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

CUSTOMER FOR LIFE

2021
ANNUAL REPORT
年度報告

CONTENTS

CORPORATE INFORMATION

Board of directors

Executive directors

Mr. Chou Patrick Hsiao-Po (Chairman)
Ms. Sun Jing
Ms. Wei Hongjing (resigned on 31 December 2021)
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

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 Ki

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

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Registered office

Cricket Square
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
Shops 1712–1716
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

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Stock code

06909

Company website

www.blchina.com

CHAIRMAN STATEMENT

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

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

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

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

We are one of the first dealers of Audi and Porsche in China. We operated the first dealership store for Audi and 3S dealership store for Porsche in Beijing in 2000 and 2003, respectively. Our in-depth understanding of our customers' needs and high-quality service with effective marketing strategies are the keys to our success in the luxury and ultra-luxury brand automobile industry. We believe that our operational capabilities and expertise have also helped automobile manufacturers gain market share and win customer loyalty in China, which, in turn, have contributed to our long-term relationships with them.

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

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

The Company's shares were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 15 July 2021 (the "**IPO**") with total net proceeds from (i) the global offering of the Company; and (ii) issue and allotment of additional shares pursuant to the exercise of over-allotment option on 11 August 2021 of approximately HK$706.8 million (after deducting underwriting commissions and related expenses). Please refer to the announcements of the Company dated 14 July 2021 and 6 August 2021, respectively, for further details. Being the first automobile dealership service provider in China successfully closed an IPO on the Stock Exchange since the outbreak of COVID-19, we obtained worldwide supports from the investors. The IPO proceeds have contributed the source of funding for the Group's long-term development, expansions of our dealership store network through organic growth and, if suitable opportunities arise, through selective acquisitions, the renovation of our existing 4S dealership stores, upgrading our information technology systems and funding our working capital and general corporate purposes requirements.

With the support of our Board and management team, I am confident that our business will continue to grow and to develop steadily and healthily. We are now in the process of further expanding our dealership network among tier-one and tier-two cities in China. We plan to expand our network by opening new dealership stores for the brands that we currently operate. For the locations, we will target tier-one and tier-two cities in China which are close to the cities where our existing 4S dealership stores are located, especially the Yangtze River Delta and the Greater Bay Area in Guangdong province. As of the date of this report, we have established two new 4S stores of Jaguar-Land Rover in Shanghai and Chengdu and both stores have commenced its operations in January 2022. We have also obtained preliminary approvals from the manufacturer of Mercedes-Benz, Jaguar-Land Rover and SAIC Audi for a new showroom in Beijing, Shanghai and Beijing respectively. We will proceed to negotiate with these manufacturers on the required agreements and authorization documents. We expect to open such new showrooms during the second and third quarter of 2022. We will also follow up with other manufacturers on their expansion plans. If they plan to establish new dealership stores in our target cities, we will formulate a proposal which sets out the background information of the operating entity, the track record of our Group in operating 4S dealership stores and a preliminary plan in relation to, among others, the properties or land to be used for the new dealership store and the expected timeline for the construction and renovation of the premises. We also plan to acquire other 4S dealership stores that operate luxury and ultra-luxury brands, including, among others, Porsche, Mercedes-Benz, BMW, Audi, Volvo, Jaguar-Land Rover, Bentley and Rolls-Royce. And target locations would be similar to our plans of opening new stores. We expect to finance our capital expenditures with the IPO proceeds, our cash inflow from operating activities and the bank borrowings.

