent opinion and judgment to our Board.

Mr. Wong serves as the chief executive officer, chief financial officer and a director of Bridgetown Holdings Limited, which is a company listed on NASDAQ (symbol: BTWNU) primarily engaged in the acquisition of, or combining businesses with, selected companies with operations or prospective operations in the technology, financial services, or media sectors or the "new economy sectors" in Southeast Asia. Mr. Wong has served as the chief executive officer, chief financial officer and a director of Bridgetown 2 Holdings Limited (a company listed on NASDAQ (symbol: BTNB)) until March 2022. Mr. Wong is currently a senior vice president (Mergers and Acquisitions) in Pacific Century Group Holdings (HK) Limited and he has also served in various roles in companies of Pacific Century Group (collectively, "Pacific Century") which has a primary focus to invest and operate businesses in financial services and technology, media & telecommunications and property industry, including senior vice president (Mergers and Acquisitions) in PCCW Services Limited from July 2007 to December 2008 and senior vice president (Mergers and Acquisitions) in PCPD Services Limited from January 2009 to December 2018. Since 2015, Mr. Wong has served in PineBridge Investments Asia Limited (a portfolio company of Pacific Century) ("**PineBridge**") as a consultant to the PineBridge group of companies (with the title of senior managing director) and served as a member of the executive committee of PineBridge from 2015 to 2018. Mr. Wong served as an independent non-executive director of AV Concept Holdings Limited (a company listed on the Stock Exchange, stock code 595) from September 2004 to August 2020. Mr. Wong has also served as a director of CompareAsia Group Capital Limited (which operates a comparison site for financial products in Southeast Asia) from July 2019 to January 2022.

Mr. Wong graduated from the University of Wisconsin — Madison in the United States with a Bachelor of Business Administration degree in 1998. He earned the Chartered Financial Analyst designation from the CFA Institute in 2001, was admitted into Stanford's Sloan Master program of the Stanford University in the United States in 2007, and completed the Kellogg — HKUST Executive MBA program and was awarded a degree of Master of Business Administration from Northwestern University in the United States and the Hong Kong University of Science and Technology in Hong Kong in 2013.

Save as disclosed above, Mr. Wong did not hold any directorship in any listed companies during the last three years.

Mr. Yau Ka Chi (邱家賜), aged 65, was appointed as an independent non-executive Director of our Company in December 2020 and is responsible for providing independent opinion and judgment to our Board.

Mr. Yau has over 30 years of professional accounting and management experience including 20 years in serving PRC-based enterprises. He had worked for Ernst & Young in its Hong Kong, Toronto and Beijing offices with a primary focus in providing professional services in accounting and audit, initial public offering, and corporate restructuring before retiring in September 2015. When he was with Ernst & Young, Mr. Yau was appointed, among others, as the Professional Practice Director of Greater China from July 2007 to June 2009 and the Assurance Leader for China North Region from July 2010 to June 2014.

Mr. Yau has served as an independent non-executive director of Yihai International Holding Ltd. (頤海國際控股有限公司) (stock code: 1579) since June 2016, China Mengniu Dairy Company Limited (中國蒙牛乳業有限公司) (Stock code: 2319) from October 2016 to November 2021, China Power International Development Limited (中國電力國際發展有限公司) (stock code: 2380) since December 2016 and HBM Holdings Limited (和鉑醫藥控股有限公司) (stock code: 2142) since June 2021, all of which are companies listed on the main board of the Stock Exchange. Mr. Yau holds a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in Hong Kong and is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, Mr. Yau did not hold any directorship in any listed companies during the last three years.

Senior Management

Mr. Luo Chao (羅超), aged 52, joined our Group in April 2002 and was appointed as the president of after-sales (售後總裁) of our Company in December 2020, responsible for overall management of vehicles after-sales market and customers of our Group. He has also been serving as the general manager of Beijing Yizhuang Porsche Center operated by our Group since July 2016.

Mr. Luo has approximately 20 years of experience of serving in our Group and in the automobile industry. Between April 2002 and February 2004, Mr. Luo was the after-sales service director of Beijing BetterLife Group. Mr. Luo joined Beijing BetterLife Auto Trade as after-sales service director in March 2004 and was promoted and has served as the general manager from July 2010 to May 2013. Between May 2013 and July 2016, Mr. Luo was the general manager of Beijing BetterLife International. Under the leadership of Mr. Luo, Beijing Yizhuang Porsche Center operated by our Group received various awards and recognitions, including Sales Excellence Award of Porsche Retail Competition of the Northern District of China in 2017, 2018 and 2019.

Mr. Luo completed an online undergraduate program offered by the University of International Business and Economics in International Trade in the PRC in January 2011. Mr. Luo did not hold any directorship in any listed companies during the last three years.

Mr. Ma Shaohui (馬少暉), aged 40, joined our Group since July 2015. Mr. Ma has served in various positions at our Group. Between July 2015 to January 2020, Mr. Ma served as the sales manager of Beijing Yizhuang Porsche Center. He also served as a vice general manager and sales manager of Chengdu Jinniu Porsche Center operated by Chengdu Jinbao from January 2020 to December 2020, and has been promoted to be the general manager since January 2021.

Mr. Ma has been appointed as the general manager of Beijing BetterLife Auto and as the president of sales (銷售總裁) of our Company in January 2022, responsible for overall operation in sales and marketing matters of our Group. Mr. Ma has approximately 16 years of experience in the automobile industry. Prior to joining our Group, Mr. Ma served as the sales manager of Dalian Hongtai Audi Auto Sales Service Ltd* (大連弘泰奧迪汽車銷售服務有限公司), an authorized dealer for Audi automobiles, from June 2014 to May 2015. Mr. Ma also served as a sales manager of Dalian Yanbao Auto Sales Service Ltd* (大連燕寶汽車銷售服務有限公司), an authorized dealer for BMW automobiles, from March 2007 to June 2014.

Mr. Ma graduated from Dongbei University of Finance and Economics with a bachelor's degree in finance in May 2005. Mr. Ma did not hold any directorship in any listed companies during the last three years.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2022.

Principal activities

The Group's operations are conducted in the PRC through its subsidiaries. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of the Group's principal activities during the year. We are an automobile dealership service provider in the PRC focusing on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealership stores for a diversified portfolio of luxury and ultra-luxury automobile brands, including Porsche, Mercedes Benz, BMW, Audi, Jaguar Land Rover, Bentley and Volvo. We offer a comprehensive range of new automobiles and after-sales products and 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.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2022 are set out in note 16 to the financial statements.

Results

The results of the Group for the year ended 31 December 2022 are set out in the audited consolidated statement of profit or loss on page 90 of this Annual Report.

Business review

A review of the business of the Company and a discussion and analysis of the Company's performance during the year, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 6 to 13 of this Annual Report. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in the section headed "Principal risks and risk management" on page 36 of this Annual Report and the section headed "Risk management and internal controls" on pages 52 to 53 of this Annual Report. An analysis of the Group's performance during the year using financial Key Performance Indicators is provided in the section headed "Management Discussion and Analysis — Financial Review" on pages 9 to 13 of this Annual Report. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman's Statement on pages 4 to 5 and Management Discussion and Analysis on pages 6 to 13 of this Annual Report. The Board recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the Group's compliance to the prevailing environmental protection laws and regulations. Additional details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the "Environmental protection" of this Report of the Directors on page 38. Compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "Compliance with Laws and Regulations" of this Report of the Directors; and an account of the Company's relationships with its employees, customers, suppliers, shareholders, etc. are disclosed in "Relationship with Stakeholders" of this Report of the Directors on page 38.

Financial statements

The summary of the results, assets and liabilities of the Group for the year and the state of the Company's and the Group's affairs as at 31 December 2022 are set out in the consolidated financial statements on pages 90 to 159 of this Annual Report.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 31 to the financial statements.

Reserves

Details of movements in reserves of the Group and the Company for the year are set out in the consolidated statement of changes in equity and note 31 to the financial statements, respectively.

Distributable reserves

As at 31 December 2022, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Act of the Cayman Islands, amounted to approximately RMB419.3 million (2021: 582.0 million), of which approximately RMB18.7 million has been proposed as final dividend for the year.

Dividends and dividend policy

The Board resolved to recommend a final dividend of RMB3.0 cents per share for the Year (the year ended 31 December 2021: RMB22.0 cents), representing a total pay out of approximately RMB18.7 million, subject to approval by the Shareholders at the annual general meeting to be held on Wednesday, 28 June 2023. The total dividends for the Year, which include the interim, final and special dividends, represented approximately 11.0% of the profit attributable to holding company for the Year. 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.

During the Year, there was no arrangement that a Shareholder had waived or agreed to waive any dividend.

Summary financial information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2022 is set out on page 160 of this Annual Report.

Charitable donations

The Company made a donation of approximately RMB1.2 million to various charity projects or organisations for the year ended 31 December 2022.

Property, plant and equipment

Movements in property, plant and equipment of the Group for the year are set out in note 11 to the financial statements.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2022 are set out in note 24 to the financial statements.

Contingent liabilities

As at 31 December 2022, our Group had no significant contingent liabilities.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares (the "**Shares**") as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2022.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

Directors

The Directors during the Year and as of the date of this Annual Report were:

Executive Directors

Mr. Chou Patrick Hsiao-Po *(Chairman and Chief Executive Officer)*
Ms. Sun Jing
Mr. Xu Tao (appointed on 1 January 2022)
Mr. Chau Kwok Keung

Independent Non-Executive Directors

Mr. Liu Dengqing
Mr. Wong Ka Kit
Mr. Yau Ka Chi

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with article 84 of the Company's articles of association, Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi will retire from the Board by rotation at the forthcoming annual general meeting. Each of Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi, being eligible, offers themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' and senior management's biographies

Biographical details of the Directors and senior management are set out on pages 14 to 19 of this Annual Report.

Changes in directors' information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the Director's information subsequent to the date of 2022 interim report of the Company is as follows:

1. Mr. Chau Kwok Keung, being an Executive Director of the Company, has resigned as the independent non-executive director and the chairman of the audit committee of China Xinhua Education Group Limited (a company listed on the Stock Exchange with stock code: 2779) in November 2022.

Save as disclosed in this Annual Report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' material interests in transactions, arrangements or contracts

Other than as disclosed in this Annual Report or note 35 to the financial statements, no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2022 or at any time throughout the year ended 31 December 2022.

Directors' service contracts

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than three months' notice in writing served by either the executive Directors or the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of three years with effect from their respective date of appointment. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association. None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of independence from the independent non-executive Directors

We have received from each of the independent non-executive Directors, namely Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi, the confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent for the year ended 31 December 2022 and remain so as at the date of this Annual Report.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2022, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Chou Patrick Hsiao-Po[1]	Protector and beneficiary of a discretionary trust	450,000,000(L)	72.29%
	Beneficial owner	1,561,000(L)	0.25%
Ms. Sun Jing	Beneficial owner[2]	2,000,000(L)	0.32%
Mr. Xu Tao[3]	Beneficial owner[2]	1,000,000(L)	0.16%
Mr. Chau Kwok Keung	Beneficial owner[2]	5,800,000(L)	0.93%

Notes:

(1) The 450,000,000 Shares were held by Chou Dynasty, which was owned by Red Dynasty as to 100%. Red Dynasty has issued two ordinary shares in total, of which one share was issued to Serangoon Limited and one share to Seletar Limited, respectively. Each of Serangoon Limited and Seletar Limited has made a declaration of trust, confirming that the shares in Red Dynasty are held by them in their respective names as nominee and trustee for Credit Suisse Trust Limited as trustee of the Chou Family Trust. Therefore, Mr. Chou Patrick Hsiao-Po, in his capacity as the protector and beneficiary of the Chou Family Trust, is deemed to be interested in such Shares.

(2) These interests represent options granted to the Director as beneficial owner under the Share Option Scheme.

(3) Mr. Xu Tao was granted with the share options under the capacity as senior management of the Company prior to his appointment as an Executive Director on 1 January 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed in this report, at no time throughout the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' interests and short positions in shares and underlying shares

So far as is known to any Director or chief executive of the Company, as at 31 December 2022, the persons or corporations (other than Director or chief executive of the Company) who had interest or short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Chou Dynasty	Beneficial owner	450,000,000(L)	72.29%
Red Dynasty[1]	Interest in a controlled corporation	450,000,000(L)	72.29%
Credit Suisse Trust Limited[1]	Trustee	450,000,000(L)	72.29%
Xingtai Capital Management Limited[2]	Interest in a controlled corporation	32,026,000(L)	5.34%

Notes:

(1) The 450,000,000 Shares were held by Chou Dynasty, which was owned by Red Dynasty as to 100%. Red Dynasty has issued two ordinary shares in total, of which one share was issued to Serangoon Limited and one share to Seletar Limited, respectively. Each of Serangoon Limited and Seletar Limited has made a declaration of trust, confirming that the shares in Red Dynasty are held by them in their respective names as nominee and trustee for Credit Suisse Trust Limited as trustee of the Chou Family Trust. Therefore, each of Red Dynasty and Credit Suisse Trust Limited is deemed to be interested in such Shares held by Chou Dynasty under the SFO.

(2) The 32,026,000 Shares of the Company in which Xingtai Capital Management Limited as investment manager is deemed to be interested represent (i) 17,942,000 shares of the Company held by Xingtai China Master Fund, which is wholly owned by Xingtai Capital Management Limited; (ii) 11,894,000 shares of the Company held by Xingtai China Fund, which is wholly owned by Xingtai Capital Management Limited; and (iii) 2,190,000 shares of the Company held by Xingtai China Master Fund, which is wholly owned by Xingtai Capital Management Limited.

Save as disclosed above, as at 31 December 2022, the Directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in this annual report, for the year ended 31 December 2022, the Company did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Capital raising activities and the use of proceeds from global offering

The ordinary Shares with a nominal value of HK$0.01 each 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**"). As at 1 January 2022, the unutilized amount of net proceeds was approximately HK$481 million.

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 2022:

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 during the Year (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	21	94	2	Before 31 December 2023
Working capital and general corporate purposes	10	71	71	Nil	100	Nil	N/A
Total	**100**	**707**	**226**	**479**	**99**	**2**	

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 report, 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, the Company has not conducted any other equity fund raising activities during the year ended 31 December 2022 and up to the date of this Annual Report.

Debentures in issue

The Company did not have any debentures in issue during the year ended 31 December 2022.

Equity-linked agreements

Save as disclosed in this Annual Report, as at the end of and throughout the year ended 31 December 2022, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

Permitted indemnity provision

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has purchased appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the year ended 31 December 2022 and no permitted indemnity provision was in force as at the date of this Annual Report.

Share option scheme

A share option scheme (the "**Share Option Scheme**") was conditionally approved by a written resolution of the Shareholder on 17 June 2021 and adopted by a resolution of the board of directors on 17 June 2021. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Details of the Share Option Scheme are set out in "Appendix IV — Statutory and General Information" of the Prospectus.

The purpose of the Share Option Scheme was to motivate eligible persons to optimize their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (f) above (the person referred above are the "eligible persons"). Pursuant to the amendments to Listing Rules with effect from 1January 2023, the eligible persons under the Share Option Scheme is subject to Rule 17.03A of the Listing Rules.

Upon adoption, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 60,000,000 Shares, being the total number of Share available for issue under the Share Option Scheme, representing approximately 9.64% of the total issued Shares as of the date of this Annual Report.

No option may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from 15 July 2021 to 16 June 2031, after which no further options will be granted or offered. As such, the remaining life of the Share Option Scheme is approximately 8 years as at the date of this Annual Report.

On 1 September 2021, the Company granted a total of 9,800,000 share options under the Share Option Scheme to a total of four grantees (including three directors and one senior management). The closing price of the Shares on 31 August 2021, being the trading date immediately before the date on which such share options were granted, was HK$8.260 per Share.

As at the date of this report, the Company had 8,800,000 share options granted and remained outstanding under the Share Option Scheme, which represented approximately 1.4% of the Shares in issue as at the date of this report. As the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 60,000,000 Shares, as of 31 December 2022, additional share options in respect of a total of 51,200,000 Shares, representing approximately 8.2% of the total issued Shares at the beginning and the end of the year ended 31 December 2022, could be further granted under the Share Option Scheme. The number of Shares that may be issued in respect of options granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period equals to approximately 1.4%.

Details of the outstanding options to subscribe for shares pursuant to the Share Option Scheme and the movement during the year ended 31 December 2022 are set out below:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2022	Granted during 2022	Exercised during 2022	Lapsed during 2022	Cancelled during 2022	Balance as at 31 December 2022
Director								
Ms. Sun Jing	1 September 2021	HK$8.264	2,000,000	—	—	—	—	2,000,000
Mr. Chau Kwok Keung	1 September 2021	HK$8.264	5,800,000	—	—	—	—	5,800,000
Mr. Xu Tao (was granted with the share options under the capacity as senior management of the Company. Mr. Xu was appointed as an executive Director on 1 January 2022)	1 September 2021	HK$8.264	1,000,000	—	—	—	—	1,000,000
			8,800,000	—	—	—	—	8,800,000

Notes:

(1) Share options granted under the Share Option Scheme on 1 September 2021 shall vest in the relevant grantee in accordance with the timetable below with a 10-year exercise period (for the purpose, the date or each such date on which the share options are to vest being hereinafter referred to as a "**Vesting Date**"):

Vesting Date	Percentage of Share Options to vest
31 August 2022	25% of the total number of Share Options granted
31 August 2023	25% of the total number of Share Options granted
31 August 2024	25% of the total number of Share Options granted
31 August 2025	25% of the total number of Share Options granted

During the year ended 31 December 2022, no option was granted under the Share Option Scheme and, no options granted under the Share Option Scheme were cancelled, lapsed or exercised. Further details of the Share Option Scheme are set out in note 29 to the financial statements.

Arrangement for Directors to purchase shares or debentures

Save as disclosed in "Share Option Scheme" above, at no time during the year, were rights to acquire benefits by means of the acquisition of Share in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Non-compete undertakings

Each of Chou Dynasty Holding Co., Ltd (the "**Chou Dynasty**"), Red Dynasty Investments Limited ("**Red Dynasty**") and Mr. Chou Patrick Hsiao-Po (collectively, the "**Controlling Shareholders**") has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Deeds (as defined in the Prospectus). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Non-competition Deeds have been complied with by the Controlling Shareholders.

Directors' interest in competing business

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time throughout the year and up to and including the date of this Annual Report.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2022 and up to the date of this Annual Report.

Material contracts

Save as disclosed in this Annual Report, at no time during the year had the Company or any of its subsidiaries entered into any material contracts with the Controlling Shareholder or any of its subsidiaries, nor had any material contacts been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

Connected transaction

Among the related party transactions disclosed in note 35 to the financial statements, the related party transactions disclosed in notes 35(a) to 35(d) to the financial statements constituted connected transactions or continuing connected transactions under the Chapter 14A of the Listing Rules. Otherwise, no other related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transactions

During the year ended 31 December 2022, the Group conducted certain non-exempt continuing connected transactions.

1. The Framework Property Management Service Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin Management Group Co., Ltd. ("**BetterLife Tianjin**") (for itself and on behalf of its subsidiaries), Beijing Zhoushi Xingye Enterprise Management Co., Ltd. and Tianjin Chou International Trading Co., Ltd. (the "Service Providers", for themselves and on behalf of their respective subsidiaries) entered into the framework property management service agreement (the "**Framework Property Management Service Agreement**"), pursuant to which the Service Providers shall provide property management and other services, such as security, cleaning, gardening, parking, and repair and maintenance services to BetterLife Tianjin and/or its subsidiaries in respect of the properties leased by the Service Providers to BetterLife Tianjin and/or its subsidiaries with the estimated annual caps of RMB21,000,000, RMB23,600,000 and RMB24,100,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. The Framework Property Management Service Agreement is for a term with effect from 10 June 2021 to 31 December 2023.

The Service Providers are indirectly legally owned by the trustee of the N&L Chou Trust, where Mr. Chou (our executive Director and Controlling Shareholder, hence a connected person of the Company) acts as the protector and settlor, for the benefit of the beneficiaries thereunder. Therefore, the Service Providers are the associates of Mr. Chou.

For the year ended 31 December 2022, the total property management fees and utilities expenses paid by the Group to the Service Providers (or their respective subsidiaries) was approximately RMB15.6 million.

2. The Framework IT Support Service Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries) and Beijing Xiaobo Technology Co., Ltd. ("**Xiaobo Technology**") entered into the framework IT support service agreement (the "**Framework IT Support Service Agreement**"), pursuant to which Xiaobo Technology will provide information technology support services, including but not limited to, authorization for use of information technology systems developed by Xiaobo Technology, overall information technology system implementation and maintenance and office automation system maintenance to BetterLife Tianjin and/or its subsidiaries and the 4S stores operated by them with the estimated annual caps of RMB8,000,000, RMB8,000,000 and RMB8,000,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. The Framework IT Support Service Agreement is for a term with effect from 10 June 2021 to 31 December 2023.

Xiaobo Technology is legally owned by the trustee of the Chou Family Trust, where Mr. Chou acts as the protector and settlor of the Chou Family Trust. Therefore, Xiaobo Technology is the associate of Mr. Chou.

For the year ended 31 December 2022, the total amount of service fees paid by the Group to the Xiaobo Technology was approximately RMB7.6 million.

3. The Framework Sale and Leaseback Agreement and the Relevant Supplemental Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries) and eCapital (China) Leasing Co., Ltd. ("**eCapital**") entered into the framework sale and leaseback agreement (the "**Framework Sale and Leaseback Agreement**"), pursuant to which, among other things, BetterLife Tianjin and/or its subsidiaries shall sell to eCapital vehicles, which shall then be leased back to BetterLife Tianjin or its subsidiaries for test-drive. Upon the expiration of the lease period, BetterLife Tianjin or its subsidiaries may purchase back such leased vehicle(s) at a nominal consideration (normally being RMB200 per vehicle). The estimated annual caps in relation to the lease payments and license plate utilization fees are RMB20,000,000, RMB20,000,000 and RMB20,000,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. The Framework Sale and Leaseback Agreement is for a term with effect from 10 June 2021 to 31 December 2023. eCapital is ultimately controlled by Mr. Chou, therefore an associate of Mr. Chou.

Reference is made to the announcement of the Company dated 24 September 2021 (the "**CCT Announcement**"). On 24 September 2021, the parties entered into a supplemental agreement for the purpose of revising certain terms of the Framework Sale and Leaseback Agreement:

(i) to revise the estimated annual caps in relation to the lease payments and license plate utilization fees from BetterLife Tianjin to eCapital for the years ended/ending 31 December 2021, 2022 and 2023 be increased from RMB20,000,000, RMB20,000,000 and RMB20,000,000 to RMB30,000,000, RMB40,000,000 and RMB50,000,000, respectively; and

(ii) to include "other operating purposes" among the agreed use of sold-and-leased-back vehicles.

As disclosed in the CCT Announcement, the estimated transaction amounts in relation to disposal of vehicles corresponding to the aforementioned revised annual caps for the lease payments and license plate utilization fees under the Framework Sale and Leaseback Agreement for the years ended/ending 31 December 2021, 2022 and 2023 would be RMB30,000,000, RMB40,000,000 and RMB50,000,000, respectively. Save as the abovementioned amendments, all other terms and conditions under the Framework Sale and Leaseback Agreement remain unchanged. For the year ended 31 December 2022, the lease payments and license plate utilization fees paid by the Group to eCapital was approximately RMB18.0 million, and the total proceeds from the disposal of vehicles to eCapital amounted to approximately RMB17.4 million.

4. The Framework Vehicle Sale and Purchase Agreement and the Relevant Supplemental Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries) and eCapital entered into the framework vehicle sale and purchase agreement (the "**Framework Vehicle Sale and Purchase Agreement**"), pursuant to which, among others, BetterLife Tianjin and/or its subsidiaries will sell vehicles to eCapital as a result of eCapital's business of providing financial lease services to ultimate vehicle purchasers with the estimated annual caps of RMB60,000,000, RMB66,000,000 and RMB72,600,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. The Framework Vehicle Sale and Purchase Agreement is for a term with effect from 10 June 2021 to 31 December 2023. eCapital is ultimately controlled by Mr. Chou, therefore an associate of Mr. Chou.

Reference is made to the CCT Announcement. On 24 September 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries and fellow subsidiaries) and eCapital entered into a supplemental agreement for the purpose of revising certain terms of the Framework Vehicle Sale and Purchase Agreement:

(i) to revise the estimated annual caps for the years ended/ending 31 December 2021, 2022 and 2023 from RMB60,000,000, RMB66,000,000 and RMB72,600,000 to RMB100,000,000, RMB130,000,000 and RMB156,000,000, respectively; and

(ii) to include the fellow subsidiaries of BetterLife Tianjin into the scope of contractual parties and shall also assume the same rights and obligations as BetterLife Tianjin under the Framework Vehicle Sale and Purchase Agreement.

Save as the abovementioned amendments, all other terms and conditions under the Framework Vehicle Sale and Purchase Agreement remain unchanged. For the year ended 31 December 2022, the total vehicle purchase transaction amounts paid by eCapital to the Group was approximately RMB87.1 million.

5. The Cooperation Agreement and the Relevant Supplemental Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries) and eCapital entered into the Cooperation Agreement, pursuant to which BetterLife Tianjin and/or its subsidiaries may, from time to time, refer their customers or potential customers who wish to arrange vehicle financing to eCapital, and eCapital shall pay commission fees to BetterLife Tianjin or its subsidiaries with the estimated annual caps of RMB1,000,000, RMB1,100,000 and RMB1,210,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. The Cooperation Agreement is for a term with effect from 10 June 2021 to 31 December 2023. eCapital is ultimately controlled by Mr. Chou, therefore an associate of Mr. Chou.

Reference is made to the CCT Announcement. On 24 September 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries and fellow subsidiaries) entered into a supplemental agreement for the purpose of revising certain terms of the Cooperation Agreement:

(i) to revise the estimated annual caps for the years ending 31 December 2022 and 2023 from RMB1,100,000 and RMB1,210,000 to RMB1,400,000 and RMB1,700,000, respectively;

(ii) to add the initial commission rate of 2.5% for five-year financial leasing loans; and

(iii) the fellow subsidiaries of BetterLife Tianjin have been included into the scope of contractual parties and shall also assume the same rights and obligations as BetterLife Tianjin under the Cooperation Agreement.

Save as the abovementioned amendments, all other terms and conditions under the Cooperation Agreement remain unchanged. For the year ended 31 December 2022, the total amount of the commission fees paid by eCapital to the Group was approximately RMB1.2 million.

6. The Framework Vehicle Repair and Maintenance Agreement

Reference is made to the CCT Announcement. On 24 September 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries and fellow subsidiaries) and eCapital entered into the framework vehicle repair and maintenance agreement (the "**Framework Vehicle Repair and Maintenance Agreement**"), pursuant to which BetterLife Tianjin (or its subsidiaries or fellow subsidiaries) shall provide repair and maintenance services for eCapital's own vehicles, and eCapital shall pay BetterLife Tianjin (or its subsidiaries or fellow subsidiaries) service fees for such services, for a term from 24 September 2021 to 31 December 2023 with estimated annual caps of RMB700,000, RMB1,500,000 and RMB1,800,000 for the years ended/ending 31 December 2021, 2022 and 2023, respectively. eCapital is ultimately controlled by Mr. Chou, therefore an associate of Mr. Chou.

For the year ended 31 December 2022, the total amount of service fees paid by eCapital to the Group was approximately RMB0.2 million.

Listing Rules Implications of the Abovementioned Continuing Connected Transactions

The highest applicable percentage ratio of each of the abovementioned transactions exceeds 0.1% but is less than 5%, these transactions are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

As (i) income will be generated from the transactions and charged by the Group under the Framework Vehicle Sale and Purchase Agreement, the Cooperation Agreement and the Framework Vehicle Repair and Maintenance Agreement; and (ii) the counterparty to the supplemental agreement to the Framework Vehicle Sale and Purchase Agreement, the supplemental agreement to the Cooperation Agreement, and the Framework Vehicle Repair and Maintenance Agreement is the same, the annual caps under (i) the supplemental agreement to the Framework Vehicle Sale and Purchase Agreement, (ii) the supplemental agreement to the Cooperation Agreement, and (iii) the Framework Vehicle Repair and Maintenance Agreement have been aggregated for the purpose of determining the applicable percentage ratios pursuant to Rule 14A.81 of the Listing Rules. The aggregated amount of the estimated annual caps for the years ended/ending 31 December 2021, 2022 and 2023 are RMB101,700,000, RMB132,900,000 and RMB159,500,000, respectively. In addition, the highest applicable percentage ratio, on aggregated basis, in respect of entering into the supplemental agreement to the Framework Vehicle Sale and Purchase Agreement, the supplemental agreement to the Cooperation Agreement and the Framework Vehicle Repair and Maintenance Agreement exceeds 0.1% but is less than 5%, the relevant transactions are subject to the reporting, announcements and annual review requirements but are exempt from the independent Shareholders' approval requirement set out in Chapter 14A of the Listing Rules.

The external auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the above- mentioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and submitted a copy of the auditor's letter to the Stock Exchange.

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests the Shareholders as a whole; and (iv) the Company has complied with the pricing guidelines and has adopted internal control measures when determining the prices and terms of the transactions conducted during the year mentioned above. For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 52 to 53 of this Annual Report. Save for disclosed above, during the year, the Group have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

Continuing disclosure obligation under rule 13.18 of the Listing Rules

On 11 March 2022, Beijing BetterLife Auto Sales Co., Ltd. ("**Beijing BetterLife Auto**") and Beijing BetterLife Star Auto Sales Co., Ltd ("**Beijing BetterLife Star**") (as borrowers), two wholly-owned subsidiaries of the Company and Hang Seng Bank (China) Limited Beijing Branch ("**Hang Seng Bank Beijing Branch**") (as lender) entered into the facility agreement ("**Facility Agreement**"), pursuant to which Hang Seng Bank Beijing Branch agreed to provide Beijing BetterLife Auto and Beijing BetterLife Star a term loan facility of an aggregate amount up to RMB140,000,000. Subject to review by Hang Seng Bank Beijing Branch and other terms and conditions under the Facility Agreement, the facility under the Facility Agreement will be available for multiple drawings within one year from the date of the Facility Agreement. The term of the Loan(s) shall not exceed one year from its utilization date. Pursuant to the Facility Agreement, Mr. Chou Patrick Hsiao-Po, the chairman of the Board, an executive Director, being the ultimate Controlling Shareholder, is required to maintain directly or indirectly not less than 51% of the issued share capital of the Company. For details, please refer to the announcement of the Company dated 11 March 2022.

On 12 July 2022, BetterLife International Motor Co., Limited ("**BetterLife International**"), a wholly-owned subsidiary of the Company (as the borrower) and Bank of China (Hong Kong) Limited ("**Bank of China**") (as the lender) entered into the facility letter (the "**Facility Letter**"), pursuant to which Bank of China agreed to provide BetterLife International a term loan facility of an aggregate amount up to HK$155,000,000. Subject to the terms and conditions under the Facility Letter and other procedures from time to time required by Bank of China, the facility under the Facility Letter will be available for multiple drawings within three (3) months from the date of the Facility Letter or such later date as Bank of China may agree. The final maturity date of the Loan(s) shall be one (1) year from the date of first drawdown. Pursuant to the Facility Letter, Mr. Chou Patrick Hsiao-Po, the chairman of the Board, an executive Director, and the ultimate Controlling Shareholder, is required to maintain as the single largest Shareholder. For details, please refer to the announcement of the Company dated 12 July 2022.

On 26 September 2022, the Company (as the borrower) entered into the facility agreement with, among others, a syndicate of banks (as original lenders), DBS Bank Ltd. (as mandated lead arranger and bookrunner) and DBS Bank Ltd., Hong Kong Branch ("**DBS**", as the facility agent), pursuant to which the lenders thereunder shall make available to the Company a HK$ term loan facility in an aggregate amount of HK$1,187,000,000. Subject to the terms and conditions under such facility agreement, the Company may utilize the Syndicated Loan(s) (as defined in such facility agreement) by delivery to DBS of a duly completed utilization request. The final repayment date of the Syndicated Loan(s) shall be 36 months from the date of such facility agreement. Pursuant to such facility agreement, Mr. Chou Patrick Hsiao-Po, the chairman of the Board, an executive Director, being the ultimate Controlling Shareholder, is required to (i) beneficially own, directly or indirectly, at least 51 per cent of the entire issued share capital of the Company, (ii) be a member of the Board, and (iii) maintain management control (as defined in such facility agreement) in the Company. For details, please refer to the announcement of the Company dated 26 September 2022. As at 31 December 2022, the Company has not yet drawn down the Syndicated Loan.

As at 31 December 2022, the above specific performance obligation imposed on Mr. Chou Patrick Hsiao-Po under the aforesaid agreement continued to exist.

Principal risks and risk management

The Board acknowledges its responsibility for the effectiveness of the internal control and risk management systems of the Group, which are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss.

The principal risks related to the Group are set forth below:

Business risk

The Group's business risks include rapid change in: 1) the market conditions of the car dealing industry; 2) the government policies of passenger vehicle purchases and ownerships; and 3) the financial conditions and operating results of automobile manufacturers etc. The Board is responsible for the overall management of the business and review of material business decisions involving material risks exposures from time to time.

Financial risk

The Group adopts financial risk management policies to manage its currency risk, interest rate risk, credit risk and liquidity risk. The Board also reviews monthly management accounts, capital structure and key operating data of the Group.

Compliance risk

The Board adopts procedures to ensure the Company is in compliance with the applicable laws, rules and regulations. The Company engages professional advisors and consultants to keep the Company abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Company also adopts a strict policy in prohibiting any unauthorized use or dissemination of confidential or inside information.

Operational risk

The Company adopts procedures to manage its operational risk such as inadequate management efficiency, inefficient vehicles and spare parts procurement and facilities utilization.

The Board has conducted a review of the effectiveness of the Group's internal control and risk management systems covering business, financial, compliance and operational risks of the Group and is satisfied that such systems are effective and adequate.

Employees

As at 31 December 2022, the Group had 1,490 employees (including employees in all regions of the Group). Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and trainings for advancement and improvement of their skills. The Group has also adopted the Share Option Scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Remuneration policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee of the Company (the "**Remuneration Committee**") periodically.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration. Details of Directors' remuneration are set out in note 8 to the financial statements.

The Company has adopted a share option scheme to motivate and reward its Directors and eligible employees. Details of the scheme are set out in the paragraph headed "Share Option Scheme" above and note 29 to the financial statements.

None of the Directors waived any emoluments throughout the year ended 31 December 2022.

Retirement benefits schemes

The Group participates in a defined contribution mandatory provident fund scheme (the "**MPF Scheme**") established under the Mandatory Provident Fund Schemes Ordinance in December 2000 for eligible employees. Contributions by the Group, which are matched by the employees, are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and are invested in funds under the control of independent trustees. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute certain percentages of basic salaries of the employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the state-managed retirement benefits scheme.

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

Details of the retirement benefits plans of our Group are set out in note 6 to the Financial Statements.

Major customers and suppliers

During the year ended 31 December 2022, the percentage of the aggregate sales attributable to the Group's largest customers and five largest customers was approximately 1.6% and 5.3% respectively of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 43.2% and 76.5% respectively. These suppliers are relatively large and reputable corporations with long-standing relationships with the Group. None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

Tax relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

Environmental protection

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure our compliance to the prevailing environmental protection laws and regulations. Adhering to the concept of green environmental protection, the Group has also promoted green operations and advocated the concept of green office. Environmental protection, energy conservation and emissions reduction and reasonable and efficient utilisation of resources have been consistently implemented in the daily operation activities of the Group. The Group has also been working on reducing its energy use, consumption and wastage by actively promoting recycling concept, using less paper and saving electric power and use of water. Going forward, the Group will continue to develop sustainable policies and designs to reduce its environmental impact not only internally within its offices but also externally in the regions it operates in.

Relationship with stakeholders

The Company recognises that our employees, customers and business associates are key to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting the community and social welfare. The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us. We promote a customer-oriented culture within the Company. Our corporate motto is "Customers for Life", and it is central to our corporate culture. The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards. We have strong and established working relationships with leading global automakers and their PRC joint venture corporations. We believe that our suppliers are equally important in our development into a first-class automobile dealer enterprise. Therefore, we proactively collaborate with our business partners to deliver quality sustainable services. With the goal of developing into a preeminent international enterprise and a trustworthy public company, the Company actively fulfill its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to undertake its responsibilities for employees, customers, suppliers and the Shareholders.

Compliance with laws and regulations

Throughout the year and up to the date of this Annual Report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

Significant legal proceedings

During the year ended 31 December 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Code on corporate governance practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix 14 to 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 since 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.

Compliance with the Model Code

The Company has adopted 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 year ended 31 December 2022 and up to the date of this report.

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.

Auditor

KPMG will retire and, being eligible, offer themselves for re-appointment. A resolution for their reappointment as independent auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

Review of the financial statements

The audit committee of the Company (the "**Audit Committee**") had reviewed together with the management the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the Year.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2022.

Important events since the end of the period

Save as disclosed in this Annual Report, there has been no other important events affecting the Group since the end of the Year.

Proposed distribution of final dividend

A final dividend in respect of the year ended 31 December 2022 of RMB3.0 cents per Share (2021: RMB22.0 cents) to Shareholders whose names appear on the register of members on Monday, 10 July 2023, was proposed pursuant to a resolution passed by the Board on 31 March 2023 and subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Wednesday, 28 June 2023. The expected date of payment of final dividend will be on or no later than Tuesday, 15 August 2023.

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 Friday, 23 June 2023 to Wednesday, 28 June 2023, 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, 21 June 2023.

ii) Proposed Final Dividend

The register of members of the Company will be closed from Wednesday, 5 July 2023 to Monday, 10 July 2023 (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 Tuesday, 4 July 2023.

On behalf of the Board
Mr. Chou Patrick Hsiao-Po
Chairman

31 March 2023

CORPORATE GOVERNANCE REPORT

Corporate governance code

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and has complied with such code provisions during the year ended 31 December 2022, 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.

Board of Directors

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

As at 31 December 2022 and the date of this annual report, the Board comprises seven Directors, respectively, consisting of four executive Directors, Mr. Chou Patrick Hsaio-Po (the chairman of the Board and the chief executive officer), Ms. Sun Jing, Mr. Xu Tao (appointed on 1 January 2022) and Mr. Chau Kwok Keung, and three independent non-executive Directors, Mr. Liu Dengqing, Mr. Wong Ka Kit, and Mr. Yau Ka Chi. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors is set out in the section headed "Biographic Details of Directors and Senior Management" of this annual report.

To the best knowledge of the Company, there is no other financial, business, family or other material/relevant relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Board diversity policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the nomination committee of the Company (the "**Nomination Committee**") will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at 31 December 2022, female and male employees represented approximately 37.9% and 62.1% respectively of our total number of employees (including senior management). The Company recognises and embraces the benefits of having a diverse team. We target to have both genders at our Board composition, senior management team and at all levels of our employees. And our recruitment process will mainly consider the aspects of educational background, professional qualifications, skills, knowledge and industry experiences of candidates to mitigate factors or circumstances which make achieving gender diversity across workforce (including senior management) more challenging or less relevant.

Board nomination policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company. The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Model Code

The Company has adopted the Model Code 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 year ended 31 December 2022 and up to the date of this report.

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.

Independent non-executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Yau Ka Chi, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company's expense, independent professional advice to perform its responsibilities if necessary.

The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement.

All the Directors, including the independent non-executive Directors, are given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns.

Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2022.

Training and support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision C.1.4 of the CG Code (previous known as A.6.5 prior to 1 January 2022) regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development for the year ended 31 December 2022:

	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
Name of Director	**Read materials**	**Attend Seminars/ Briefings**	**Read materials**	**Attend Seminars/ Briefings**
Executive Directors				
Mr. Chou Patrick Hsiao-Po	√	√	√	√
Ms. Sun Jing	√	√	√	√
Mr. Xu Tao (appointed on 1 January 2022)	√	√	√	√
Mr. Chau Kwok Keung	√	√	√	√
Independent non-executive Directors				
Mr. Liu Dengqing	√	√	√	√
Mr. Wong Ka Kit	√	√	√	√
Mr. Yau Ka Chi	√	√	√	√

Directors' and officers' insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' attendance records

During the year ended 31 December 2022, thirteen Board meetings and two general meetings were held. The attendance of each Director is set out in the table below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. Chou Patrick Hsiao-Po *(Chairman)*	13/13	2/2
Ms. Sun Jing	13/13	2/2
Mr. Xu Tao (appointed on 1 January 2022)	13/13	2/2
Mr. Chau Kwok Keung	13/13	2/2
Independent non-executive Directors		
Mr. Liu Dengqing	13/13	2/2
Mr. Wong Ka Kit	13/13	2/2
Mr. Yau Ka Chi	13/13	2/2

Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 31 March 2022. All the relevant Directors attended this meeting.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company (the "**Articles of Association**"), as well as relevant rules and regulations.

Appointments, re-election and removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing and Mr. Chau Kwok Keung, being the executive Directors of the Company has entered into a service contract with the Company for a specific term of three years commencing from the Listing Date and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Mr. Xu Tao, being the executive Director of the Company, has entered into a service contract with the Company for a specific term of three years commencing from 1 January 2022 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi, being the independent non-executive Directors of the Company, has entered into an appointment letter with the Company for a specific term of three years commencing from the Listing Date, and will automatically continue for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts and appointment letters are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to article 84 of the Articles of Association and code provision B.2.2 of the CG Code (previously known as A.4.2 of the CG Code prior to 1 January 2022), Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi shall retire at the AGM to be held on Wednesday, 28 June 2023. Mr. Liu Dengqing, Mr. Wong Ka Kit and Mr. Yau Ka Chi, being eligible, will offer themselves for re-election at the same AGM. Meanwhile, the Directors to be retired from office by rotation at the forthcoming AGM to be held on Wednesday, 28 June 2023 pursuant to the above article shall be eligible for re-election as Directors at the same meeting.

Board committees

The Board has established (i) Audit Committee, (ii) Remuneration Committee; (iii) Nomination Committee and (iv) Strategic Development Committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.blchina.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit committee

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 17 June 2021. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. Their composition and written terms of reference are in line with the CG Code. The Audit Committee comprises of three members, namely, three independent non-executive Directors, Mr. Yau Ka Chi, Mr. Liu Dengqing and Mr. Wong Ka Kit. Mr. Yau Ka Chi is the chairman of the Audit Committee.

The Group's audited annual results for the year ended 31 December 2021, the unaudited interim results for the six months ended 30 June 2022, and the audited annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the Audit Committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout the year ended 31 December 2022.