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

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

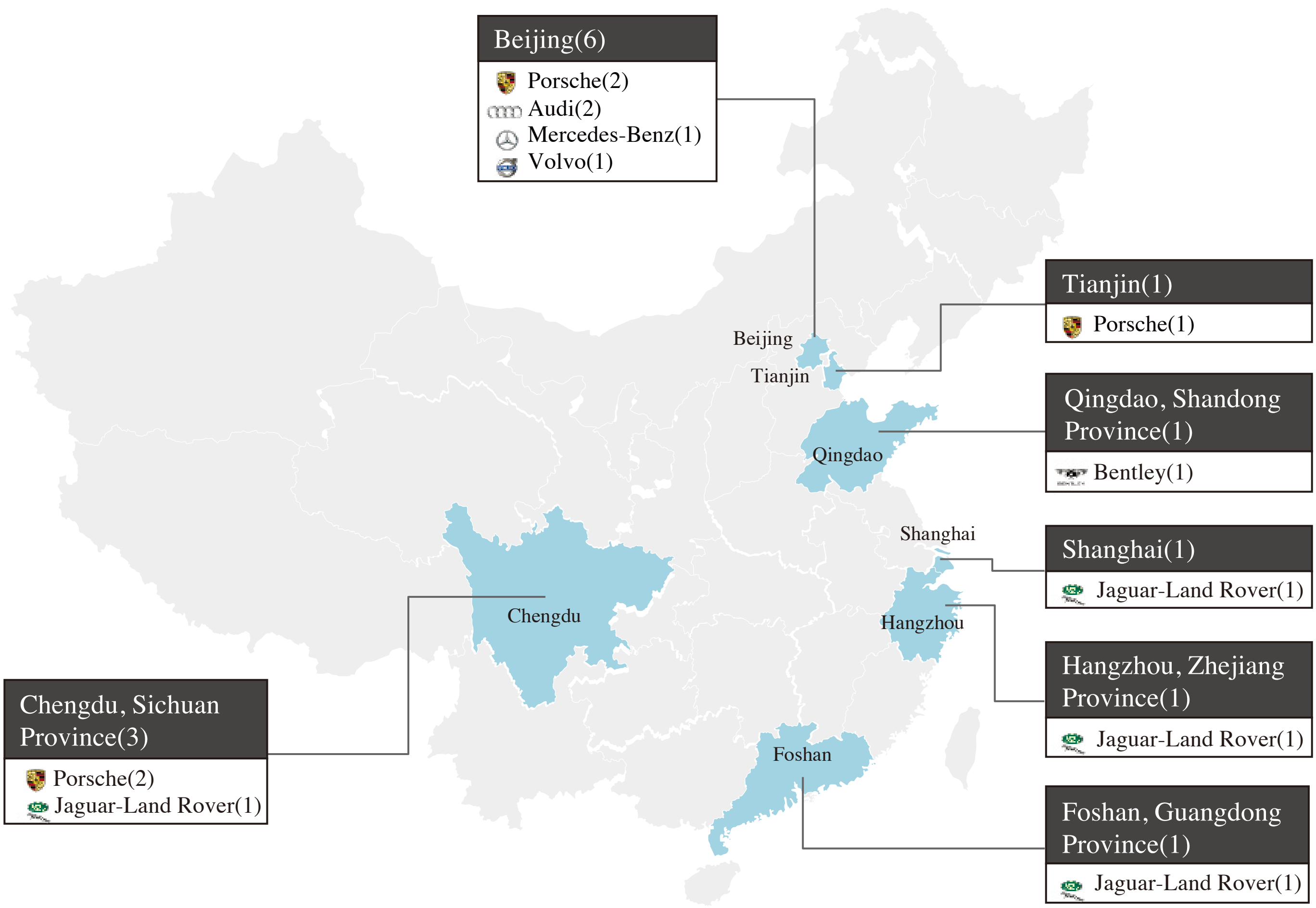
Mr. Chou Patrick Hsiao-Po
Chairman

Beijing, 28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of the date of this report, we operated 14 4S dealership stores for the brands of Porsche, Audi, Mercedes-Benz, Bentley, Volvo and Jaguar-Land Rover across seven provinces and municipalities in China, namely Beijing, Shanghai, Tianjin, Shandong, Sichuan, Zhejiang and Guangdong. We believe these seven provinces and municipalities were all among the major provincial-level regions in China in terms of the number of high-net-worth individuals and had shown strong purchase power and demands for luxury and ultra-luxury automobiles. All of our stores are strategically located near commercial centers in affluent cities in the economically well-developed regions in China, including Beijing, Shanghai, Tianjin, Hangzhou, Chengdu, Qingdao and Foshan.