For the year ended 31 December 2022, five meetings were held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Yau Ka Chi	5/5
Mr. Liu Dengqing	5/5
Mr. Wong Ka Kit	5/5

Remuneration committee

The Company established a Remuneration Committee on 17 June 2021 with written terms of reference. The primary functions of the Remuneration Committee include establishing transparent procedures for developing remuneration policy and structure, ensuring that no director or any of his associates will participate in deciding his own remuneration, determining the remuneration policy and structure for all directors and senior management, assessing their performance and approving the terms of their service contracts, and making recommendations to the Board on the remuneration packages of individual executive directors and senior management. Their composition and written terms of reference are in line with the CG Code. The Remuneration Committee comprises of three members, namely, Mr. Chou Patrick Hsiao-Po, an executive Director and two independent non-executive Directors, Mr. Liu Dengqing and Mr. Wong Ka Kit. Mr. Wong Ka Kit is the chairman of the Remuneration Committee.

For the year ended 31 December 2022, the Remuneration Committee reviewed the Share Option Scheme, the remuneration policy and structure of the Company and the remuneration packages of the Directors and the senior management, and made recommendations to the Board in respect of these issues.

Details of the Directors' remuneration are set out in note 8 to the Financial Statements.

The remuneration of the members of senior management (other than Directors) of the Group by band for the year ended 31 December 2022 is set out below:

Remuneration Bands (RMB)	Number of Individuals
Nil to 1,000,000	1
1,000,001 to 1,500,000	—
1,500,001 to 2,000,000	1
Total	2

For the year ended 31 December 2022, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Wong Ka Kit	1/1
Mr. Chou Patrick Hsiao-Po	1/1
Mr. Liu Dengqing	1/1

Nomination committee

The Company established a Nomination Committee on 17 June 2021 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board the suitable candidates for directors after consideration of the nominees' independence and quality in order to ensure the fairness and transparency of all nominations. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the CG Code. The Nomination Committee comprises of three members, namely, Mr. Chou Patrick Hsiao-Po, an executive Director and the chairman of the Board and two independent non-executive Directors, Mr. Liu Dengqing and Mr. Yau Ka Chi. Mr. Chou Patrick Hsiao-Po is the chairman of the Nomination Committee.

The Nomination Committee reviewed the structure, size and composition of the Board, during the year ended 31 December 2022.

Throughout the year, one meeting was held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Chou Patrick Hsiao-Po	1/1
Mr. Liu Dengqing	1/1
Mr. Yau Ka Chi	1/1

Strategic development committee

We established a Strategic Development Committee pursuant to a resolution of our Directors passed on June 17, 2021, with written terms of reference. The primary duties of the Strategic Development Committee are mainly to formulate the operation goals and long-term development strategies of our Group, supervise and inspect the implementation of annual operating plans, evaluate and make proposals on any major capital operation or investment. The Strategic Development Committee consists of three members, being two executive Directors, Mr. Chou Patrick Hsiao-Po and Ms. Sun Jing, and an independent non-executive Director, Mr. Wong Ka Kit. Mr. Chou Patrick Hsiao-Po is the chairman of our Strategic Development Committee.

For the year ended 31 December 2022, the Strategic Development Committee formulated the operation goals and long-term development strategies of our Group, supervised and inspected the implementation of our annual operating plans.

For the year ended 31 December 2022, one meeting was held by the Strategic Development Committee. The individual record of each member of the Strategic Development Committee at the meeting of the Strategic Development Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Chou Patrick Hsiao-Po	1/1
Mr. Wong Ka Kit	1/1
Ms. Sun Jing	1/1

Company secretary

The secretary of the Company is Mr. Chau Kwok Keung, whose biography details are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Mr. Chau Kwok Keung has been informed of the requirement of the Rule 3.29 of the Listing Rules. Mr. Chau Kwok Keung has informed the Company that he took approximately 20 hours of training covering corporate governance and accounting matters. The Company considers that the training of the company secretary is in compliance with the requirements under Rule 3.29 of the Listing Rules.

Financial reporting

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, financial performance and cash flow of the Company and its subsidiaries for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 83 to 89 of this annual report.

External auditor and auditor's remuneration

The statement of the independent auditor of the Company about it's reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 83 to 89. The external auditor of the Company shall attend the AGM to be held on Wednesday, 28 June 2023 to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence. The remuneration paid or payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to approximately RMB3,360,000 and nil, respectively. The Audit Committee recommended to the Board that, subject to our Shareholders' approval at the forthcoming AGM (to be held on Wednesday, 28 June 2023), KPMG be re-appointed as the external auditor of the Company.

Risk management and internal controls

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. In addition, the Audit Committee assists the Board in reviewing and assessing the Group's risk management and internal control systems. Throughout the year ended 31 December 2022, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group.

In order to ensure the effectiveness of our risk management and internal control systems, the Company has established various management and control procedures for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objectives. The Company has completed the risk management and internal control procedures with scientific analysis and assessment, to recognize potential risk points. By virtue of such risk management and internal control procedures, the senior management of the Group reviews and evaluates the internal control process, monitors any risk factors on a regular basis, and reports to the Board on any findings and measures taken to address such variances and identified risks. The Board, with the assistance of the senior management of the Company, also conducts regular management meetings and on-site inspections to check and monitor the potential risks associated with the business operation and financial management of the Group.

With the integration of the situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organize the business operation systematically, and to monitor and mitigate possible risks. The Company also distributed staff handbooks which included the compliance requirements to our employees so as to internally require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardized operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout 2022 and is subject to continuous improvement.

With the assistance of the professional auditor, the Audit Committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control systems and the Company's standardized operation and healthy development. In order to comply with the relevant requirements under the CG Code in relation to the corporate risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls.

For the year ended 31 December 2022, the Company provided inside information training course and self-study materials to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the Shareholders and the assets of the Company.

The management and the internal audit department have confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

For the year ended 31 December 2022, the Board, with the assistance of the Audit Committee and management team, has conducted reviews of the risk management and internal control systems of the Company twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal review and financial reporting functions.

The Board believes that there are no material internal controls deficiencies and an effective and adequate risk management and internal control systems are in place to safeguard the assets of the Group. The Group will continue to enhance the systems to cope with the changes in the business environment.

Anti-corruption and whistle-blowing policies

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardised and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms and its business development, so as to update and revise the compiled articles in due course. During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering.

In additions, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mails or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department. During the Reporting Period, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. There was no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

Shareholders' rights

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meeting

Pursuant to the Article 58 of the Articles of Association, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at 40/F Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Act or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out above. As regards the procedures for Shareholders to propose a person for election as a director, they are available on the Company's website at www.blchina.com.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong or by email at ir@blchina.com. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

On 28 June 2022, the Company has made certain changes to the Articles of Association according to newly adopted requirements per the Listing Rules. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website. Save as disclosed above, there had been no significant change in the Company's constitutional documents throughout the year.

Communications with Shareholders

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.blchina.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the AGM of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue. Based on the abovementioned measures, the Company considers that its communication with its Shareholders during the year was effective and adequate.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

On 28 June 2022, the Company has made certain changes to the Articles of Association according to newly adopted requirements per the Listing Rules. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.blchina.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Going concern

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

ESG REPORT

Introduction

BetterLife Holding Limited (the "**Company**", and collectively with its subsidiaries referred as the "**Group**" or "**we**") is an automobile dealership service provider in China focusing on luxury and ultra-luxury brands and it offers a comprehensive range of automobile-related products and services, including (i) sale of automobiles; 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.

Scope and Reporting Period

This environmental, social and governance report (collectively, "**ESG Report**", or the "**Report**") sets out the Group's policies, measures, and performance in the environmental, social and governance (collectively, "**ESG**") aspects during the period from 1 January 2022 to 31 December 2022 (hereinafter, the "**Reporting Period**") in detail.

This ESG report covers the overall business performance of the Group and its 15 4S dealership stores and 1 showroom across seven provinces and municipalities in the PRC[1], during the Reporting Period. Through reporting to our stakeholders, the Group discloses its measures and performance on sustainable development issues in a transparent and open manner. We believe that summarizing and disclosing the Group's performance to stakeholders can enhance our transparency and further improve our sustainable development performance.

Reporting Principles

The Report has been prepared in accordance with the disclosure requirements of the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**HKEx**"). The contents covered herein are in compliance with the mandatory disclosure requirements and the "Comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide of the Stock Exchange, and is based on the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Materiality — We compiled the Report with a focus on material issues by reviewing the assessment results for major stakeholders through which material issues were identified. The results of the material issues have been confirmed by the Board and presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitative — The quantitative principle applies to all the information contained in this Report. We provide clear definitions for all performance indicators and specify the unit of measurement.

Balance — The Report provides an unbiased picture of the ESG performance of the Group during the Reporting Period avoiding those selections, omissions, or presentation formats that may inappropriately influence the decision or judgment of the report readers.

Consistency — We used consistent methods for statistic disclosure and made meaningful comparisons of data. Any changes in methodologies or key performance indicators or any other relevant factors affecting a meaningful comparison are indicated.

[1] These include seven 4S dealership stores and one showroom in Beijing, three 4S dealership stores in Sichuan, one 4S dealership store in Tianjin, one 4S dealership store in Shandong, one 4S dealership store in Zhejiang, one 4S dealership store in Shanghai, and one 4S dealership store in Guangdong.

Reporting Language

The Report is published in both English and Traditional Chinese versions. In case of discrepancies the English version shall prevail.

Approval

The Report was approved by the board of directors of the Company ("**Board**") on 31 March 2023 upon confirmation from the management.

Stakeholders' Feedback

The perspectives of stakeholders always serve as the paramount benchmark for enhancing our corporate efficacy and advancing our commercial expansion. Through engaging with stakeholders (investors, shareholders, employees, vendors, and patrons, etc.) in various forms, we can garner insights from diverse perspectives and vantage points in an inclusive manner, thereby promoting the overall advancement of the Group. If you have any inquiries or recommendations, please reach out to us via email (ir@blchina.com).

The Statement of the Board of Directors

The Company understands that the leadership and participation of the Board is crucial to the implementation of sustainable development strategies. Therefore, the Board shoulders the responsibility of leading and supervising ESG related matters and is responsible for leading the Group to seize the opportunities and respond to the risks brought by sustainable development. The Board regularly decides on and monitors ESG policies and strategies, including the approval and consideration of the ESG-related goals, progress review of the goals, evaluation and prioritisation of the materiality, etc. At the same time, the Board has approved the establishment of an ESG task force of the Group, and authorised it to monitor and implement various ESG-related matters, so as to further improve the effectiveness of sustainable development governance. We have been striving to integrate the concept of sustainable development with the Company's overall strategy, policies and business plans, to further guide the Group in its pursuit of value chain excellence while achieving its sustainability vision.

The Group's Future Development and Commitments

The Group is committed to sustainable development, actively promotes green culture, establishes a green supply chain, promotes environmental protection projects for public welfare, and puts into practice the concept of environmental protection for corporate citizens. The Group attaches great importance to ESG governance, and we expect to work together with our stakeholders, including but are not limited to employees, investors, shareholders, customers, suppliers, government and regulators, NGOs, and community groups for mutual benefits, so as to contribute to social progress, economic growth and environmental governance. We have all alone been committed to promote sustainable business practices and discharge corporate social responsibilities, so as to better capture the opportunities from the development of the industry and create overall value for stakeholders. In the future, the Group will continue to proactively assume corporate social responsibilities for achieving sustainable development. The Group will actively respond to and implement relevant government policies and requirements in place, actively support the society-wide low-carbon development, and actively engage in society-wide actions of energy conservation and emission reduction.

Sustainability Governance

Aside from pursuing business development, the Group assumes its corporate social responsibilities and bears in mind the environmental and social interests. In order to effectively integrate the concept of sustainable development into our daily business operation, the ESG task force, under the authorisation of the Board have been established in August 2021. It strives to integrate our ESG strategies into the operations of the Group and to elevate sustainable development to the level of corporate strategy. The task force is composed of the Group's senior management, department heads and employee representatives. It is responsible for monitoring the ESG issues of the Group, setting relevant goals and policies, and ensuring successful implementation of the same in each department.

The Board has overall responsibility for the Group's sustainability strategy and reporting. Our ESG task force reports to the Board regularly and the ESG reports are reviewed by the Board on an annual basis. Our ESG strategies would be adjusted as needed to align with the long-term business strategy of the Group.

In short, the Company has established a comprehensive management system for ESG elements, which is divided into three levels and adopts a top-down management method, among which the Board at the highest decision-making level leads the ESG task force and its internal working group to carry out ESG works authorised by the Board, strengthening our ESG management capabilities.

The Company have also established a risk management system to constantly sort out and to examine the risks faced in the course of its own business operations, and adopts corresponding management and control measures according to the consequences of different risks. The Company has implemented measures to mitigate the impacts in due course to meet its commitment to sustainable and responsible operations. In addition, the Company has established the Audit Committee, Remuneration Committee and Nomination Committee under the supervision of the Board to conduct annual assessment on the existing and potential risks faced by the Company as a whole, review the effectiveness and suitability of the Company's internal control system, and give full play to the supporting role of laws, auditing, and discipline supervision, so as to ensure legal and compliant operations of the Company. In addition, the Company has also established an internal audit department, which is responsible for the construction, operation and maintenance of the Company's risk prevention and control system.

We have incorporated ESG risks into the Company's risk assessment and management system, including risks related to ESG matters. The response measures are set out in the corresponding sections of this report.

The Board has also engaged an external advisor in relation to ESG matters. These measures shall ensure the sustainable and responsible growth and operation of the Group.

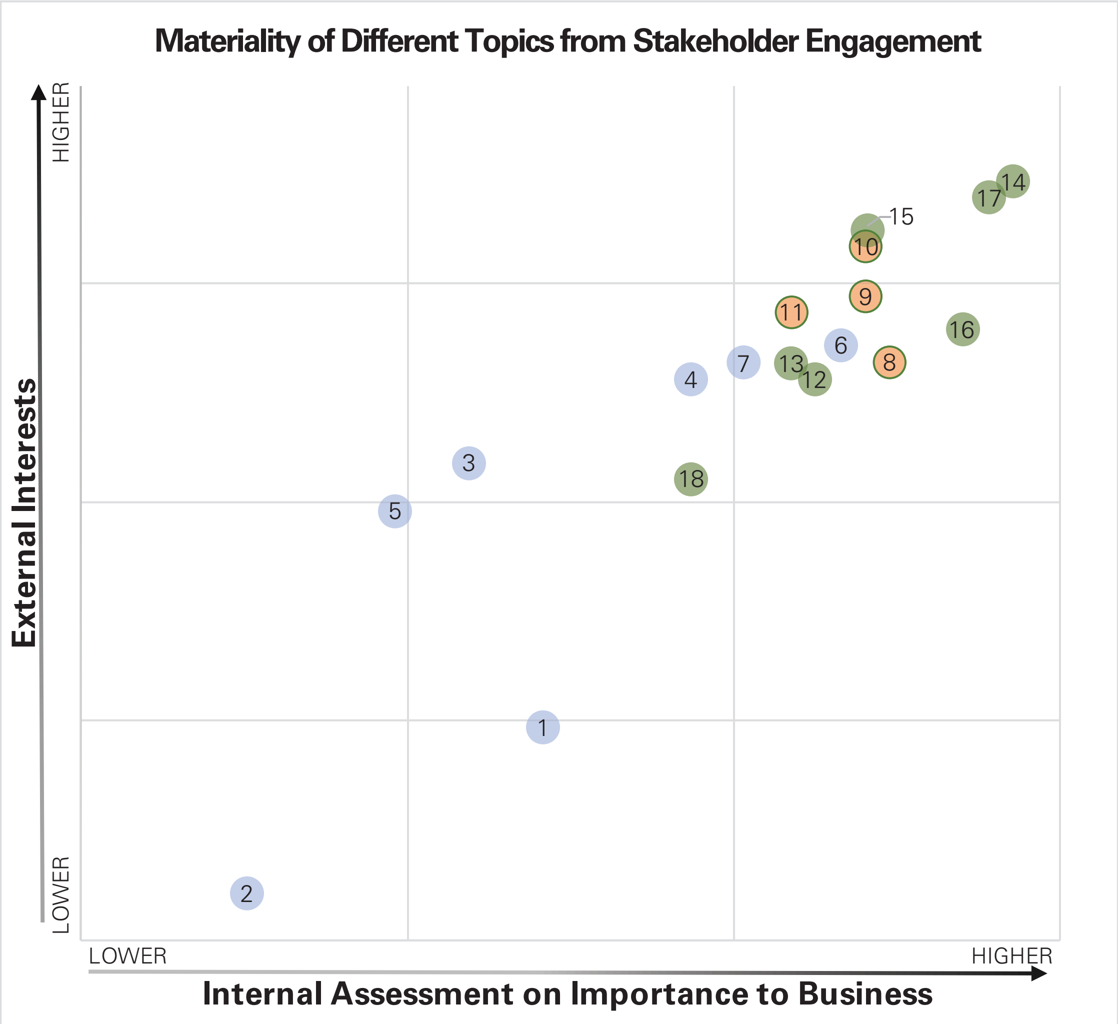
Stakeholder Engagement and Materiality

In order to effectively promote our sustainable development and bring positive impact to the long-term development of the environment and community, we continuously communicate and exchange opinions with our internal and external stakeholders (including shareholders, investors, employees, customers, business partners, suppliers, regulatory authorities, community, and non-governmental organisations etc.) to understand their views and expectations. We also incorporate the opinions of various stakeholders as far as possible when assessing and determining ESG risks and formulating relevant risk management and business strategies. Through the following communication channels, we hear their advice and feedback on the sustainable development of the Company, so as to improve our operations and practices accordingly.

Major Stakeholder	Expectations	Key Channels of Communication
Shareholders/Investors	— Safeguarding shareholders' rights and interests — Disclosing information accurately and timely — Improving corporate governance — Compliance in operation — Business and financial strategies	— Annual general meetings and other general meetings — Annual Reports and interim reports — Corporate communications (such as letters/circulars and meeting notice) — Results announcements — Investor meetings — Interviews — Investor relations emails
Frontline Employees	— Safeguarding employees' rights and interests — Competitive salary and welfare — Labour protection at the workplace — Training and career development — Employee involvement and policy democracy — Corporate culture — Personal physical and mental health	— Performance appraisals — Interviews — Seminars/workshops/speeches — Staff intranet

Major Stakeholder	Expectations	Key Channels of Communication
Customers	— Customer service — Product quality — Privacy protection	— Visits by customer relationship manager — Daily operation/communication — Telephone — Mailbox — Mobile communication applications (such as WeChat and WhatsApp)
Suppliers	— Supplier access management — Supplier assessment — Safeguarding suppliers' rights and interests — Supplier cooperation — Complying with business ethics and national laws and regulations	— Management procedures for suppliers — Assessment system for suppliers — Video conferences — Site inspections — Mobile communication applications (such as WeChat)
Regulators	— Compliance in operation — Workplace safety and health — Creating economic benefits, promoting employment — Creating welfare for the community — Assuming environmental responsibilities — Responding to national policies — Fulfilling tax obligations in accordance with the laws	— Mailbox

During the Reporting Period, the Group has specifically engaged its Board, senior management, shareholders, suppliers, frontline employees, customers, and third-party professionals to gain further insights on ESG aspects they find material and relevant challenges that they may induce. We identified 5 ESG issues after analysing the importance of the issues to the Group's operations and stakeholders, considering the industry background, development status, and strategic planning. We ranked these issues to reflect our impact on the environment and society to better respond to stakeholders' expectations and requirements. These issues will also be key areas of concern during the Group's sustainable development. A materiality assessment has then been produced according to the engagement as follows.



Environmental		Labour Practices		Operational Practices	
1	Energy	**8**	Employment	**12**	Supply Chain Management
2	Water	**9**	Occupational Health and Safety	**13**	Intellectual Property
3	Air Emission	**10**	Development and Training	**14**	Data Protection
4	Waste and Effluent	**11**	Labour Standards	**15**	Customer Service
5	Other Raw Materials Consumption			**16**	Product/Service Quality
6	Environmental Protection Measures			**17**	Anti-corruption
7	Climate Change			**18**	Community Investment

According to the assessment, the five most material topics to the Group are therefore,

1. Development and Training

2. Data Protection

3. Customer Service

4. Product/Service Quality

5. Anti-corruption

The Group aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance. The Group also hopes to have better management on ESG-related risks for future business development. In alignment with the Group's vision on sustainability, the business will continue to operate with high ethical standards and provide sustainable returns to stakeholders.

A. Environment

The Group carries out its business primarily in offices and 4S dealership stores, which is not an energy-intensive industry and has limited impacts on the environment and natural resources. However, the Group still attaches great importance to environmental protection, and strictly abides by the Environmental Protection Law of the People's Republic of China (the "**PRC**"), the Law of the PRC on Conserving Energy, and other laws and regulations.

While developing our business, the Group thoroughly implements the concept of energy conservation and environmental protection through adopting a variety of measures, and continue to pursue clean, efficient and green development. We have formulated internal policies, aiming to save energy, water, paper and other resources, reduce greenhouse gas ("**GHG**") emissions and air pollutants from vehicles, as well as promote and support environmental policies including mitigation of climate change, while raising employees' awareness toward environmental protection. We will review and examine the implementation progress of various environmental protection measures, monitor each emission source, identify more opportunities for energy conservation and emission reduction, and establish relevant policies to effectively ensure that resources are used properly, aiming to reduce the environmental footprint.

The following are some of the initiatives related to environmental protection.

A1. Emissions

As the Group is principally engaged in car dealing business which does not have significant air emissions nor discharges into water or land, such as nitrogen oxides, sulphur oxides, and respiratory suspended particles. Our carbon footprints mainly come from the use of electricity and water in offices and store operations, the use of office materials, the wastes generated from operations, company vehicle usages, and business trips. We have implemented environmental protection measures in relation to energy management, water resource management and waste reduction, so as to minimise the impact on the environment and natural resources.