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

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

We have implemented standardized and centralized management for our extensive 4S dealership store network across different regions in China. At the Group's level, we have adopted standardized management for our 4S dealership stores, including investment in new stores, pricing, procurement, inventory management, financial management and budgeting. These standardized management processes have resulted in an effective operation model which can be readily replicated to our future 4S dealership stores in new geographic areas. In 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 14 years. In addition, we have experienced executives at our 4S dealership level across the regions we operate. We are committed to developing home grown talents. The majority of general managers at our 4S dealership stores have been promoted through our internal assessments. They have extensive experience in the management of 4S dealership stores and have a high degree of loyalty to us. Our general managers of each of our 4S dealership stores have been working with our Group for an average of approximately 10 years. We are dedicated to identifying and promoting talented employees and provide them with a clear career track. We primarily fill management vacancies through internal promotions, which enable us to maintain and foster a consistent corporate culture, motivate the better performance of employees and reduce management turnover. We organize practical workplace training and meetings for our staff and management team on a regular basis, which cover various aspects of the management of 4S dealership stores, including, among others, business development on sales and after-sales services, inventory management, management of customer satisfaction, intelligent management and other business operations.

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

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

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

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

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

Financial review

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

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

Other income and gains

Our other income and gains increased by approximately 30.8% from approximately RMB168.5 million for the year ended 31 December 2020 to approximately RMB220.3 million for the year ended 31 December 2021. The increase was primarily due to the increase in commission income from other value-added automobile services, including referring customers who require financing arrangements for purchasing automobiles and pre-owned automobile brokerage services, etc.

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

We incurred other expenses of approximately RMB12.7 million and RMB17.9 million for the years ended 31 December 2021 and 2020, respectively, and which was mainly related to the provisions on inventory balances by end of the respective period.

Financial costs

Our finance costs decreased by approximately 52.2% from approximately RMB41.1 million for the year ended 31 December 2020 to approximately RMB19.6 million incurred for the year ended 31 December 2021, primarily due to the decrease in our bank and other borrowings during the Year and the decrease of effective interest rate of the bank and other borrowings. It accounted for approximately 0.2% of the total revenue which decreased from approximately 0.5% for the year ended 31 December 2020.

Profit before tax

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

Income tax expense

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

Profit for the year

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

Profit attributable to owners of the parent

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

Dividend

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

Inventory turnover days

There was an increase in inventory balance of approximately 44.1% from RMB445.0 million as at 31 December 2020 to RMB641.1 million as at 31 December 2021. It was mainly due to increase in revenue and sales volume of the Group during the year ended 31 December 2021. The average inventory turnover days as at 31 December 2021 totaled approximately 22.3 days (31 December 2020: approximately 26.7 days).

Liquidity and financial resources

The Group's principal sources of working capital included cash inflow from operating activities, bank borrowings and the proceeds from the issue of equity securities. The Group has adopted a prudent treasury policy and had maintained a healthy liquidity position throughout the year ended 31 December 2021. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time. During the year ended 31 December 2021, the Group has adequate financial resources to meet all contractual obligations and operating requirements.