During the Reporting Period, the Group did not note any cases of material non-compliance relating to air and greenhouse gas emissions, discharges into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations that had a significant impacts on the Group.

A1.1 Air Emissions

During the Reporting Period, the Group consumed natural gas, petrol and diesel from our business operations. The following table presents details of air emissions figures in 2022 and 2021:

The type of emissions	**2022** Emission (kg)	**2022** Intensity (g/m^2)#	2021 Emission (kg)	2021 Intensity (g/m^2)*
Total NOx emissions	**232.15**	**2.01**	217.52	2.49
Total SOx emissions	**2.71**	**0.02**	2.36	0.03
Total PM emissions tons	**9.85**	**0.09**	7.40	0.09

\# Total area included our Beijing office, 15 4S dealership stores and one showroom

* Total area included our Beijing office and 12 4S dealership stores

A1.2 Greenhouse Gas Emissions

During the Reporting Period, 10,720.26 tonnes of carbon dioxide equivalent (tCO_2e) greenhouse gases ("**GHG**", mainly carbon dioxide, methane and nitrous oxide) (2021: 8,986.36 tonnes) were emitted from the Group's operations. The Company's GHG emissions are generated from fuel consumption by the vehicles, electricity and water consumption during operation, landfill, paper consumption, emissions from air travel of employees for business trips, etc.

Scope of GHG	Emission Sources	Emission (in tCO_2e)		Total Emission (in %)	
		2022	2021	**2022**	2021
Scope 1 Direct Emissions	Combustion of Fuel in Stationary Sources	**1,307.15**	1,556.03	**31.74**	28.07
	Combustion of Fuel in Mobile Sources	**443.58**	373.56		
	Release of Refrigerants from the Operation of Equipment and Systems	**1,651.62**	593.15		
	Assimilation of Carbon Dioxide through Tree Planting	**(0.00)**	(0.35)		
Scope 2 Energy Indirect Emission	Purchased Electricity	**6,666.35**	5,658.28	**65.01**	66.98
	Purchased Natural Gas	**303.12**	360.84		
Scope 3 Other Indirect Emissions	Paper Waste Disposal	**169.10**	165.03	**3.25**	4.95
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	**65.32**	65.50		
	Business Air Travels	**114.03**	214.32		
Total		**10,720.26**	8,986.36	**100**	100

Note: Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

The overall intensity was 92.82 $kgCO_2e$ per m^2 of total area, (2021: 102.92 $kgCO_2e$ per m^2 of total area).

A1.3 Hazardous Waste

During the Reporting Period, 550.03 tonnes of hazardous waste were generated from daily business operations (2021: 489.14 tonnes). The intensity was 4.76 kg of hazardous waste per m^2 of total area (2021: 5.60 kg per m^2 of total area). Hazardous wastes generated mainly comprised of motor oil waste, solid hazardous waste, batteries, waste containing organic solvents, electronic waste, and lightbulbs. Regarding environmentally hazardous substances, we require suppliers to provide content test reports to ensure the products meet the latest environmental requirements.

A1.4 Non-hazardous Waste

During the Reporting Period, the Group's operations generated approximately 4,063.90 tonnes of non-hazardous waste (2021: 4,187.79 tonnes), which mainly included everyday non-hazardous waste, food waste, and other paper waste.

Non-hazardous waste generated during the Reporting Period

Types of Non-Hazardous Wastes	Waste Generated (tonnes)	
	2022	2021
Everyday Non-Hazardous Waste	3,793.75	3,848.85
Food Waste	174.10	174.11
Other Paper Waste (e.g., newspaper, card paper)	96.05	164.83

The intensity was 35.19 kg of non-hazardous waste per m^2 of total area (2021: 47.96 kg).

A1.5 Measures to Mitigate Emissions

The Group always advocates low-carbon operations and attempts to minimize resource consumptions in daily operations. Currently, the Group has set long-term targets for air emissions, which were mainly focused on reducing sulphur and GHG emissions. During the Reporting Period, the Group has taken the following resources-saving measures during its operations:

- undertook an environmental impact assessment, inspection and rectification of the paint spray booth and improved emission monitoring equipment every year so as to reduce exhaust emission;
- arranged annual inspections for each dealership store to ensure that waste water, noise, and air emissions are compliant with regulations and do not pose any health risks to employees;
- arranged scientific test drives and test rides, rationally planned routes so as to reduce exhaust emission;
- equipped a dry grinder for dust produced in the paint spraying and polishing process, a vacuum cleaner for poisonous gas produced in the welding process, and activated carbon and filtering sponge for air pollutants produced in the paint baking process;
- regularly replaced the consumables of the exhaust gas purification devices, such as the filter cotton and activated carbon, and actively implemented the equipment maintenance plans to ensure legal and compliant emission of exhaust;
- encouraged employees to take public and shared transportation;
- regularly evaluated the number and cost of business trips and encouraged employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences;
- designated personnel to turn off lighting and ensure the reasonable use of air conditioning;
- conducted monthly electricity statistics to analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term;

- all electric lamps in the work area will be replaced with energy-saving lamps in phrases;
- encouraged the electric vehicles over fuel-driven vehicles when introducing new official vehicles; and
- evaluate feasibility to install rooftop solar system and gradually implement to our 4S dealership stores.

The Group has taken the above resources-saving measures during the Reporting Period and have shown significant improvement already. In the future, the Group will continue to refine and improve resource-savings strategies, in order to balance business growth and environment protection. Through these measures, the Group aims to achieve a general reduction of 1% in overall emissions intensity in upcoming three years.

A1.6 Waste Reduction and Initiatives

The Group understands the importance of good waste management practices and strictly complies with the Law of the PRC on Prevention and Control of Solid Waste Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on Prevention and Control of Water Pollution, the Integrated Wastewater Discharge Standard, and other relevant environmental laws and regulations.

Non-hazardous waste is collected and handled by the administration department. Paper is used for daily office operations such as documents printing and deliverables packaging. Paper saving initiatives are encouraged among employees, such as adopting double-sided printing and printing with single-sided used paper. We also encourage using electronic document for document issuance and notification, and promoting paperless office. The Group tries to recycle paper used whenever possible in attempt to reduce waste disposed of at landfills. Food waste is handed to third-party organisations to be converted into fertilizer or fodder.

The Group generated most of its hazardous waste from store operations. We established a hazardous waste ledger to record the generation, disposal and storage hazardous waste. These wastes were collected by professional third-party waste-handlers for recycling, reuse, or further processing. We ensure that hazardous waste is disposed of through legal and compliant channels, and regularly inspect the management of hazardous waste.

In the Reporting Period, the Group has set annual targets for the solid waste discharge of the Group, which were mainly focused on reducing waste discharge, and has shown significant improvement already. The Group will continue to refine and improve waste discharge strategies, in order to sustainably balance business growth and environment protection. The Group aims to achieve a general reduction of 1% in overall hazardous waste and non-hazardous waste intensity in upcoming three years.

A2. Use of Resources

The Group has established administration policies on the efficient use of resources and minimise the consumption of energy, water, and paper. The Group also plans to minimise its use of business travel.

A2.1 Energy Consumption

A total of 18,841,823.48 kWh of energy (2021: 18,069,712.91 kWh) was consumed by the Group for its operations during the Reporting Period. Electricity was the major source of energy for the Group, consuming 10,926,654.29 kWh for lighting, air-conditioning and other equipment of the Group necessary for its daily operations. The rest of the Group's energy source was petrol and diesel used for fuelling its vehicle fleet, and natural gas used for canteen operations. 159,708.51 litres of petrol were consumed, which is equivalent to 1,415,359.16 kWh of energy. 7,172.7 litres of diesel were consumed, which is equivalent to 71,713.55 kWh of energy. 641,707.94 m^3 of natural gas was consumed, which is equivalent to 6,342,926.48kWh of energy.

The following table presents details of energy consumption figures in 2022 and 2021:

Energy Consumption	**2022 Consumption (kWh)**	**2022 Intensity (kWh/m²)**	2021 Consumption (kWh)	2021 Intensity (kWh/m²)
Electricity	**10,926,654.29**	**94.60**	9,274,343.01	106.22
Petrol	**1,415,359.16**	**12.25**	1,243,746.57	14.24
Diesel	**71,713.55**	**0.62**	999.81	0.01
Natural gas	**6,342,926.48**	**54.92**	7,550,623.52	86.47

A2.2 Water Consumption

The headquarters and dealership stores consumed 105,866.25 m^3 (2021: 106,162.20 m^3) of water during the Reporting Period. The water intensity was 0.92 m^3 per m^2 of total area (2021: 1.22 m^3 per m^2 of total area).

A2.3 Energy Use Efficiency Initiatives

We advocate the principles of green energy conservation and making good use of resources, and are committed to optimizing the use of resources and minimizing carbon emissions throughout our business. We formulate relevant energy-saving policies and measures to reflect our emphasis on energy efficiency. Power consumption of the Group is primarily generated from the lighting, air conditioning and other equipment in the Group's offices and day-to-day operations. In terms of electricity consumption, we designate personnel to turn off lighting and ensure the reasonable use of air conditioning, and administrative departments to check electricity consumption from time to time. Through conducting monthly electricity statistics, we analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term. For electronic devices, we use products with high energy efficiency certification and power-saving modes, such as computers and printers that can automatically enter the standby or sleep mode when idling. We also procure electronic devices that can accommodate multiple servers, such as printing facilities with multi-functional printing and copying devices, and avoid using a single server with higher capacity to save electricity. During the Reporting Period, the Group has set annual targets and taken the various measures to reduce its electricity and energy consumption during operation. In the future, the Group will strive to keep on improving consumption efficiency, in order to balance business growth and environment protection.

The Group aims to achieve a general reduction of 1% in overall energy use intensity in upcoming three years.

A2.4 Water Use Efficiency Initiatives

The Company strictly abides by the rules and regulations in relation to water pollution control. The domestic water we use is supplied by our property buildings, and we have no problem in sourcing water that is fit for purpose. All car wash services were outsourced to third party vendors. We have also promoted reasonable water use among employees in workshops of various dealerships in the Group to increase the utilisation rate of water resources.

During the Reporting Period, the Group has set annual targets for the use of water resources of the Group, which were mainly focused on reducing water waste and improving the use efficiency of water resources. To achieve the targets, the Group has taken the following measures:

- encouraged water-saving, stopped water supply if cash wash services are suspended;
- installed motion-sensor water tap in toilets; and
- recycled water resources under suitable condition.

Through these measures, the Group aims to achieve a general reduction of 1% in overall water use intensity in upcoming three years.

A2.5 Packaging Materials

The Group's operations did not involve any regular use of packaging materials. Packaging material was mainly used by its suppliers.

A3. The Environment and Natural Resources

The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact on the environment and society while bringing sustainable growth and profit.

A3.1 Significant Impacts of Activities on the Environment

The Group's car dealing business operations do not have significant impacts on the environment and natural resources. The Group has established internal policies to reduce its consumption of resources and to minimise business travel. The Group is also committed purchasing from qualified suppliers who follow national environmental rules and regulations. To effectively reduce exhaust emissions, the Group is looking into expanding its business on pre-owned vehicles and new energy vehicles to reduce consumption of natural resources.

A4. Climate Change

Climate change is now one of the global issues and challenges, and the Company understands that the impact of climate change is increasing day by day. It poses a huge threat to all businesses, and that of the Group's is not an exception. We strictly followed all environmental-related rules and guidance from local and national authorities on dealing with extreme weather and developed emergency plans and countermeasures based on the actual situations of the company to minimise the impact of climate changes on daily operations and personal safety.

The Group mainly operates in Mainland China and the climate change may cause more frequent or severe natural disasters, such as floods and heavy rainfall, which will result in delays in the delivery of products and spare parts, and affect operational efficiency and punctuality rate of automotive delivery, thereby affecting market sales performance. In order to fully cope with the opportunities and challenges brought about by climate change, the Board established an ESG task force in 2021, which is mainly responsible for the development of the Group's ESG development strategy and the implementation and supervision of various activities. In response to climate change and its associated impacts, the ESG task force has carefully assessed related risks and developed corresponding strategies and targets for climate change. The Group will also keep abreast of the trends of new environmental laws and regulations, formulate contingency strategies and policies in a timely manner to ensure compliance with environmental protection laws and regulations. Since our 4S dealership stores are located in various cities, administration departments of each store would arrange typhoon and flood prevention notices in the typhoon and flood seasons and would prepare the required prevention works according to local weather conditions. All safety facilities inspections were arranged according to the related rules and regulations.

Besides, the Group will introduce more hybrid and new energy vehicles from luxury and ultra-luxury automobile manufacturers. During the Reporting Period, we sold new energy vehicles for luxury brands, namely Porsche, Mercedes Benz, BMW, Audi, and Volvo. In the next few years, we expect the types of new energy vehicle models and the proportion of new energy vehicles sold by our Group will increase in line with the electrification strategies of our automobile manufacturers. We proactively discuss the business plans with the manufacturers regarding new energy vehicles and adjust our product mix to increase our procurement volume of new energy vehicles based on the market demand. We will continue to provide training to our sales and after-sales personnel to keep them abreast of the market development and enhance their knowledge and skills of new energy vehicles.

In the future, the Group will continue to proactively assume corporate social responsibilities for responding to climate change, and take effective measures to cope with the challenges brought by climate change, so as to achieve its own sustainable development. The Group will actively respond to and implement relevant government policies and requirements in response to climate change, and actively engage in society-wide common actions to mitigate its negative impacts.

B. Social

1. Employment and Labour Practices

B1. Employment

B1.1 Employment Figures

We regard employees as the key driving force for our sustainable growth. Adhering to the people-oriented principle, we respect and protect the legitimate rights and interests of every employee, regulates employment management, protects employees' occupational health and safety, and creates a working environment of health, safety and inclusiveness, so as to consolidate the close and long-term cooperation between our employees and us.

The Group acts in strict compliance with the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on the Protection of Women's Rights and Interests, the Law on the Protection of Minors, and the Provisions on Prohibiting the Use of Child Labour. In addition, we have formulated a staff handbook to facilitate the building of talent teams and strive to create an equal, inclusive, healthy and safe working environment. Our staff handbook mandates human resource management policies, including equal employment, attendance management, remuneration and benefits, recruitment and promotion, training and development, health and safety, performance assessment, code of conduct, etc., so as to keep employees aware of the Company's management basis and their own interests. The Group did not note any cases of material non-compliance in relation to employment, including the provision of a safe working environment and protecting employees from occupational hazard during the Reporting Period.

As of 31 December 2022, the Group had a total of 1,490 employees in its headquarters at Beijing, 15 4S dealership stores and one showroom across seven provinces and municipalities. See below for the detail breakdown of the workforce.

Total Workforce as of 31 December	**2022**	2021
By Employment Type		
Full-time	**100.00%**	100.00%
Part-time	**0.00%**	0.00%
By Gender		
Female	**37.85%**	37.05%
Male	**62.15%**	62.95%
By Employee Category		
Senior Management	**1.61%**	1.67%
Middle Management	**6.64%**	7.58%
Frontline and Other Employees	**91.74%**	90.75%
By Age Group		
18–25	**10.60%**	11.82%
26–35	**50.07%**	56.29%
36–45	**33.83%**	27.65%
46–55	**4.97%**	3.86%
56 or above	**0.54%**	0.38%
By Geographical Location		
Mainland China	**99.87%**	100.00%
Foreign countries	**0.13%**	0.00%

B1.2 Turnover Figures

A total of 792 employees left the Group during the Reporting Period, which gave a turnover rate of 53.15%. The Group regularly reviews salary remuneration and benefits to retain talents and stay attractive and competitive in the market. See below for the detail breakdown of turnover rate by employee group.

Turnover Rate as of 31 December	2022	2021
By Employment Type		
Full-time	**53.15%**	42.50%
Part-time	**0.00%**	0.00%
By Gender		
Female	**49.82%**	45.40%
Male	**55.18%**	40.79%
By Employee Category		
Senior Management	**33.33%**	18.18%
Middle Management	**32.32%**	38.00%
Frontline and Other Employees	**55.01%**	43.32%
By Age Group		
18–25	**105.06%**	63.46%
26–35	**58.31%**	45.76%
36–45	**34.72%**	30.96%
46–55	**20.27%**	15.69%
56 or above	**12.50%**	20.00%
By Geographical Location		
Mainland China	**53.15%**	42.50%
Foreign countries	**N/A**	N/A

B1.3 Employee Recruitment, Compensation and Benefits

The Group complies strictly with all applicable laws and regulations in relation to recruitments, pursuant to which the Group is to select, recruit and promote its employees at all levels in a fair, just and open manner based on their knowledge, integrity, ability and experience in either public recruitment or internal promotion, so as to ensure meritocracy and attract the best professional elites in the industry. The recruitment process is arranged by the human resources department, with interviews arranged for the selected candidates. Qualified applicants shall provide their identity documents, academic certificates and resumes. The applicants shall pass the prescribed recruitment process, and become officially employed after signing the employment contracts. The Group ensures to carefully go over the identities and birth certificates of the qualified applicants to eliminate child labour at the source. During the Reporting Period, the Group was not aware of any instance of child labour and forced labour.

The Group highly appreciates the continued services of its employees. When an employee presents his/her resignation, the human resources department will arrange an interview with him/her to understand his/her motives and identify issues in relation to management and employee turnover rates, so as to make timely improvements and retain talents. The Group also attaches great importance to the ethical conduct of its employees. If any employee is found to be in violation of the laws, the Group's disciplines and code of conduct, or neglect their duties or be involved in material misconduct which result in damage to the Group's interests, the Group will terminate employment contracts with them immediately, so as to ensure proper discipline.

The Group has also formulated a human resources management system, with the aim of regulating the professional hierarchy of the Group and clearly defining its remuneration system, performance assessment system and salary adjustment plan, thereby providing an open and transparent environment which encourages its employees to exploit their greatest potential and render brilliant performance. The remunerations of employees are determined based on their competitiveness, experience, skills and qualifications for their positions. And we have established share option scheme to offer stock compensation to retain and motivate senior management talents. An annual performance assessment will be carried out to evaluate each employee based on their target achievement, key competence and overall performance. Remuneration adjustments and annual performance-related bonus distribution are planned in accordance with the market conditions and operating results of the Group, so as to encourage employees to strive for greater contribution to the Group. In addition, the Group makes contributions to mandatory social insurance funds, including pension, occupational injury insurance, maternity insurance, medical insurance and unemployment insurance for employees.

The Group complies with all working hours, rest, and vacation regulations of the Chinese labour Law to ensure the physical and mental health of all employees. The Group does not force employees to work overtime. Employees may apply for overtime in advance, and overtime pay is paid after approval by the manager. Employees are entitled to public holidays recognised by PRC, as well as paid time off from the Group, which include but not limited to annual leave, marriage leave, maternity leave, sick leave, etc.

There were no major changes in policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, and anti-discrimination during the Reporting Period. In additions, during the Reporting Period, the Company was not aware of any violation cases relating to compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the operations of the Company.

B1.4 Employee and Board Diversity

The Group has established a fair and reasonable employment system, with clear management procedures and code of conduct, to advocate the concepts of workforce diversity for all employees. We believe Board diversity is one of the key elements of good corporate governance. It plays an important role in supporting innovative activity and organizational change, fostering an environment where different approaches to decision-making and problem-solving can generate outcomes more reflective of the attitudes of the broader society. Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, finance and investment and accounting experiences in addition to vehicle-related business. Furthermore, our Board has a wide range of age, ranging from 45 years old to 65 years old, and comprises one female member and six male members. We also have a good mix of new and experienced Directors that three of our executive Directors have joined our Group for more than 10 years, who have valuable knowledge and insights of our Group's business over the years, while the other Directors are expected to bring in fresh ideas and new perspectives to our Group. Our Nomination Committee will: (i) report annually, in the corporate governance report contained in our annual report, on the Board's composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (ii) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

B1.5 Employee Communication

Through induction training for new employees, the Group promotes a culture of belonging and career development planning to create a cohesive and competitive working environment that encourages self-development.

The Group attaches great importance to the opinions of employees. We understand that employees are our close and long-term partners. Maintaining effective and positive mutual communication can not only promote smooth operations, but also enhance mutual understanding and trust, and contribute to the stable development of the Company. The Group fully protects the two-way communication channels with its employees, these include corporate messages from the Group to employees, channels for employees to report information to the Group, opinion surveys, etc. The Group mainly releases information and key issues to employees through internal office platforms, which include but not limited to emails, announcements, and corporate micro-channels. The Group carefully reviews and considers all opinion from its employees and makes corresponding improvement to ensure their rights and interests.

B1.6 Equal Opportunity and Anti-Discrimination

The Group attaches particular importance to equal employment opportunities and comply strictly with anti-discrimination laws. The Group has also formulated internal policy on equal employment opportunities, aiming to treat both employees and job applicants fairly and ensure they are not discriminated for their gender, marital status, pregnancy, age, family status, disability, ethnicity, nationality or religion. The Group treats each of its employees fairly and justly and offer equal opportunities to them in recruitment, promotion, rewards, training, etc., and promise that no discrimination will be tolerated. The Group shall consider disciplinary punishments on anyone who violates this policy. In compliance with the law, the Group organises face-to-face lectures and provides online training courses from time to time to prevent employees from being discriminated, harassed, and harmed during work.

B2. Employee Health and Safety

The Group complies with the Provisions on the Supervision and Administration of Occupational Health at Work Sites, Order No. 47 of the State Administration of Work Safety, and no material non-compliance with related laws and regulations was noted.

In each dealership store, the Group enlists the services of nationally accredited testing facilities to conduct annual environmental inspection work in areas of high occupational risk (such as spray booth) to check levels of indoor pollutants. For employees who work in areas of high occupational risk, such as car repairing and maintenance services, the Group issues personal protective equipment for their protection, while also providing annual medical examination. Furthermore, the Group has installed ventilation systems in each dealership store.

The Group has developed the "BetterLife Occupational Disease Prevention System" to ensure that its employees do not suffer from any occupational diseases. Measures include setting up vocational health management in each dealership store, establishing health files for professional hazards, and providing refreshments and suitable clothing for outdoor workers.

There were no major changes in management practice in relation to occupational health and safety during the Reporting Period.

COVID-19 Measures

When the coronavirus disease broke out, the Group was highly cautious of the most up-to-date situations as employees' health and safety is the Group's priority. The Group has taken lead in setting up preventive measures and arrangements for employees, some practices include:

- adopting work rotation, home officing, and other distancing measures as appropriate
- strengthening health surveillance measures, such as measuring body temperatures

- frequent disinfection of areas with high density
- sourcing and providing anti-virus supplies, such as surgical masks, sanitisers

The Group remained vigilant and released information promptly whenever any cases worthy of concern was identified.

B2.1 Work-related Fatalities and Injury

Occupational Health and Safety Data in 2022 and 2021	2022	2021
Work related fatality	0	0
Fatality rate[1]	0.00%	0.00%
Work injury cases >3 days	5	1
Work injury cases ≤3 days	0	0
Lost days due to work injury	332	7

Note 1: Fatality rate is given by number of fatalities as a result of work-related injury divided by number of workers.

The Company attaches great importance to the occupational safety of all colleagues and has devoted effort in protecting the health of its staff. Last year, there were two injury cases caused by accidents on the way to and off from work which recorded over 200 lost days. The company will continue to improve its safety system, strictly conduct accident investigation and pursue accountability. During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

B3. Development and Training

The Group continuously monitors employees' job performance in order to identify training needs. Employees are encouraged to participate in work-related and personal development training through on-the-job training and external training to understand market trends and increase their competence. Training provided was mostly duty-related courses or seminars delivered by both related experts in the Company or external service providers.

To promote the joint growth of the Group and its employees, the Group has invested a lot of resources in talent training. The Group has standardized and improved its employee training system to develop exclusive development paths for employees, which offers basic skills training, professional skills training, product training, and management skills training. At the same time, the Group also encourages employees to actively participate in various training courses organized by various brand manufacturers, which include but are not limited to products, skills, and management upgrades. During the Reporting Period, the Group has provided its employees with multiple online and offline training courses.

Training courses organized by various brand manufacturers

To increase the cultivation of talents, the Group has opened the first phase of the "BetterLife Business School" to offer training courses for core positions across all dealership stores. The Group expects that campus recruitment shall be the main way of recruiting talent.

During the Reporting Period, 1,490 employees, or 100.00% of all employees, received training as arranged by the Group, and the average training hours that each employee received was approximately 70.22 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

2022

By Gender		
Female	**100.00%**	**74.08 hrs**
Male	**100.00%**	**67.33 hrs**
By Employee Category		
Senior Management	**100.00%**	**68.75 hrs**
Middle Management	**100.00%**	**63.14 hrs**
Frontline and Other Employees	**100.00%**	**70.76 hrs**

2021

By Gender		
Female	99.59%	51.67 hrs
Male	99.04%	60.73 hrs
By Employee Category		
Senior Management	95.45%	39.38 hrs
Middle Management	97.00%	49.52 hrs
Frontline and Other Employees	99.50%	58.32 hrs

Training topics include, but not limited to, anti-corruption, occupational health and safety, and administration and management.

B4. Labour Standards

The Group has established policies to ensure compliance with all applicable laws and regulations. Child and forced labour is strictly prohibited. The Group shall consider disciplinary punishments on anyone who violates this policy. Pursuant to the Prohibition of the Use of Child Administration of the PRC, there was no child nor forced labour in the Group's operation during the Reporting Period. All original identification cards of job candidates are first checked by the Group to confirm their age is above 16 years old. In addition, the Group conducts regular checking to ensure that there is no child labour nor forced labour in its operations. If any violation is identified, the Group will terminate such employments according to applicable laws and regulations immediately, so as to ensure proper compliance and to eliminate any child labour and forced labour problem in the operations.

2. Operating Practices

B5. Supply Chain Management

The Group purchases all of its new automobiles and substantially all of its spare parts and accessories from automobile manufacturers and their authorized suppliers, and the Group purchases other automobile-related products from both automobile manufacturers and third parties. The Group has formulated internal policies which specify the methods for supplier selection and procurement process under different circumstances. The Group pays close attention to the performance of suppliers who are required to comply strictly with laws and regulations in relation to anti-bribery, anti-corruption and product health safety. Only compliant companies are qualified to become suppliers of the Group. In evaluating suppliers, the Group takes into account such criteria as disclosure of their major ESG and regulatory risks, employees' remuneration and benefits, and working environment, and follow principles of openness, fairness, justice and credibility. If any suppliers fail to act in line with the policies of the Group, the Group will terminate cooperation until they are satisfied with their correction efforts and improvement. The Group continuously evaluates the qualification, service quality, prices and delivery periods of each supplier on a regular basis, so as to encourage them to provide high-quality products and services.

The Group attaches great importance to the environmental and social risks within its supply chain. The Group regularly reviews the updates of policies and laws related to the supply chain, and communicates with internal and external stakeholders to understand and identify potential environmental and social risks within its supply chain. In view of this, under the Group's supplier supervision mechanism, the Group also requires suppliers to meet compliant standards in their environmental and social performance to the extent that the quality and reasonable pricing of the purchased materials and services from the suppliers can be ensured. For instance, all the luxury automobile manufacturers working with us have new energy vehicles offering to market. Regarding environmentally hazardous substances, the Group requires suppliers to provide content test reports to ensure the products meet the latest environmental requirements.

During the Reporting Period, the Group had engaged with 27 key suppliers, of which details are as follows:

Supplier Region	Type of Supplier	Numbers	
		2022	2021
Beijing	Insurance Services	1	4
	Vehicle Procurement	5	5
	Accessory Procurement	6	7
Guangdong	Vehicle Procurement	0	1
	Accessory Procurement	1	1
Jilin	Vehicle Procurement	0	1
	Accessory Procurement	1	1
Jiangsu	Insurance Services	0	1
	Vehicle Procurement	1	1
	Accessory Procurement	1	1
Jiangxi	Insurance Services	1	0
Shandong	Accessory Procurement	1	1
Shanghai	Vehicle Procurement	2	2
	Accessory Procurement	1	0
Sichuan	Insurance Services	1	0
	Accessory Procurement	1	2
Tianjin	Insurance Services	1	1
	Accessory Procurement	1	0
Zhejiang	Vehicle Procurement	2	2
Total		27	32

B6. Product Responsibility

The Group is committed to continuously improving the quality and safety of products. Therefore, the Group implements different measures to optimise product quality, fully perform product safety obligations, and avoid risks relating to product health and safety. The Group has complied with relevant laws and regulations in relation to product and service liabilities.

All vehicles must undergo detailed inspections before being delivered to customers. After the new automobiles arrive at dealership stores, the Group will inspect the automobiles in accordance with the testing standards formulated by each brand as follows:

- in handing over the commercial automobiles with the logistics company, frontline employees would strictly and carefully check whether there are defects in the exterior and interior of the automobile and whether there is any wrong installation or missing installation. If the aforesaid problems are found, they should sign and confirm with the logistics staff in time and negotiate with the logistics company or the brand storage and transportation department to solve the problems;

- frontline employees would record the automobiles arriving in the store in a table, and check the exterior, interior decoration, function keys (such as air outlets and vanity mirrors), tires, wiper blades and other items one by one;

- after passing the preliminary inspection, the commercial automobile should be warehoused and the maintenance workshop should be arranged for Pre-Delivery Inspection (PDI);

- maintenance technicians should carry out detailed inspections on the automobiles according to the requirements of each brand, including computer diagnosis, and regularly maintain the automobiles before delivery;

- if problems are found during the inspection, they should report to the manufacturer in time and follow up on the results;

- documents for inspection process should be filed; and

- only vehicles have passed all required inspections would be delivered to customers.

Regarding auto parts to be utilized in repair and maintenance services, our staff would test check upon delivery from suppliers. Any item identified with quality problem would be returned to suppliers.

Each of the Group's products goes through a quality assurance process and when necessary, the Group carries out the following recall procedures in strict accordance with the requirements of the manufacturers if the Group's products are being recalled:

- manufacturer publishes announcement to recall products;

- identifying affected vehicles;

- preparing preliminary spare parts inventory based on actual situation;

- identifying customers' mailing addresses and delivering notices to customers; and

- carrying out recall measures when the recalled vehicles arrive at the facilities.

In terms of regulating product promotion and responsible sales, the Group strictly abides by the relevant laws and regulations. The Group always conducts compliance review on marketing slogans and advertising content on our promotion and marketing materials, thereby ensuring the validity and accuracy of the information.

In terms of the health and safety, advertising, labelling and privacy matters and remedies of the products and services provided, there was no material non-compliance with relevant laws and regulations that would have a significant impact on the Company during the Reporting Period. In the event that the products sold needed to be recalled due to quality or other problems, the Group will strictly execute the recall procedures as instructed by the manufacturers. During the Reporting Period, there had been no products sold or shipped subject to recalls for safety and health reasons.

B6.1 Intellectual Property Rights
The Group attaches great importance to the protection of intellectual property rights, and complies with the relevant laws and regulations. In order to effectively carry out the works relating to the management and protection of intellectual property rights, the Group has established internal control procedures, which systematically manages work involving intellectual property rights:

- the Company's application, maintenance and transfer of intellectual property rights will be handled by a dedicated department;

- title certificates such as trademarks and patents will be kept by a designated department which puts records of intellectual property rights under special management;

- when the Group's intellectual property rights are infringed by third parties or may be subject to other infringement disputes, the Group will preserve relevant evidence in a timely manner and take measures to protect our intellectual property rights as soon as possible; and

- the Group is not only serious about the protection of intellectual property rights relating to its own business, but also respects the copyright protection efforts of other products. Genuine software has been installed and used on all of the Company's terminal equipment, and installation and use of unauthorised software on its terminal equipment is strictly prohibited. Additionally, the software and database used in our information system must be authenticated and are allowed to be used for commercial purposes.

During the Reporting Period, there had been no cases that violate intellectual property rights.

B6.2 Customer Services
Adhering to our customer-oriented philosophy of "Customer for Life" (待客以恒), the Group is 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, the Group is 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. 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.

B6.3 Quality Assurance

The Group's corporate motto is "Customer for Life", and it is central to its corporate culture. The Group strives to deliver optimal services in its daily operations. Thus, the Group attaches great importance to customers' opinions and treats providing customer support as an opportunity to improve its relationship with the customer, and aims to address customer's concerns in a timely manner.

The Group has established a number of communication channels aiming to collect customer feedback in a more efficient manner, which include daily operation/communication, telephone, WeChat, and e-mail.

A comprehensive mechanism for handling customer complaints was established to manage the collection, transmission, and handling of customer complaints as well as return visits. Upon receiving the relevant complaint, such complaints will be reported to relevant departments and suppliers in a timely manner, where they shall understand the root cause of the issue, proactively seek solutions, and formulate relevant measures to prevent similar situations from reoccurring. If the Group receives a material complaint, a special handling team will be set up in order to jointly formulate a handling plan, while ensuring the comprehensiveness, rationality, and compliance of the plan as much as possible, and also strengthening communication with customers and striving to properly solve the related problems. The Group's customer relations managers will maintain close communication with its customers. In addition, the Group provides employees with training to improve their efficiency and capacity in handling customer complaints.

During the Reporting Period, the Group received a total of nine complaints from clients, which were resolved successfully by timely replies and dynamic communication with customers and suppliers. The Group has resolved the problems for customers and no further complaints received from the customers.

B6.4 Confidential Information

The Group pays close attention to risk management relating to its information technology systems as storage and protection of customer data and other related information is critical. The Group has adopted a set of security safeguard measures to protect the data it has accumulated and stored, including, but not limited to, encryption technology for data transmission and storage, conducting data classification management and applying strict user data access and usage management policies.

Under such mechanisms and procedures, any operation violating information security regulations will result in internal disciplinary action. The Group's staffs are expected to undertake periodical training on data protection. The Group also has a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. Furthermore, the Group has designated personnel to be responsible for inspecting and reporting any suspicious data deriving and transmitting activities, as well as enhancing its data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, such personnel has been designated to take charge of reviewing, discussing and improving technologies in managing information security and internal control system to ensure adequate protection is given to the Group's database.

With China introducing the Personal Information Protection Law in 2021, the Group acted strictly in accordance with the relevant regulations. During the Reporting Period, the Company received no complaints or litigations relating to data protection and privacy protection.

B7. Anti-corruption

The Company regards knowledge of and compliance with laws as the foundation of our business. The Group always adheres to its core values and establish an honest, trustworthy, standardised and transparent business environment. In order to ensure the compliance of the Company's business operations and the suitability of relevant regulations in the industry, the Group has formulated internal policies which cover management system in different scopes, including board governance, business operations, financial management, personnel management, general management and information security. The Group will regularly review the prevailing laws and regulations, industry norms, and its business development, so as to update and revise the compiled articles in due course. During the Reporting Period, the Group was not aware of any incompliance with relevant laws and regulations relating to bribery, extortion, fraud, and money laundering.

In addition, the Company attaches great importance to the corporate culture of integrity and anti-corruption, adheres to the highest standards of ethics and business integrity at all times, and abides by the laws and regulations to prevent bribery, corruption, money laundering, and fraud in its business operation. The Group has formulated the anti-corruption and anti-bribery policies which are required to be strictly followed by all employees.

In order to enhance the anti-corruption awareness and level of employees, during the Reporting Period, the directors and employees of the Company received anti-corruption training, with an average training hour of 0.45 hours per employee. Topics of anti-corruption training included the situations of corruption reporting, anti-corruption laws and cases, roles of directors and employees in combating corruption, job embezzlement, fraud, and misappropriation of funds, etc.

The Group has also formulated sound whistle-blowing policies to encourage all directors, employees and third parties (including customers and suppliers of the Company) to report any misconduct, dereliction of duty or violations. The whistle-blower can report any suspected illegal acts or dereliction of duty to the Company in the form of writing such as mail or e-mails. The identity of the whistle-blower will be kept strictly confidential. The whistle-blowing mechanism is coordinated by the Group's internal audit department. Upon receiving whistle-blowing incidents, the department will analyse and sort out the whistle-blowing information. After preliminary review and verification, if it is believed that the reported person does have the facts of disciplinary violations, the investigation shall be formally filed and handled in accordance with the relevant regulations of the discipline inspection and supervision department.

During the Reporting Period, the Company did not have any lawsuits related to corruption, nor violated relevant laws and regulations that have a significant impact on the operations of the Company. And there were no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

3. Community

B8. Community Investment

Through various means of community participation and contribution, the Company is committed to spreading the spirit of service in the community and building a sustainable and inclusive society. While actively developing its business, the Group never forgets to support various community engagements in order to give back to the society. As a renowned automobile dealer, the Group has always provided long-term and stable job opportunities to the society, maintained good employment relationships, increased local taxation, and improved the local automobile sales brand, thus promoting local economic development, and achieving self-development and a win-win situation with the local community.

In addition, the Group attaches great importance to social public welfare activities and hopes to spread the love and warmth from the Group to the society. It has contributed to activities and organisations that are beneficial to the community. See below for a list of donations by the Group during the Reporting Period:

Date	Beneficiary	Details
January 21, 2022	Beijing Rainbow Foundation (北京潤保芳德公益基金會)	RMB66,000
January 27, 2022	Beijing Huiling Home for Persons with Mental Disabilities (北京慧靈智障人士服務中心)	RMB100,000
March 15, 2022	HOPE (Horses Offering People Enrichment) (北京厚博孤獨症人士關愛中心)	RMB63,000
March 28, 2022	Beijing Cultural Development Foundation (北京公藝文化基金會)	RMB1,000,000
November 28, 2022 – December 1, 2022	Compulsory nucleic acid testing at Tiancun, Haidian District, Beijing, China	Volunteer services

In the future, the Company will continue to proactively cooperate with charitable organizations and participate in various community investment and charitable activities, especially in culture and sports area. The Group will continue to devote more resources to the society and environmental protection areas and take up corporate social responsibility to contribute to the creation of a harmonious and healthy society.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
BetterLife Holding Limited
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have audited the consolidated financial statements of BetterLife Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 159, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of vendor rebates

Refer to Note 19 to the consolidated financial statements and the accounting policies on page 113.

The Key Audit Matter

The Group earns vendor rebates under various and differing arrangements with automobile manufacturers. Rebate arrangements, which can vary in different fiscal years and between automobile manufacturers, include rebates based on purchase or sales volume for certain specific car models, performance rebates and other specific rebates.

Rebates based on purchase or sales volumes are granted by vendors if certain purchase or sales targets are met.

Performance rebates are granted by vendors in accordance with the vendors' comprehensive assessment of the Group's business performance.

In addition, other specific rebates are granted to the Group, including, but not limited to, compensation for automobile mortgage sales and car demonstration compensation.

The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions have been met and the amount can be estimated reliably.

We identified recognition of vendor rebates as a key audit matter because there are many different kinds of rebate arrangements in place and the manual calculation of the Group's entitlement to such rebates involves significant management's estimation, which is inherently subjective.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of vendor rebates included the following:

- obtaining an understanding and evaluating the design and implementation of management's key internal controls in relation to the recognition of vendor rebates;
- assessing the appropriateness of the Group's accounting policies in respect of the recognition of vendor rebates by inspecting the terms and conditions set out in each type of rebate arrangement communicated by the respective automobile manufacturers with reference to the requirements of the prevailing accounting standards;
- selecting a sample of vendor rebates recognised and settled during the year and comparing the recognised rebate amount with credit notes issued by the vendors or underlying bank payment slips;
- for vendor rebate receivables at the reporting date, performing recalculations of the amounts receivable, on a sample basis, based on the terms of the underlying vendor rebate policies and relevant inputs, including sales and purchase volume data, rebate rates and other specific criteria as set out in the respective vendor rebate policies;
- evaluating, on a sample basis, the reliability of the above relevant inputs used to calculate vendor rebates by comparing the inputs with relevant underlying documentation; and
- assessing, on a sample basis, whether vendor rebates accrued at the previous financial reporting date were subsequently settled in the current year.

Key audit matters (Continued)

Impairment of goodwill and intangible assets — car dealerships

Refer to Note 14 and Note 15 to the consolidated financial statements and the accounting policies on page 99 and page 102.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions by the Group of 4S dealership stores, the Group recognised goodwill and intangible assets — car dealerships in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealership stores, which are considered to represent individual cash generating units ("CGUs"). As at 31 December 2022, goodwill and intangible assets — car dealerships, after provision for impairment, amounted to RMB379 million (31 December 2021: RMB210 million) and RMB881 million (31 December 2021: RMB512 million), respectively. The 4S dealership business in China operates in a highly competitive and regulated market which increases the risk of sales volatility of the 4S dealership stores. Consequently, there are uncertainties as to whether the acquired 4S dealership stores can meet forecast growth projections.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealerships included the following: • obtaining an understanding and evaluating the design and implementation of key internal controls over the impairment assessment; • evaluating the appropriateness of management's identification of CGUs and the amounts of goodwill and intangible assets — car dealerships allocated to each CGU and determination of recoverable amounts; • assessing the competence, capabilities and objectivity of the external valuer; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

Key audit matters (Continued)

Impairment of goodwill and intangible assets — car dealerships (Continued)

Refer to Note 14 and Note 15 to the consolidated financial statements and the accounting policies on page 99 and page 102. (Continued)

The Key Audit Matter	How the matter was addressed in our audit
Management performs impairment assessments of the relevant CGUs to which goodwill and intangible assets — car dealerships have been allocated by determining the recoverable amount for each CGU at the end of each reporting period, with reference to a valuation report prepared by an external valuer appointed by management, using the discounted cash flow method. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating revenue growth rates, corresponding gross margin rates, working capital changes and the discount rates. We identified impairment of goodwill and intangible assets — car dealerships as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions which are inherently uncertain and could be subject to management bias.	• comparing certain assumptions including forecast revenue, forecast cost of sales, forecast other operating expenses and forecast working capital ("assumptions") in the discounted cash flow forecast of each individual CGU with the financial budget approved by the directors, and comparing forecast revenue growth trends with revenue forecasts issued by industry research institutions; • comparing assumptions included in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess whether there was any indication of management bias; • obtaining from management sensitivity analyses on revenue growth rates and the discount rates adopted in the discounted cash flow forecasts and assessing the impact of changes in these assumptions to the conclusions reached in the impairment assessments and considering whether there was any indication of management bias; and • evaluating the reasonableness of the disclosures in the consolidated financial statements of the assumptions in the impairment assessments of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Yat Fo.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022
(Expressed in RMB'000)

	Note	Year ended 31 December 2022	2021
Revenue	4	**10,081,729**	9,962,870
Cost of sales		**(9,204,186)**	(8,797,056)
Gross profit		**877,543**	1,165,814
Other income	5	**256,080**	220,324
Selling and distribution expenses		**(513,212)**	(418,052)
Administrative expenses		**(261,178)**	(221,149)
Operating profit		**359,233**	746,937
Finance costs	6(a)	**(37,836)**	(19,609)
Profit before tax	6	**321,397**	727,328
Income tax	7	**(78,554)**	(166,643)
Profit for the year		**242,843**	560,685
Attributable to:			
Equity shareholders of the Company		**171,528**	456,030
Non-controlling interests		**71,315**	104,655
Profit for the year		**242,843**	560,685
Earnings per share	10		
Basic and diluted earnings per share (RMB)		**0.28**	0.86

The notes on pages 97 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in RMB'000)

	Year ended 31 December	
	2022	2021
Profit for the year	**242,843**	560,685
Other comprehensive income for the year (after tax):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**54,335**	(10,468)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(31,831)**	(112)
Other comprehensive income for the year	**22,504**	(10,580)
Total comprehensive income for the year	**265,347**	550,105
Attributable to:		
Equity shareholders of the Company	**194,032**	445,450
Non-controlling interests	**71,315**	104,655
Total comprehensive income for the year	**265,347**	550,105

The notes on pages 97 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022
(Expressed in RMB'000)

	Note	At 31 December 2022	At 31 December 2021
Non-current assets			
Property, plant and equipment	11	**561,420**	365,471
Investment properties	12	**62,136**	65,755
Right-of-use assets	13	**407,178**	317,466
Intangible assets	14	**897,450**	525,166
Goodwill	15	**378,625**	210,396
Deferred tax assets	30	**34,693**	46,024
Long-term prepayments		**3,694**	4,950
		2,345,196	1,535,228
Current assets			
Inventories	17	**853,774**	641,090
Trade receivables	18	**56,106**	41,113
Amounts due from related parties	35(d)	**9,065**	7,836
Prepayments, other receivables and other assets	19	**819,947**	525,766
Financial assets measured at fair value through profit or loss	20	**—**	50,000
Pledged bank deposits	21	**36,557**	10
Cash in transit	22	**11,184**	19,779
Restricted cash	23	**7,032**	4,909
Cash and cash equivalents	23	**701,887**	1,333,369
		2,495,552	2,623,872
Current liabilities			
Trade and bills payables	26	**334,144**	118,998
Amounts due to related parties	35(d)	**10,214**	7,686
Other payables and accruals	27	**235,472**	221,542
Contract liabilities	28	**183,562**	287,229
Interest-bearing bank and other borrowings	24	**572,075**	223,516
Lease liabilities	25	**32,154**	36,605
Income tax payables		**38,390**	70,513
		1,406,011	966,089
Net current assets		**1,089,541**	1,657,783
Total assets less current liabilities		**3,434,737**	3,193,011

The notes on pages 97 to 159 form part of these financial statements.