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

As at 31 December 2021, the Group's interest-bearing bank and other borrowings amounted to RMB223.5 million, representing a decrease of approximately 31.5% as compared to RMB326.1 million as at 31 December 2020. The Group's interest-bearing bank and other borrowings were denominated in Renminbi. The decrease in the Group's interest-bearing bank and other borrowings during the year ended 31 December 2021 was primarily due to the repayment of the loan and other borrowings, benefiting from the substantial amount of cash generated from our operating activities. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group currently has not used any derivatives to hedge interest rate risk. As at 31 December 2021, approximately 58.4% of the Group's total bank and other borrowings were at fixed interest (2020: 85.0%). The debt to equity ratio (being the total interest-bearing bank and other borrowings divided by total equity) was approximately 8.0% as at 31 December 2021 (31 December 2020: approximately 19.2%). The Group was in net cash position (the excess amount of the total of (i) pledged deposits; (ii) cash in transit; (iii) restricted cash; and (iv) cash and cash equivalents over the amount of interest-bearing bank and other borrowings) of approximately RMB1,134.6 million as at 31 December 2021, comparing to net debt (the excess amount of interest-bearing bank and other borrowings over the total of (i) pledged deposits; (ii) cash in transit; and (iii) cash and cash equivalents) of approximately RMB63.8 million as at 31 December 2020.

As at 31 December 2021, cash and cash equivalents, restricted cash, cash in transit and pledged deposits amounted to RMB1,358.1 million (31 December 2020: RMB262.3 million). The cash and cash equivalents and pledged bank deposits were mainly denominated in Renminbi and Hong Kong Dollars. Apart from part of the cash denominated in Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. For the year ended 31 December 2021, the Group did not employ in any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes, nor did it employ any major financial instruments for hedging purposes. Management of the Group will closely monitor foreign exchange risks and will consider measures to hedge potential major foreign exchange risks when necessary.

Capital commitments

The Group's capital commitments mainly comprised expenditures on property, plant and equipment. As at 31 December 2021, the capital commitments were approximately RMB17.2 million (31 December 2020: RMB8.6 million). Save as disclosed above, the Group did not make any significant commitments as at 31 December 2021.

Details of the future investment plans for material investment

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

Capital expenditures and investment

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

Contingent liabilities

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

Charges on group assets

The Group pledged its group assets as securities for bank and other loan and banking facilities which were used to finance daily business operation. As of 31 December 2021, certain of our bank loans and other borrowings were secured by (i) mortgages over our prepaid land lease payments in China, which had an aggregate carrying amount of nil (31 December 2020: RMB21.7 million); (ii) mortgages over our buildings, which had an aggregate carrying amount of nil (31 December 2020: RMB21.7 million); (iii) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB72.5 million (31 December 2020: RMB143.1 million); and (iv) mortgages over the deposits, which had an aggregate carrying amount of approximately RMB0.01 million (31 December 2020: RMB25.5 million). Save as disclosed above, as at 31 December 2021, no other assets of the Group were charged.

Human resources

As of 31 December 2021, the Group had 1,320 (31 December 2020: 1,298) employees. The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Important events after the Year

(a) On 4 March 2022, the Group entered into a sale and purchase agreement with an independent third party to purchase a property situated in Mainland China at a cash consideration of RMB155.0 million (equivalent to approximately HK$191.4 million). The property is to be used as a showroom of Mercedes-Benz automobiles.

(b) On 28 March 2022, the board of directors of the Company recommend a final dividend of RMB0.22 per share for the year ended 31 December 2021, representing approximately RMB137.0 million in total.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chou Patrick Hsiao-Po (周小波), aged 53, 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 52, 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 44, 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 18 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 45, 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 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), since October 2017; (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; and (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. 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

Liu Dengqing (劉登清), aged 51, 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 45, 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 also serves as the chief executive officer, chief financial officer and a director of Bridgetown 2 Holdings Limited (a company listed on NASDAQ (symbol: BTNB)). 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) since July 2019.

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 64, 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 51, 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 19 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 (馬少輝), aged 39, 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 15 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 of the Company (the "**Directors**") have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2021.

Principal activities

The Group's operations are conducted in the PRC through its subsidiaries in the PRC. 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 dealerships for a diversified portfolio of luxury and ultra-luxury automobile brands, including Porsche, Mercedes Benz, 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 2021 are set out in note 1 to the financial statements.