(Expressed in RMB'000)

	Note	At 31 December 2022	At 31 December 2021
Non-current liabilities			
Contract liabilities	28	**134,051**	101,629
Lease liabilities	25	**263,739**	144,915
Deferred tax liabilities	30	**204,195**	138,831
		601,985	385,375
Net assets		**2,832,752**	2,807,636
CAPITAL AND RESERVES	31		
Share capital		**5,180**	5,180
Reserves		**2,655,433**	2,581,632
Total equity attributable to equity shareholders of the Company		**2,660,613**	2,586,812
Non-controlling interests		**172,139**	220,824
TOTAL EQUITY		**2,832,752**	2,807,636

Approved and authorised for issue by the board of directors on 31 March 2023.

Chou Patrick Hsiao-Po
Director

Chau Kwok Keung
Director

The notes on pages 97 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in RMB'000)

	Attributable to shareholders of the Company								
	Share capital	Share premium	Share option reserve	Capital reserve	Retained profits	Exchange reserve	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2021	—*	—	—	380,741	1,148,531	(1,255)	1,528,017	166,169	1,694,186
Changes in equity for the year ended 31 December 2021:									
Profit for the year	—	—	—	—	456,030	—	456,030	104,655	560,685
Other comprehensive income for the year	—	—	—	—	—	(10,580)	(10,580)	—	(10,580)
Total comprehensive income for the year	—	—	—	—	456,030	(10,580)	445,450	104,655	550,105
Issue of shares	1,435	630,311	—	—	—	—	631,746	—	631,746
Share issue expenses	—	(26,051)	—	—	—	—	(26,051)	—	(26,051)
Capitalisation issue	3,745	(3,745)	—	—	—	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	(50,000)	(50,000)
Contributions from the controlling shareholder	—	—	—	2,351	—	—	2,351	—	2,351
Equity settled share-based transactions (Note 29(c))	—	—	5,299	—	—	—	5,299	—	5,299
Balance at 31 December 2021	5,180	600,515	5,299	383,092	1,604,561	(11,835)	2,586,812	220,824	2,807,636

* Less than RMB500.

The notes on pages 97 to 159 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(Expressed in RMB'000)

	Attributable to shareholders of the Company								
	Share capital	Share premium	Share option reserve	Capital reserve	Retained profits	Exchange reserve	Sub-total	Non-controlling interests	Total equity
Balance at 1 January 2022	5,180	600,515	5,299	383,092	1,604,561	(11,835)	2,586,812	220,824	2,807,636
Changes in equity for the year ended 31 December 2022:									
Profit for the year	–	–	–	–	171,528	–	171,528	71,315	242,843
Other comprehensive income for the year	–	–	–	–	–	22,504	22,504	–	22,504
Total comprehensive income for the year	–	–	–	–	171,528	22,504	194,032	71,315	265,347
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(120,000)	(120,000)
Dividends approved in respect of the previous year (Note 31(b)(ii))	–	(136,950)	–	–	–	–	(136,950)	–	(136,950)
Contributions from the controlling shareholder	–	–	–	3,017	–	–	3,017	–	3,017
Equity settled share-based transactions (Note 29(c))	–	–	13,702	–	–	–	13,702	–	13,702
Balance at 31 December 2022	5,180	463,565	19,001	386,109	1,776,089	10,669	2,660,613	172,139	2,832,752

The notes on pages 97 to 159 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022
(Expressed in RMB'000)

	Note	For the year ended 31 December 2022	2021
Operating activities			
Cash generated from operations	23(b)	**138,178**	571,253
Interest received		**8,309**	1,205
Income taxes paid		**(133,634)**	(167,257)
Net cash generated from operating activities		**12,853**	405,201
Investing activities			
Proceeds from disposal of property, plant and equipment		**107,659**	74,053
Proceeds from disposal of financial assets at fair value through profit or loss		**280,000**	4,373,165
Acquisition of financial assets measured at fair value through profit or loss		**(230,000)**	(3,984,165)
Acquisition of items of property, plant and equipment		**(402,264)**	(181,973)
Payment for acquisition of subsidiaries, net of cash acquired		**(374,961)**	—
Acquisition of items of intangible assets		**(7,061)**	(226)
Prepayment of right-of-use asset		**—**	(1,151)
Investment income from financial assets at fair value through profit or loss		**1,463**	13,485
Net cash (used in)/generated from investing activities		**(625,164)**	293,188
Financing activities			
Proceeds from bank and other borrowings	23(c)	**2,008,129**	223,317
Repayment of bank and other borrowings	23(c)	**(1,660,340)**	(324,832)
(Increase)/decrease in pledged bank deposits	23(c)	**(36,547)**	25,441
Interest paid	23(c)	**(15,671)**	(9,367)
Dividends paid to non-controlling shareholders	31(b)(iii)	**(120,000)**	(50,000)
Dividends paid to equity shareholders of the Company	31(b)(ii)	**(136,950)**	—
Proceeds from sale and lease-back transactions	23(c)	**17,438**	18,354
Payment of sale and lease-back transactions	23(c)	**(16,910)**	(20,755)
Capital element of lease rentals paid	23(c)	**(46,694)**	(54,312)
Interest element of lease rentals paid	23(c)	**(20,451)**	(10,152)
Contributions from shareholders		**—**	2,351
Proceeds from issue of shares		**—**	631,746
Payment of listing expenses		**—**	(17,227)
Net cash (used in)/generated from financing activities		**(27,996)**	414,564
Net (decrease)/increase in cash and cash equivalents		**(640,307)**	1,112,953
Cash and cash equivalents at 1 January		**1,333,369**	230,672
Effect of foreign exchange rate changes		**8,825**	(10,256)
Cash and cash equivalents at 31 December	23(a)	**701,887**	1,333,369

The notes on pages 97 to 159 form part of these financial statements.

NOTES TO THE CONSOLIDATED 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 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 are presented in Renminbi ("RMB") which is the Group's presentation currency, rounded to the nearest thousand, except for earnings per share information.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the assets are stated at fair value as explained in the accounting policies set out in Note 2(f)).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policy

The Group has applied the following amendments to IFRSs issued by the IASB to these consolidated financial statements 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 developments 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in subsidiaries is stated at cost less impairment losses (see Note 2(k)).

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, which is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (Continued)

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group or the Company commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group or the Company are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(vi)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

2 Significant accounting policies (Continued)

(g) Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are measured at cost less accumulated depreciation and impairment losses (see Note 2(k)). Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives. Depreciation methods, useful lives and residual values are re-assessed at the end of each reporting period and adjusted if appropriate.

(h) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(x)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings	20 years
— Leasehold improvements	Over the shorter of the unexpired term of the lease and 5 years
— Machinery equipment	10 years
— Vehicles	5 years
— Other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see Note 2(k)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets of their intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

2 Significant accounting policies (Continued)

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

— Car dealerships	30 years
— Office software	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily property charges or office equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 Significant accounting policies (Continued)

(j) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h) and 2(k)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

2 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets

(i) Credit losses

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, time deposits, trade receivables and other receivables).

Other financial assets measured at fair value, including financial assets measured at fair value through profit and loss are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade receivables, deposits and long-term receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables from contracts with customers within the scope of IFRS 15 are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) Credit losses (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset has past due certain periods under different risk profiles. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(u)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(i) *Credit losses (Continued)*

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) *Impairment of other non-current assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— investment properties;

— right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (Continued)

(k) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(k)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2 Significant accounting policies (Continued)

(l) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated on specific identification or weighted average basis as appropriate and comprises all costs of purchase after deducting rebates from suppliers and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(n)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

All receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(k)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(k).

2 Significant accounting policies (Continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(x)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair values of the selected current employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted share measured as of the grant date less the proceeds received from the employees, and records in the reserve until each unlocking date.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share option that vest (with a corresponding adjustment to the reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's share. The equity amount is recognised in the reserve until the share is released (when it is included in the amount recognised in share capital for the share issued) or share expires or is forfeited or cancelled (when it is released directly to retained earnings) after the end of vesting period.

Share-based payment transactions in which the Company grants share options to its subsidiaries' employees are accounted for as an increase in value of investment in subsidiaries in the Company's statement of financial position which is eliminated on consolidation.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 Significant accounting policies (Continued)

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 Significant accounting policies (Continued)

(s) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2 Significant accounting policies (Continued)

(u) Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of motor vehicles

Revenue arising from the sale of motor vehicles is recognised upon delivery of motor vehicles when the customer takes possession of and accepts the motor vehicles. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) After-sales services — sales of motor spare parts

Revenue arising from the sale of motor spare parts is recognised when the customer takes possession of and accepts the spare parts.

(iii) After-sales services — maintenance services income

Revenue arising from maintenance services is recognised when the relevant service is rendered without further performance obligations.

(iv) Other related services income

Revenue arising from other related services are recognised when the service is rendered to customers.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(k)).

(vii) Commission income

Commission income is recognised at point in time when the services have been rendered.

2 Significant accounting policies (Continued)

(u) Revenue and other income (Continued)

(viii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

In general, revenue from sales of motor vehicles, after-sales services and other related services are recognised at a point in time.

(v) Vendor rebates

Incentive rebates provided by vendors are recognised to the extent that the Group estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

Incentive rebates relating to vehicles purchased and sold are deducted from cost of sales, while incentive rebates relating to vehicle purchased but still held as inventories at the reporting date are deducted from the carrying value of such vehicles so that the cost of inventories is recorded net of applicable rebates.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 Significant accounting policies (Continued)

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies (Continued)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing these consolidated financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of these consolidated financial statements.

3 Accounting judgements and estimates

(a) Impairment of goodwill and intangible assets — car dealerships

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details are disclosed in Note 14 and Note 15.

(b) Accrual of vendor rebate

The Group manually calculates rebates and recognises them to the extent that the management estimates it is probable that the associated conditions will be met and the amount can be estimated reliably.

Specific factors management considered included the recent historical sales volume patterns, the rebate rates applied, overriding and ongoing performance metrics and any other available information concerning the credit worthiness of suppliers.

3 Accounting judgements and estimates (Continued)

(c) Deferred tax assets

The deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

4 Revenue and segment reporting

The Group is mainly engaged in sales of passenger motor vehicles and provision of after-sales services. For management purposes, the Group operates in one business unit based on its products, services and locations, and has one reportable operating segment which is the sale of passenger motor vehicles and the provision of related services in the PRC.

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of passenger motor vehicles	**8,915,862**	8,727,977
Provision of after-sales services	**1,165,867**	1,234,893
	10,081,729	9,962,870
Disaggregated by geographical location of customers		
The PRC	**10,081,729**	9,962,870
Disaggregated by timing of revenue recognition		
Point in time	**10,081,729**	9,962,870

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year.

4 Revenue and segment reporting (Continued)

(ii) Revenue recognised that was included in contract liabilities at the beginning of the period

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Sale of motor vehicles	**218,503**	178,791
After-sales services	**41,476**	57,923
	259,979	236,714

5 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income	**8,309**	1,205
Commission income	**164,681**	150,263
Rental income	**4,423**	8,086
Government grants	**2,290**	1,146
Gain on disposal of items of property, plant and equipment	**23,116**	12,079
Investment income from financial assets at fair value through profit or loss	**1,463**	13,485
Others	**51,798**	34,060
	256,080	220,324

6 Profit before taxation

Profit before taxation is arrived at after charging:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(a) Finance costs:		
Interest on bank and other borrowings	**16,441**	8,292
Interest on lease liabilities	**20,451**	10,152
Interest on sale and lease-back liabilities	**944**	1,165
	37,836	19,609

		Year ended 31 December	
	Note	**2022 RMB'000**	2021 RMB'000
(b) Staff costs:			
Salaries, wages and other benefits		**275,699**	290,072
Contributions to defined contribution retirement plans	(i)	**31,651**	25,789
Equity settled share-based transactions (Note 29(c))		**13,702**	5,299
		321,052	321,160

(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.

6 Profit before taxation (Continued)

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(c) Other items:		
Cost of inventories (Note 17(b))	**9,128,514**	8,732,462
Depreciation		
— Owned property, plant and equipment	**101,667**	78,862
— Right-of-use assets	**75,730**	56,409
— Investment properties	**3,619**	2,417
Amortisation of intangible assets	**31,856**	24,180
Operating lease charges	**3,764**	2,789
Listing expenses	**—**	9,214
Auditors' remuneration		
— Audit services	**3,360**	4,580
— Other services	**—**	477

7 Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current tax:		
Provision for the PRC income tax for the year	**101,419**	193,058
Deferred tax:		
Origination and reversal of temporary differences and tax losses	**(22,865)**	(26,415)
	78,554	166,643

7 Income tax (Continued)

(b) Reconciliation between income tax and profit before taxation at applicable tax rates:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before taxation	**321,397**	727,328
Tax at the statutory tax rate of 25%	**80,349**	181,832
Tax effect of non-deductible expenses	**5,576**	6,701
Tax effect of unused tax losses and temporary differences not recognised, net of utilization	**16,433**	(26,520)
Effect of tax rate differential	**(24,222)**	4,630
Others	**418**	—
Income tax	**78,554**	166,643

(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 year.

(iii) The PRC subsidiaries of the Group are subject to the PRC Corporate Income Tax rate of 25%, except for Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd., Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd. and Hainan Liya Holding Co., Ltd. Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd. and Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd. 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. Hainan Liya Holding Co., Ltd. was incorporated in Hainan for automobile accessories business and was granted a preferential rate of 15% for Hainan Free Trade Port from 2022 to 2024.

8 Directors' Emoluments

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments (iii) RMB'000	Retirement scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2022					
Executive directors:					
Mr. Chou Patrick Hsiao-Po (chief executive)	–	1,527	–	32	1,559
Ms. Sun Jing	–	1,304	3,114	46	4,464
Mr. Chau Kwok Keung	–	2,068	9,032	15	11,115
Mr. Xu Tao (i)	–	1,245	1,556	60	2,861
Independent non-executive directors					
Mr. Liu Dengqing	306	–	–	–	306
Mr. Wong Ka Kit	306	–	–	–	306
Mr. Yau Ka Chi	306	–	–	–	306
	918	6,144	13,702	153	20,917

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments (iii) RMB'000	Retirement scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2021					
Executive directors:					
Mr. Chou Patrick Hsiao-Po (chief executive)	–	2,086	–	40	2,126
Ms. Sun Jing	–	4,245	1,204	55	5,504
Ms. Wei Hongjing (ii)	–	2,302	–	–	2,302
Mr. Chau Kwok Keung	–	5,321	3,492	15	8,828
Independent non-executive directors					
Mr. Liu Dengqing	140	–	–	–	140
Mr. Wong Ka Kit	140	–	–	–	140
Mr. Yau Ka Chi	140	–	–	–	140
	420	13,954	4,696	110	19,180

8 Directors' Emoluments (Continued)

Notes:

(i) Mr. Xu Tao was appointed as an executive director with effect on 1 January 2022.

(ii) Ms. Wei Hongjing resigned as an executive director with effect on 31 December 2021.

(iii) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(r)(ii).

(iv) There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the year (2021: nil).

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2021: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other one (2021: two) individuals are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**1,776**	4,535
Equity settled share-based transactions	**—**	603
Retirement scheme contributions	**60**	109
	1,836	5,247

The emolument of the one (2021: two) individual with the highest emoluments is within the following band:

	2022 Number of individuals	2021 Number of individuals
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**—**	1
HK$3,000,001 to HK$3,500,000	**—**	1
	1	2

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB171,528,000 (2021: RMB456,030,000) and the weighted average number of the Company's ordinary shares of 622,500,000 (2021: 528,678,082 shares) in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 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.

11 Property, plant and equipment

	Buildings RMB'000	Machinery equipment RMB'000	Vehicles RMB'000	Other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2021	243,303	58,383	119,307	54,536	29,674	9,194	514,397
Additions	—	7,340	105,370	4,285	22,546	44,142	183,683
Transfer among items under property, plant and equipment	—	1,264	—	2,982	22,436	(26,682)	—
Transfer to investment property	(53,976)	—	—	—	—	—	(53,976)
Disposals	—	(554)	(80,259)	(9,183)	(239)	—	(90,235)
Acquisition of subsidiaries	—	2,381	5,630	1,265	14,313	—	23,589
At 31 December 2021 and 1 January 2022	**189,327**	**68,814**	**150,048**	**53,885**	**88,730**	**26,654**	**577,458**
Additions	**146,483**	**2,999**	**156,517**	**11,565**	**9,018**	**57,401**	**383,983**
Transfer among items under property, plant and equipment	**–**	**–**	**–**	**6,861**	**63,018**	**(69,879)**	**–**
Disposals	**–**	**(380)**	**(119,731)**	**(3,883)**	**–**	**–**	**(123,994)**
Acquisition of subsidiaries	**–**	**1,877**	**–**	**619**	**55**	**–**	**2,551**
At 31 December 2022	**335,810**	**73,310**	**186,834**	**69,047**	**160,821**	**14,176**	**839,998**
Accumulated depreciation:							
At 1 January 2021	(88,656)	(24,365)	(26,985)	(32,628)	(6,748)	—	(179,382)
Charge for the year	(27,131)	(5,638)	(24,431)	(7,651)	(14,011)	—	(78,862)
Written back on disposals	—	459	19,484	8,318	—	—	28,261
Transfer to investment property	17,996	—	—	—	—	—	17,996
At 31 December 2021 and 1 January 2022	**(97,791)**	**(29,544)**	**(31,932)**	**(31,961)**	**(20,759)**	**–**	**(211,987)**
Charge for the year	**(28,645)**	**(5,867)**	**(34,106)**	**(8,786)**	**(24,263)**	**–**	**(101,667)**
Written back on disposals	**–**	**221**	**31,115**	**3,740**	**–**	**–**	**35,076**
At 31 December 2022	**(126,436)**	**(35,190)**	**(34,923)**	**(37,007)**	**(45,022)**	**–**	**(278,578)**
Net book value:							
At 31 December 2022	**209,374**	**38,120**	**151,911**	**32,040**	**115,799**	**14,176**	**561,420**
At 31 December 2021	91,536	39,270	118,116	21,924	67,971	26,654	365,471

The net carrying amount of the Group's vehicles held under sale and lease-back transactions included in the total amounts of vehicles of property, plant and equipment was RMB16,777,000 (2021: RMB16,125,000) as at 31 December 2022.

12 Investment properties

	Buildings RMB'000	Land RMB'000	Total RMB'000
Cost:			
At 1 January 2021	—	—	—
Transfer among items under property, plant and equipment and right-of-use assets	53,976	40,861	94,837
At 31 December 2021, 1 January 2022 and 31 December 2022	**53,976**	**40,861**	**94,837**
Accumulated depreciation:			
At 1 January 2021	—	—	—
Transfer out from property, plant and equipment and right-of-use assets	(17,996)	(8,669)	(26,665)
Charge for the year	(1,406)	(1,011)	(2,417)
At 31 December 2021 and 1 January 2022	**(19,402)**	**(9,680)**	**(29,082)**
Charge for the year	**(2,551)**	**(1,068)**	**(3,619)**
At 31 December 2022	**(21,953)**	**(10,748)**	**(32,701)**
Net book value:			
At 31 December 2022	**32,023**	**30,113**	**62,136**
At 31 December 2021	34,574	31,181	65,755

The investment properties are leased to third parties under operating lease. During the year ended 31 December 2022, rental income of RMB4,423,000 (2021: RMB8,086,000) was recognised as "Other income" in the consolidated statement of profit or loss.

Undiscounted lease income under operating lease contracts in place at the reporting date will be received by the Group in future periods as follows:

	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 year	**7,628**	11,055
After 1 year but within 5 years	**14,167**	24,925
After 5 years	**—**	1,728
	21,795	37,708

The fair value of the investment properties, as determined by the directors of the Company with the assistance of external valuer, was estimated to be approximately RMB73,030,000 (2021: RMB74,460,000) as at 31 December 2022.

13 Right-of-use assets

	Prepaid land lease payments RMB'000	Leasehold land and buildings RMB'000	Other equipment RMB'000	Total RMB'000
Cost:				
At 1 January 2021	79,942	382,978	1,112	464,032
Additions	—	50,039	1,151	51,190
Acquisition of subsidiaries	—	53,018	—	53,018
Disposals	—	(12,476)	(1,112)	(13,588)
Transfer to investment properties	(40,861)	—	—	(40,861)
At 31 December 2021 and 1 January 2022	**39,081**	**473,559**	**1,151**	**513,791**
Additions	**—**	**65,514**	**—**	**65,514**
Acquisition of subsidiaries	**—**	**113,126**	**—**	**113,126**
Disposals	**—**	**(14,300)**	**—**	**(14,300)**
At 31 December 2022	**39,081**	**637,899**	**1,151**	**678,131**
Accumulated depreciation:				
At 1 January 2021	(12,702)	(136,377)	(1,005)	(150,084)
Charge for the year	(1,291)	(54,819)	(299)	(56,409)
Written back	—	387	1,112	1,499
Transfer to investment properties	8,669	—	—	8,669
At 31 December 2021 and 1 January 2022	**(5,324)**	**(190,809)**	**(192)**	**(196,325)**
Charge for the year	**(1,232)**	**(74,169)**	**(329)**	**(75,730)**
Written back	**—**	**1,102**	**—**	**1,102**
At 31 December 2022	**(6,556)**	**(263,876)**	**(521)**	**(270,953)**
Net book Value:				
At 31 December 2022	**32,525**	**374,023**	**630**	**407,178**
At 31 December 2021	33,757	282,750	959	317,466

The Group's prepaid land lease payments are for the lands situated in the PRC with lease periods of 35 to 45 years when granted.

13 Right-of-use assets (Continued)

The analysis of expense items in relation to lease recognised in profit or loss is as follows:

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	**75,730**	56,409
Interest on lease liabilities (Note 6(a))	**20,451**	10,152
Expense relating to short-term leases (Note 6(c))	**3,764**	2,789
	99,945	69,350

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Note 23(d) and Note 25 respectively.

14 Intangible assets

	Office software RMB'000	Car dealerships RMB'000	Total RMB'000
Cost:			
At 1 January 2021	29,904	632,537	662,441
Additions	226	—	226
At 31 December 2021 and 1 January 2022	**30,130**	**632,537**	**662,667**
Additions	**7,061**	**—**	**7,061**
Acquisition of a subsidiary (Note 33)	**—**	**397,079**	**397,079**
At 31 December 2022	**37,191**	**1,029,616**	**1,066,807**
Accumulated amortisation:			
At 1 January 2021	(14,170)	(99,151)	(113,321)
Charge for the year	(3,095)	(21,085)	(24,180)
At 31 December 2021 and 1 January 2022	**(17,265)**	**(120,236)**	**(137,501)**
Charge for the year	**(3,050)**	**(28,806)**	**(31,856)**
At 31 December 2022	**(20,315)**	**(149,042)**	**(169,357)**
Net book value:			
At 31 December 2022	**16,876**	**880,574**	**897,450**
At 31 December 2021	12,865	512,301	525,166

14 Intangible assets (Continued)

Impairment testing of intangible assets — car dealerships and goodwill

The car dealerships arise from business combinations and relate to relationships with automakers, with an estimated useful life of 30 years. The fair value of the car dealerships as at the respective acquisition date was determined by using the multiple excess earning method.

Goodwill acquired through business combinations has been allocated to the relevant car dealership business (or group of car dealership businesses) from which the goodwill was resulted. The car dealership business is treated as a cash-generating unit ("CGU") for impairment testing.

The carrying amount of goodwill allocated to the CGU of the operation of the car dealership business is as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Car dealership business	**378,625**	210,396

The recoverable amount of CGUs is determined based on the higher of its fair value less costs to sell and value in use calculations according to requirements of International Accounting Standard 36 *Impairment of Assets*, and fair values less costs to sell of the CGUs are not estimated to be materially different from their respective value in use amounts. These calculations use cash flow projections based on financial budgets approved by the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 3% (2021: 3%) which is consistent with the forecasts included in industry reports. The pre-tax discount rates applied to the cash flow projections beyond the one year period are with a range from 16.59% to 17.52% (2021: 16.30% to 17.25%). The carrying amount of these CGUs has been reduced to their recoverable amount, the impairment first reduced the carrying amount of goodwill allocated to the CGU, then the remaining amount of the impairment loss was allocated pro rata to other assets in the CGU, on the basis of the carrying amount of each asset in the CGU (including intangible assets), no less than the highest of its recoverable amount (if it is determinable) and zero.

Details of the headroom measured by excess of the recoverable amount over the carrying amount of the CGU as at 31 December 2022 is set out as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Car dealership business	**1,503,722**	971,810

14 Intangible assets (Continued)

Impairment testing of intangible assets — car dealerships and goodwill (Continued)

The Group has performed sensitivity tests by increasing 1% of the discount rate or decreasing 1% of the revenue growth rate, which are the key assumptions for determining the recoverable amount of the CGU, with all other variables held constant. The impacts on the amount of headroom are as below:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Impact by increasing discount rate	**(275,067)**	(253,799)
Impact by decreasing revenue growth rate	**(136,984)**	(119,797)

At 31 December 2022, the directors of the Company considered no reasonably possible change in the key assumptions mentioned above would cause the carrying amount of the CGU to exceed its recoverable amount. Therefore, the directors of the Company determined that there was no impairment of its CGU at 31 December 2022 (2021: nil).

15 Goodwill

	RMB'000
Cost:	
At 1 January 2021 and 31 December 2021	862,427
Goodwill arising from business combination:	
— YZB Auto Service Group Limited (Note 33)	168,229
At 31 December 2022	**1,030,656**
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021 and 31 December 2022	**(652,031)**
Carrying amount:	
At 31 December 2022	**378,625**
At 31 December 2021	210,396

Goodwill is allocated to the Group's CGU of the operation of the car dealership business for impairment testing as set out in Note 14.

16 Interest in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group, all of which are private companies.

	Note	Place and date of incorporation/ establishment/business	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
BetterLife Tianjin Management Group Co., Ltd.* 百得利(天津)企業管理集團有限公司	(i)	PRC/Mainland China 30 August 2007	RMB303,320,000	—	100%	Investment holding, sale and service of motor vehicles
Beijing BetterLife Automobile Import and Export Group Co., Ltd.* 北京百得利汽車進出口集團有限公司	(ii)	PRC/Mainland China 3 September 1998	RMB60,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Trade Co., Ltd.* 北京百得利汽車貿易有限公司	(ii)	PRC/Mainland China 6 February 2004	RMB20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Sales Co., Ltd.* 北京百得利汽車銷售有限公司	(ii)	PRC/Mainland China 14 April 2008	RMB20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Star Auto Sales Co., Ltd.* 北京百得利之星汽車銷售有限公司	(ii)	PRC/Mainland China 9 January 2008	RMB 40,000,000	—	100%	Sale and service of motor vehicles
BetterLife International Motor Co., Limited	(ii)	Hong Kong 15 July 2010	Hong Kong dollars ("HK$") 10,000	100%	—	Investment holding
Beijing BetterLife International Trade Co., Ltd.* 北京百得利國際商貿有限公司	(ii)	PRC/Mainland China 9 December 2011	RMB80,000,000	—	100%	Sale and service of motor vehicles
Hangzhou BetterLife Auto Co., Ltd.* 杭州百得利汽車有限公司	(ii)	PRC/Mainland China 18 August 2010	RMB50,010,000	—	100%	Sale and service of motor vehicles
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.* 成都百川金保汽車銷售服務有限公司	(ii), (iii)	PRC/Mainland China 8 January 2014	RMB33,333,333	—	30%	Sale and service of motor vehicles
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.* 成都百川新保汽車銷售服務有限公司	(ii)	PRC/Mainland China 30 March 2012	RMB33,333,333	—	70%	Sale and service of motor vehicles
Beijing BetterLife Experimental Technology Development Co., Ltd.* 北京百得利體驗科技發展有限公司	(ii)	PRC/Mainland China 16 August 2018	RMB20,000,000	—	100%	Sale and service of motor vehicles
Qingdao BetterLife Auto Co., Ltd.* 青島百得利汽車有限公司	(ii)	PRC/Mainland China 9 December 2019	RMB10,000,000	—	100%	Sale and service of motor vehicles
Foshan Baide Laifu Auto Sales and Services Co., Ltd.* 佛山柏得來富汽車銷售服務有限公司	(ii)	PRC/Mainland China 11 September 2020	RMB15,000,000	—	90%	Sale and service of motor vehicles
Shanghai Baide Laifu Auto Co., Ltd.* 上海佰得來富汽車有限公司	(ii)	PRC/Mainland China 1 July 2021	RMB20,000,000	—	100%	Sale and service of motor vehicles

16 Interest in subsidiaries (Continued)

	Note	Place and date of incorporation/ establishment	Registered/ issued and fully paid up capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Hainan Liya Holding Co., Ltd.* 海南莉雅控股有限公司	(i)	PRC/Mainland China 31 August 2021	U.S. dollars ("USD") 3,000,000	—	100%	Sale of automobile accessories and advertisement service
Chengdu BetterLife Auto Sales and Services Co., Ltd.* 成都百得利汽車銷售服務有限公司	(ii)	PRC/Mainland China 25 October 2021	RMB5,000,000	—	100%	Sale and service of motor vehicles
Beijing Yingzhibao Automobile Trading Co., Ltd.* 北京盈之寶汽車貿易有限公司	(i), (ii)	PRC/Mainland China 25 January 2022	U.S. dollars ("USD") 10,000,000	—	100%	Sale and service of motor vehicles
Tianjin Laifutai Insurance Agency Co., Ltd.* 天津來福泰保險代理有限公司	(ii)	PRC/Mainland China 14 March 2014	RMB50,000,000	—	100%	Provision of insurance agency service

* The English names of the companies registered in Mainland China represent the best efforts made by the management of the Company to translate the Chinese names of the companies as they do not have official English names.

Notes:

(i) The subsidiaries are wholly-foreign-owned enterprises established in the PRC.

(ii) The subsidiaries are registered as companies with limited liability under the PRC law.

(iii) The Group considers that it controls Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd. even though it only holds 30% of the equity shares. This is because the Group owns 51% voting rights at shareholders' meetings.

16 Interest in subsidiaries (Continued)

The following table lists out the information relating to Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd., and Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd., the subsidiaries of the Group which has a material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination. According to the articles of association of these two partly-owned subsidiaries, the attributable profits shall be both attributed to the Group and non-controlling interests with 50% and 50%, respectively.

	2022 RMB'000	2021 RMB'000
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.		
NCI percentage	**70%**	70%
Current assets	**174,287**	246,116
Non-current assets	**90,887**	82,257
Current liabilities	**(81,477)**	(90,260)
Non-current liabilities	**(19,839)**	(23,898)
Net assets	**163,858**	214,215
Carrying amount of NCI	**104,637**	129,815
Revenue	**1,200,152**	1,328,794
Profit for the year	**69,643**	104,072
Total comprehensive income	**69,643**	104,072
Profit allocated to NCI	**34,822**	52,036
Dividend paid to NCI	**60,000**	35,000
Cash flows from operating activities	**2,243**	101,042
Cash flows (used in)/generated from investing activities	**(17,285)**	103,006
Cash flows used in financing activities	**(87,115)**	(70,233)

16 Interest in subsidiaries (Continued)

	2022 RMB'000	2021 RMB'000
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.		
NCI percentage	**30%**	30%
Current assets	**179,421**	252,346
Non-current assets	**106,286**	104,648
Current liabilities	**(87,545)**	(113,513)
Non-current liabilities	**(24,825)**	(27,033)
Net assets	**173,337**	216,448
Carrying amount of NCI	**65,720**	87,276
Revenue	**1,255,971**	1,341,671
Profit for the year	**76,888**	105,334
Total comprehensive income	**76,888**	105,334
Profit allocated to NCI	**38,444**	52,667
Dividend paid to NCI	**60,000**	15,000
Cash flows from operating activities	**23,174**	111,645
Cash flows (used in)/generated from investing activities	**(13,932)**	51,240
Cash flows used in financing activities	**(87,942)**	(21,821)

17 Inventories

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

	At 31 December	
	2022 RMB'000	2021 RMB'000
Motor vehicles	**778,509**	585,012
Spare parts and accessories	**90,895**	68,759
	869,404	653,771
Less: Provision for inventories	**(15,630)**	(12,681)
	853,774	641,090

Inventories with a carrying amount of RMB31,766,000 (2021: RMB72,493,000) were pledged as security for bank and other borrowings as at 31 December 2022 (Note 24).

Inventories with a carrying amount of RMB15,911,000 (2021: nil) were pledged as security for bills payable as at 31 December 2022 (Note 26).

17 Inventories (Continued)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Carrying amount of inventories sold	**9,112,884**	8,719,781
Write-down of inventories	**15,630**	12,681
	9,128,514	8,732,462

18 Trade receivables

As at 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 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**48,727**	40,181
3 to 6 months	**7,218**	654
6 months to 1 year	**158**	254
Over 1 year	**3**	24
	56,106	41,113

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. There was no significant loss allowance recognised for trade receivables as at 31 December 2022 and 2021.

19 Prepayments, other receivables and other assets

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments	**503,934**	232,571
Other receivables	**135,486**	138,833
Rebate receivables	**163,434**	160,870
Value-added tax recoverable	**36,027**	13,682
	838,881	545,956
Less: Long-term prepayments	**(3,694)**	(4,950)
Impairment allowance of other receivables	**(15,240)**	(15,240)
Current portion	**819,947**	525,766

20 Financial assets measured at fair value through profit or loss

	At 31 December 2022 RMB'000	2021 RMB'000
Wealth management products	—	50,000

21 Pledged bank deposits

	Note	At 31 December 2022 RMB'000	2021 RMB'000
Restricted guarantee deposits in respect of:	(i)		
Bills payable		36,557	—
Bank loans		—	10
		36,557	10

(i) The bank deposits pledged for bank loans and bills payable will be released upon the settlement of relevant bank loans and bills payable.

22 Cash in transit

	At 31 December 2022 RMB'000	2021 RMB'000
Cash in transit	11,184	19,779

Cash in transit, which was all denominated in RMB as at the end of the reporting period, represents the sales proceeds settled by credit cards, which have yet to be credited to the Group by the banks.

23 Cash and cash equivalents, restricted cash and other cash flow information

(a) Cash and cash equivalents comprise:

	At 31 December 2022 RMB'000	2021 RMB'000
Cash at banks and on hand	701,887	1,333,369
Restricted cash	7,032	4,909
	708,919	1,338,278
Less: Restricted cash	(7,032)	(4,909)
Cash and cash equivalents in the consolidated cash flow statement	701,887	1,333,369

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.

23 Cash and cash equivalents, restricted cash and other cash flow information (Continued)

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	For the year ended 31 December 2022 RMB'000	2021 RMB'000
Profit before taxation		**321,397**	727,328
Adjustments for:			
Depreciation	6(c)	**181,016**	137,688
Amortisation of intangible assets	6(c)	**31,856**	24,180
Finance costs	6(a)	**37,836**	19,609
Interest income	5	**(8,309)**	(1,205)
Write-down of inventories to net realisable value	17(b)	**15,630**	12,681
Gain on sale of property, plant and equipment	5	**(23,116)**	(12,079)
Investment income from financial assets at fair value through profit or loss	5	**(1,463)**	(13,485)
Equity settled share-based transactions	6(b)	**13,702**	5,299
Contributions from the controlling shareholder		**3,017**	—
Changes in working capital:			
Increase in inventories		**(132,460)**	(191,556)
Increase in trade receivables		**(14,322)**	(2,867)
Decrease/(increase) in cash in transit		**8,595**	(13,619)
Increase in restricted cash		**(2,123)**	(4,909)
(Increase)/decrease in amounts due from related parties		**(1,229)**	14,081
Increase in prepayments, other receivables and other assets		**(278,858)**	(129,011)
Increase/(decrease) in trade and bills payables		**142,600**	(62,142)
Increase/(decrease) in amounts due to related parties		**1,056**	(2,138)
(Decrease)/increase in other payables and accruals		**(84,961)**	31,931
(Decrease)/increase in contract liabilities		**(71,686)**	31,467
Net cash generated from operating activities		**138,178**	571,253

23 Cash and cash equivalents, restricted cash and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other borrowings RMB'000 (Note 24)	Dividends payable RMB'000	Lease liabilities RMB'000 (Note 25)	Pledged bank deposits RMB'000 (Note 21)	Sale and lease back payables RMB'000 (Note 35(c))	Total RMB'000
At 1 January 2022	223,516	–	181,520	(10)	7,620	412,646
Changes from financing cash flows:						
Proceeds from loans and borrowings	2,008,129	–	–	–	–	2,008,129
Repayment of loans and borrowings	(1,660,340)	–	–	–	–	(1,660,340)
Capital element of lease rentals paid	–	–	(46,694)	–	–	(46,694)
Interest element of lease rentals paid	–	–	(20,451)	–	–	(20,451)
Proceeds from sale and lease-back transactions	–	–	–	–	17,438	17,438
Payment of sale and lease-back transactions	–	–	–	–	(16,910)	(16,910)
Dividends paid to non-controlling shareholders	–	(120,000)	–	–	–	(120,000)
Dividends paid to equity shareholders of the Company	–	(136,950)	–	–	–	(136,950)
Changes in pledged bank deposits	–	–	–	(36,547)	–	(36,547)
Interest paid	(15,671)	–	–	–	–	(15,671)
Total changes from financing cash flows	332,118	(256,950)	(67,145)	(36,547)	528	(27,996)
Exchange adjustments	–	–	–	–	–	–
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	65,514	–	–	65,514
Increase in lease liabilities from acquisition of subsidiaries	–	–	113,126	–	–	113,126
Interest expenses (Note 6(a))	16,441	–	20,451	–	944	37,836
Disposal of lease liabilities	–	–	(13,198)	–	–	(13,198)
Gain on disposal of lease liabilities	–	–	(4,375)	–	–	(4,375)
Dividends declared to non-controlling shareholders	–	120,000	–	–	–	120,000
Dividends declared to equity shareholders of the Company	–	136,950	–	–	–	136,950
Total other changes	16,441	256,950	181,518	–	944	455,853
At 31 December 2022	572,075	–	295,893	(36,557)	9,092	840,503

23 Cash and cash equivalents, restricted cash and other cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans and other borrowings RMB'000 (Note 24)	Dividends payable RMB'000	Lease liabilities RMB'000 (Note 25)	Pledged bank deposits RMB'000 (Note 21)	Sale and lease back payables RMB'000 (Note 35(c))	Total RMB'000
At 1 January 2021	326,106	—	144,864	(25,451)	8,856	454,375
Changes from financing cash flows:						
Proceeds from new bank loans	223,317	—	—	—	—	223,317
Repayment of bank loans	(324,832)	—	—	—	—	(324,832)
Capital element of lease rentals paid	—	—	(54,312)	—	—	(54,312)
Interest element of lease rentals paid	—	—	(10,152)	—	—	(10,152)
Proceeds from sale and lease-back transactions	—	—	—	—	18,354	18,354
Payment of sale and lease-back transactions	—	—	—	—	(20,755)	(20,755)
Dividends paid to non-controlling shareholders	—	(50,000)	—	—	—	(50,000)
Changes in pledged bank deposits	—	—	—	25,441	—	25,441
Interest paid	(9,367)	—	—	—	—	(9,367)
Total changes from financing cash flows	(110,882)	(50,000)	(64,464)	25,441	(2,401)	(202,306)
Exchange adjustments	—	—	—	—	—	—
Other changes:						
Increase in lease liabilities from entering into new leases during the year	—	—	50,039	—	—	50,039
Increase in lease liabilities from acquisition of subsidiaries	—	—	53,018	—	—	53,018
Interest expenses (Note 6(a))	8,292	—	10,152	—	1,165	19,609
Disposal of lease liabilities	—	—	(12,089)	—	—	(12,089)
Dividends declared to non-controlling shareholders	—	50,000	—	—	—	50,000
Total other changes	8,292	50,000	101,120	—	1,165	160,577
At 31 December 2021	223,516	—	181,520	(10)	7,620	412,646

23 Cash and cash equivalents, restricted cash and other cash flow information (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**(3,764)**	(2,789)
Within investing cash flows	**—**	(1,151)
Within financing cash flows	**(67,145)**	(64,464)
	(70,909)	(68,404)

24 Interest-bearing bank and other borrowings

The analysis of the carrying amount of interest-bearing bank and other borrowings is as follows:

		At 31 December	
	Note	**2022**	2021
		RMB'000	RMB'000
Bank loans	(i)		
— secured		**—**	12,753
— unsecured		**532,626**	145,748
		532,626	158,501
Other borrowings	(ii)		
— secured		**39,449**	65,015
Total		**572,075**	223,516

(i) The bank loans carried interest at annual rates ranging from 3.20% to 3.80% as at 31 December 2022 (2021: 3.80% to 3.85%).

(ii) The other borrowings mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 5.69% to 7.60% as at 31 December 2022 (2021: 6.13% to 7.60%).

(iii) Certain of the Group's bank loans and other borrowings are secured by the Group's inventories with a carrying amount of RMB31,766,000 as at 31 December 2022 (2021: RMB72,493,000).

25 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**32,154**	36,605
After 1 year but within 2 years	**35,968**	26,299
After 2 year but within 5 years	**47,214**	26,082
After 5 years	**180,557**	92,534
	263,739	144,915
	295,893	181,520

26 Trade and bills payables

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current		
Trade payables	**129,447**	118,998
Bills payables	**204,697**	—
	334,144	118,998

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 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	**326,004**	117,389
Over 3 months but within 6 months	**2,849**	193
Over 6 months but within 12 months	**3,294**	29
Over 1 year	**1,997**	1,387
	334,144	118,998

Bills payables were secured by inventories with a carrying amount of RMB15,911,000 and pledged bank deposits with a carrying amount of RMB36,557,000 (2021: nil) as at 31 December 2022.

27 Other payables and accruals

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Other taxes payables	**74,088**	88,682
Payroll payable	**42,346**	54,357
Others	**119,038**	78,503
	235,472	221,542

Other payables are non-interest-bearing and have no fixed terms of settlement.

28 Contract liabilities

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Advance from customers	**151,030**	249,997
Deferred revenue	**166,583**	138,861
	317,613	388,858
Portion classified as current liabilities	**(183,562)**	(287,229)
Non-current portion	**134,051**	101,629

The contract liabilities primarily relate to the Group's obligations to transfer goods or services to customers for which the Group has received consideration from the customers.

29 Equity settled share-based transactions

Pursuant to the share option scheme ("Share Option Scheme") effective on 17 June 2021, 9,800,000 share options of the Company were approved for granting to core employees of the Group on 1 September 2021 (the "Grant Date"). 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 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:

	Number of instruments	**Vesting conditions**	**Contractual life of options**
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	2,450,000	Four years from the date of grant	10 years
Total share options granted	9,800,000		

29 Equity settled share-based transactions (Continued)

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

	At 31 December 2022		At 31 December 2021	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	HK$8.264	8,800	—	—
Granted during the year	—	—	HK$8.264	9,800
Forfeited during the year	—	—	HK$8.264	(1,000)
Outstanding at the end of the year	HK$8.264	8,800	HK$8.264	8,800
Exercisable at the end of the year	HK$8.264	2,200		—

No share options were exercised during the year. As at 31 December 2022, the weighted average remaining contractual life for the share options granted was 8.67 years (2021: 9.67 years).

(c) Key assumptions of share options

The fair value of equity settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December 2021
Dividend yield (%)	—
Expected volatility (%)	49.35
Risk-free interest rate (%)	1.01
Expected life of options (year)	10.00

Total share option expenses of RMB13,702,000 (2021: RMB5,299,000) were recognised as personnel expenses during the year ended 31 December 2022.

30 Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities recognised

(i) *Movement of each component of deferred tax assets and liabilities*

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred revenue RMB'000	Impairment of assets RMB'000	Charge of right-of-use assets RMB'000	Future benefits of tax losses RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Total RMB'000
At 1 January 2021	18,680	4,236	819	—	(138,815)	(4,142)	(119,222)
Credited/(charged) to profit or loss	1,031	(123)	86	16,286	6,526	2,609	26,415
At 31 December 2021 and 1 January 2022	19,711	4,113	905	16,286	(132,289)	(1,533)	(92,807)
Credited to profit or loss	**3,379**	**678**	**681**	**2,101**	**14,714**	**1,312**	**22,865**
Business combination	**—**	**—**	**—**	**—**	**(99,560)**	**—**	**(99,560)**
At 31 December 2022	**23,090**	**4,791**	**1,586**	**18,387**	**(217,135)**	**(221)**	**(169,502)**

(ii) *Reconciliation to the consolidated statement of financial position*

	At 31 December	
	2022 RMB'000	2021 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**34,693**	46,024
Net deferred tax liability recognised in the consolidated statement of financial position	**(204,195)**	(138,831)
	(169,502)	(92,807)

(b) Deferred liabilities not recognised

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2022 in respect of undistributed earnings of RMB1,833,727,000 (2021: RMB1,611,515,000) as the Company controls the dividend policy of the subsidiaries and it has determined that these profit will not be distributed in the foreseeable future.

30 Deferred tax assets and liabilities (Continued)

(c) Deferred assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses and deductible temporary differences of RMB333,549,000 (2021: RMB246,591,000) in total as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose.

31 Capital, reserves and dividends

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2021	—*	—	36,253	—	—	(3)	36,250
Loss and total comprehensive income for the year	—	—	—	—	(10,468)	(18,520)	(28,988)
Issue of ordinary shares	1,435	630,311	—	—	—	—	631,746
Share issue expenses	—	(26,051)	—	—	—	—	(26,051)
Capitalisation issue	3,745	(3,745)	—	—	—	—	—
Equity settled share-based transactions	—	—	—	5,299	—	—	5,299
Balance at 31 December 2021 and 1 January 2022	5,180	600,515	36,253	5,299	(10,468)	(18,523)	618,256
Profit/(loss) and total comprehensive income for the year	**–**	**–**	**–**	**–**	**54,335**	**(25,724)**	**28,611**
Dividends approved in respect of the previous year (Note 31(b)(ii))	**–**	**(136,950)**	**–**	**–**	**–**	**–**	**(136,950)**
Equity settled share-based transactions	**–**	**–**	**–**	**13,702**	**–**	**–**	**13,702**
Balance at 31 December 2022	**5,180**	**463,565**	**36,253**	**19,001**	**43,867**	**(44,247)**	**523,619**

* Less than RMB500.

31 Capital, reserves and dividends (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2022 **RMB'000**	2021 RMB'000
RMB3 cents per ordinary share final dividend proposed after the end of the reporting period (2021: RMB22 cents per ordinary share)	**18,675**	136,950
	18,675	136,950

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB22 cents per ordinary share (2021: Nil)	**136,950**	—

(iii) *Other dividends*

During the year ended 31 December 2022, certain subsidiaries of the Group declared and paid dividends of RMB120,000,000 in cash to non-controlling shareholders (2021: RMB50,000,000).

31 Capital, reserves and dividends (Continued)

(c) Share capital

Movements in the authorised share capital of the Company during the year are as follows:

	At 31 December 2022		At 31 December 2021	
	Number of shares (thousand)	Amount HK$('000)	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.01 each	**622,500**	**6,225**	622,500	6,225
Ordinary shares, issued and fully paid:				
At 1 January	**622,500**	**6,225**	—	—
Capitalisation Issue (i)	—	—	450,000	4,500
Global offering (ii)	—	—	150,000	1,500
Over-allotment issue (iii)	—	—	22,500	225
At 31 December	**622,500**	**6,225**	622,500	6,225
RMB equivalent ('000)		**5,180**		5,180

(i) A total of 449,999,999 shares of HK$0.01 each were allotted and issued at par value to the shareholder as of the date immediately before 15 July 2021 (the "Listing Date") in proportion by way of capitalisation of HK$4,500,000 (the "Capitalisation Issue") from the Company's share premium account on the Listing Date.

(ii) On 15 July 2021, 150,000,000 new ordinary shares were issued at a price of HK$4.40 per share in connection with the Company's initial public offering on the Stock Exchange.

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

31 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve comprises contributions by the controlling shareholder at the respective dates.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policies set out in Note 2(w).

(iii) Share option reserve

The share option reserve of the Group represents the fair value of equity settled share-based transactions granted to employees in accordance with the Company's Share Option Scheme.

(e) Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

31 Capital, reserves and dividends (Continued)

(e) Capital risk management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, lease liabilities, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents, cash in transit and pledged deposits. Capital includes equity attributable to equity shareholders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

		At 31 December	
	Note	**2022** **RMB'000**	2021 RMB'000
Interest-bearing bank and other borrowings	24	**572,075**	223,516
Trade and bills payables	26	**334,144**	118,998
Lease liabilities	25	**295,893**	181,520
Other payables and accruals	27	**235,472**	221,542
Financial liabilities included in amounts due to related parties	35(c)	**9,092**	7,620
Less: Cash and cash equivalents	23	**(701,887)**	(1,333,369)
Cash in transit	22	**(11,184)**	(19,779)
Pledged bank deposits	21	**(36,557)**	(10)
Net debt/(cash)		**697,048**	(599,962)
Equity attributable to equity shareholders of the Company		**2,660,613**	2,586,812
Capital and net debt		**3,357,661**	1,986,850
Gearing ratio		**20.8%**	N/A

32 Financial risk management and fair value of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, pledged bank deposits, trade receivables and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and pledged bank deposits is limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

Trade receivables

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, indemnity receivables due from insurance companies and warranty receivables from automobile manufacturers. For the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are companies with good credit rating. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Based on historical loss ratios, The Group assessed that there is no significant loss allowance recognised in accordance with IFRS 9 for trade receivables as at 31 December 2022 and 2021.

Other receivables

Credit risk in respect of other receivables is limited since the counterparties are of good reputation and their receivables are settled on a regular basis.

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

32 Financial risk management and fair value of financial instruments (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2022					At 31 December 2021				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Interest-bearing bank and other borrowings	579,904	–	–	579,904	572,075	228,225	—	—	228,225	223,516
Lease liabilities	51,054	166,458	246,562	464,074	295,893	53,497	109,944	125,584	289,025	181,520
Financial liabilities included in amounts due to related parties	9,377	–	–	9,377	9,092	8,150	—	—	8,150	7,620
Other payables and accruals	235,472	–	–	235,472	235,472	221,542	—	—	221,542	221,542
Trade and bills payables	334,144	–	–	334,144	334,144	118,998	—	—	118,998	118,998
Total liquidity exposure other than the financial guarantees issued	1,209,951	166,458	246,562	1,622,971	1,446,676	630,412	109,944	125,584	865,940	753,196

32 Financial risk management and fair value of financial instruments (Continued)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, pledged bank deposits, interest-bearing borrowings and lease liabilities are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank are with floating or fixed interest rates ranging from 0.01% to 1.90% per annum as at 31 December 2022 (2021: 0.01% to 1.73%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates ranging from 0.25% to 1.95% per annum as at 31 December 2022 (2021: 0.35%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2022 and 2021 are as follows:

	Interest rate	**At 31 December 2022 RMB'000**
Fixed rate		
— borrowings	**3.20%–7.60%**	**297,618**
— lease liabilities	**6.00%–8.00%**	**295,893**
Variable rate		
— borrowings	**3.60%–5.00%**	**274,457**
31 December 2022		**867,968**

	Interest rate	At 31 December 2021 RMB'000
Fixed rate		
— borrowings	3.85%–7.60%	182,762
— lease liabilities	6.00%–8.00%	181,520
Variable rate		
— borrowings	3.80%–4.80%	40,754
31 December 2021		405,036

32 Financial risk management and fair value of financial instruments (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2022, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB2,058,000 (2021: RMB306,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period.

(d) Foreign currency risk

The Group's exposure to currency risk is not significant. The currency used for daily transaction is mainly RMB, which is consistent with the functional currency of the operations to which the transactions relate.

(e) Fair value measurement

The fair value of the Group's financial instruments is categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair Value measurement*. The level, into which a fair value measurement is classified, is determined with the reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's assets/(liabilities) that are measured at fair value.

		Fair value measurement as at 31 December 2022 categorised into				Fair value measurement as at 31 December 2021 categorised into		
	Fair value at 31 December 2022	Level 1	Level 2	Level 3	Fair value at 31 December 2021	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Wealth management products	–	–	–	–	50,000	—	50,000	—

During the 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

33 Acquisition of a subsidiary

Acquisition of YZB Auto Services Group Limited

In April 2022, the Group entered into an agreement with YZB Investment Holding Limited and YZB Auto Services Group Limited, pursuant to which the Group agreed to acquire 100% equity interest in YZB Auto Services Group Limited and its subsidiaries for the purpose of acquisition of a 4S dealership store Beijing Yingzhibao Automobile Trading Co., Ltd. ("北京盈之寶汽車貿易有限公司"). The transaction was completed on 1 June 2022 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:

	Pre-acquisition carrying amount RMB'000	**Fair value adjustment** RMB'000	**Recognised value on acquisition** RMB'000
Car dealerships (Note 14)	—	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)
Net identified assets	66,447	298,532	364,979
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			364,979
Goodwill on acquisition (Note 15)			168,229
Total consideration, in cash			533,208
Analysis of the net cash flow in respect of the acquisition			
Cash consideration			533,208
Less: cash acquired			(66,831)
consideration payables			(83,575)
Net cash outflow in acquisition			382,802

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 profit that YZB Auto Services Group Limited contributed to the Group from Acquisition Date to 31 December 2022 are RMB550,023,000 and RMB1,035,000, respectively.

34 Commitments

Capital commitments outstanding at 31 December 2022 not provided for in the financial statements were as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**14,544**	17,157

35 Material related party transactions

During the year ended 31 December 2022, the directors are of the view that the following individual/companies are related parties of the Group:

	Relationship
Mr. Chou Patrick Hsiao-Po 周小波先生	Controlling shareholder of the Company
Chou Dynasty Holding Co., Ltd.	Controlling shareholder of the Company
Beijing Zhoushi Xingye International Trading Co., Ltd. 北京周氏興業國際貿易有限公司	A fellow subsidiary
Beijing Zhoushi Xingye Branding and Management Co., Ltd. 北京周氏興業品牌管理有限公司	A fellow subsidiary
Beijing Zhoushi Xingye Enterprise Management Co., Ltd. 北京周氏興業企業管理有限公司	A fellow subsidiary
Oule (Hangzhou) Automobile Technology Co., Ltd. 歐樂 (杭州) 汽車科技有限公司	A fellow subsidiary
eCapital (China) Leasing Co., Ltd. 易匯資本 (中國) 融資租賃有限公司	A fellow subsidiary
Beijing Xiaobo Technology Co., Ltd. 北京小波科技有限公司	A fellow subsidiary
Tianjin Zhoushi International Trade Co., Ltd. 天津周氏國際貿易有限公司	A fellow subsidiary
Beijing eCapital Kechuang Technology Group Ltd. (formerly known as eCapital Technology Development Group Ltd.) 北京易匯科創科技集團有限公司 (前稱易匯科創集團有限公司)	Controlled by the brother of the controlling shareholder
Sichuan Chuanwu Automobile Import and Export Trade Corporation 四川省川物汽車進出口貿易總公司	A fellow subsidiary of non-controlling interests
Chengdu Chuanwu Investment Co., Ltd. 成都川物投資有限責任公司	Non-controlling interests
Chengdu Riyue Industrial Development Co., Ltd. 成都日月產業發展股份有限公司	Jointly controlled by a fellow subsidiary and non-controlling interests

35 Material related party transactions (Continued)

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties for the year ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Lease payments:		
Oule (Hangzhou) Automobile Technology Co., Ltd.	**2,371**	2,371
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**20,426**	21,071
Beijing Zhoushi Xingye International Trading Co., Ltd.	**1,254**	1,254
Tianjin Zhoushi International Trade Co., Ltd.	**4,569**	4,569
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	232
Chengdu Riyue Industrial Development Co., Ltd.	**1,089**	919
	29,709	30,416
Rental income from:		
Beijing eCapital Kechuang Technology Group Ltd.	**—**	606
Commission income from:		
eCapital (China) Leasing Co., Ltd.	**1,245**	805
Sales of motor vehicles:		
eCapital (China) Leasing Co., Ltd.	**87,110**	98,564
Vehicle repair and maintenance income from:		
eCapital (China) Leasing Co., Ltd.	**174**	319
Purchase of services and goods from:		
Beijing Xiaobo Technology Co., Ltd.	**7,590**	7,778
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	203
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	**—**	2
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**15,298**	15,407
Tianjin Zhoushi International Trade Co., Ltd.	**319**	445
	23,207	23,835
Interest expense on sale and lease-back transactions:		
eCapital (China) Leasing Co., Ltd.	**944**	1,165
Finance cost paid to:		
eCapital (China) Leasing Co., Ltd.	**—**	209

35 Material related party transactions (Continued)

(b) Rental services

Based on IFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the arrangement in connection with its use of land use rights and buildings had resulted in recognition of a lease liability with the balance of RMB26,926,000 (2021: RMB49,605,000) and a right-of-use asset with the balance of RMB40,283,000 (2021: RMB62,133,000) as at 31 December 2022. In addition, the Group recorded depreciation of right-of-use asset of RMB25,934,000 (2021: RMB26,109,000) and interest expense of RMB3,652,000 (2021: RMB4,427,000) in its consolidated statement of profit or loss for the year ended 31 December 2022.

The total amounts of lease payments and payable incurred by the Group under the lease arrangement with related parties for the year ended 31 December 2022 were RMB30,011,000 (2021: RMB30,751,000).

(c) Other transactions with related parties

(i) During the year ended 31 December 2022, the Group sold its motor vehicles to eCapital (China) Leasing Co., Ltd., which were leased back for use by the Group, and lease term is normally within one year. The proceeds from the sale and lease-back transactions amounted to approximately RMB17,438,000 for the year ended 31 December 2022 (2021: RMB18,354,000). Lease payments of the sale and lease-back transactions amounted to approximately RMB16,910,000 for the year ended 31 December 2022 (2021: RMB20,755,000). The annual interest rates of the sale and lease-back transactions ranged from 5.99% to 14.00% (2021: 9.68% to 18.39%). In addition, rental fees of utilising the license plates owned by eCapital (China) Leasing Co., Ltd. amounting to approximately RMB1,066,000 for the year ended 31 December 2022 (2021: RMB2,950,000), were incurred.

As at 31 December 2022, sale and lease-back liabilities with eCapital (China) Leasing Co., Ltd. were RMB9,092,000 (2021: RMB7,620,000).

(ii) During 2022, the Group sold its motor vehicles to certain customers and then the customers carried out mortgage arrangements with eCapital (China) Leasing Co., Ltd. The proceeds from sales of motor vehicles of RMB26,515,000 (2021: RMB11,063,000) were then paid by eCapital (China) Leasing Co., Ltd. on behalf of these customers.

35 Material related party transactions (Continued)

(d) Balances with related parties

	At 31 December	
	2022 **RMB'000**	2021 RMB'000
Amounts due from related parties:		
eCapital (China) Leasing Co., Ltd.	**3,882**	2,402
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**5,183**	5,434
	9,065	7,836
Amounts due to related parties:		
eCapital (China) Leasing Co., Ltd.	**10,205**	7,686
Beijing Xiaobo Technology Co., Ltd.	**9**	—
	10,214	7,686

(e) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of commission income, sales of motor vehicles, vehicle repair and maintenance and purchase of services and goods above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section Connected Transaction of the Reports of the directors.

(f) Compensation of key management personnel of the Group

	Year ended 31 December	
	2022 **RMB'000**	2021 RMB'000
Salaries, wages and other benefits	**8,765**	20,162
Contributions to defined contribution retirement plans	**271**	273
Equity settled share-based transactions	**13,702**	5,299
Total compensation paid to key management personnel	**22,738**	25,734

36 Company-level statement of financial position

	At 31 December 2022	2021
Non-current assets		
Interest in subsidiaries	**516,818**	36,856
Amounts due from subsidiaries	**47,228**	11,381
	564,046	48,237
Current assets		
Cash and cash equivalents	**98,403**	570,360
	98,403	570,360
Current liabilities		
Amounts due to a subsidiary	**138,830**	341
	138,830	341
Net current (liabilities)/assets	**(40,427)**	570,019
Total assets less current liabilities	**523,619**	618,256
NET ASSETS	**523,619**	618,256
Equity		
Share capital	**5,180**	5,180
Reserves	**518,439**	613,076
TOTAL EQUITY	**523,619**	618,256

37 Immediate and ultimate controlling party

As at 31 December 2022, the directors consider the holding company of the Company is Chou Dynasty Holding Co., Ltd., and the ultimate controlling shareholder of the Company is Mr. Chou Patrick Hsiao-Po.

38 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to IAS 12, *Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

39 Comparative figures

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

FIVE YEARS SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial information and financial statements is set out below.

	Year Ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
REVENUE	8,409,178	8,178,781	8,533,130	9,962,870	**10,081,729**
Cost of sales	(7,596,032)	(7,413,761)	(7,687,415)	(8,797,056)	**(9,204,186)**
Gross profit	813,146	765,020	845,715	1,165,814	**877,543**
Other income and gains	232,896	140,271	168,481	220,324	**256,080**
Selling and distribution expenses	(344,339)	(365,623)	(360,536)	(418,052)	**(513,212)**
Administrative expenses	(191,196)	(153,222)	(192,394)	(221,149)	**(261,178)**
Finance costs	(83,549)	(56,242)	(41,054)	(19,609)	**(37,836)**
Profit before tax	426,958	330,204	420,212	727,328	**321,397**
Income tax expense	(156,775)	(105,316)	(113,721)	(166,643)	**(78,554)**
Profit for the year	270,183	224,888	306,491	560,685	**242,843**
Attributable to:					
Owners of the parent	206,951	159,857	234,984	456,030	**171,528**
Non-controlling interests	63,232	65,031	71,507	104,655	**71,315**
Assets and liabilities					
TOTAL ASSETS	3,437,589	3,285,571	3,040,633	4,159,100	**4,840,748**
TOTAL LIABILITIES	2,124,948	1,801,507	1,346,447	1,351,464	**2,007,996**
Total equity	1,312,641	1,484,064	1,694,186	2,807,636	**2,832,752**
Attributable to:					
Owners of the Company	1,140,862	1,293,254	1,528,017	2,586,812	**2,660,613**
Non-controlling interests	171,779	190,810	166,169	220,824	**172,139**
	1,312,641	1,484,064	1,694,186	2,807,636	**2,832,752**

百得利控股有限公司
BetterLife Holding Limited