Results

The results of the Group for the year ended 31 December 2021 are set out in the audited consolidated statement of profit or loss on page 83 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 7 to 10 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 pages 36 to 37 of this Annual Report and the section headed "Risk management and internal controls" on pages 51 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 10 to 14 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 6 and Management Discussion and Analysis on pages 7 to 14 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 pages 38 to 39.

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 2021 are set out in the consolidated financial statements on pages 83 to 181 of this Annual Report.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 30 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 44 to the financial statements, respectively.

Distributable reserves

As at 31 December 2021, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to approximately RMB582.0 million (2020: nil), of which approximately RMB137.0 million has been proposed as final dividend for the year.

Dividends and dividend policy

The Directors have recommended the payment of a final cash dividend of RMB22.0 cents per Share (2020: nil) for the year to the Shareholders whose names are on the register of members of the Company on 8 July 2022. Subject to approval by the Shareholders at the AGM (as defined below) and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 26 July 2022 and the register of members of the Company will be closed from 5 July 2022 to 8 July 2022, both days inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares of the Company (the "**Share(s)**") will be registered. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the AGM), unregistered holders of Shares shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m on Monday, 4 July 2022. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

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.

Summary financial information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years ended 31 December 2021 is set out on page 182 of this Annual Report.

Charitable donations

The Company made a donation of approximately RMB2.5 million to various charity projects or organisations for the year ended 31 December 2021.

Property, plant and equipment

Movements in property, plant and equipment of the Group for the year are set out in note 13 to the financial statements.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 28 to the financial statements.

Contingent liabilities

As at 31 December 2021, 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 as required under the Listing Rules for the period from the Listing Date (as defined below) to 31 December 2021.

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
Ms. Wei Hongjing (resigned on 31 December 2021)
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. Chou Patrick Hsiao-Po, Ms. Sun Jing and Mr. Chau Kwok Keung will retire from the Board by rotation at the forthcoming annual general meeting. In addition, Mr. Xu Tao who has been appointed by the Board on 1 January 2022 shall hold office until the AGM (as defined below) pursuant to article 83(3) of the Company's articles of association. Each of Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing, Mr. Chau Kwok Keung and Mr. Xu Tao, 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 15 to 20 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 2021 interim report of the Company is as follows: 1. Mr. Yau Ka Chi, being an Independent Non-executive Director of the Company has resigned as the independent non-executive director of China Mengniu Dairy Company Limited (a company listed on the Stock Exchange with stock code: 2319) in November 2021; 2. 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 Forward Fashion (International) Holdings Company Limited (a company listed on the Stock Exchange with stock code: 2528) in August 2021 and has been appointed as independent non-executive director and the chairman of audit committee of Suzhou Basecare Medical Corporation Limited (a company listed on the Stock Exchange with stock code: 2170) in October 2021; and 3. Mr. Liu Dengqing, being an Independent Non-executive Director of the Company, has resigned as independent director of China Spacesat Co., Ltd. (a company listed on Shanghai Stock Exchange (stock code: 600118)) in June 2021 and of Hengxin Shambala Culture Co., Ltd. (a company listed on Shenzhen Stock Exchange (stock code: 300081)) in August 2021. 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 39 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 2021 or at any time throughout the period from the Listing Date (as defined below) and up to 31 December 2021.

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 from the date of their appointment and up to 31 December 2021 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 2021, 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 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	237,000(L)	0.04%
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 2021, 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 2021, 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 2021, 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 the Prospectus (as defined below) and this Annual Report, for the year ended 31 December 2021, 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 of the Company with a nominal value of HK$0.01 each ("**Share(s)**") were listed on the main board of the Stock Exchange on 15 July 2021 (the "**Listing Date**") with total net proceeds from (i) the global offering of the Company and (ii) issue and allotment of additional shares pursuant to the exercise of over-allotment option on 11 August 2021 (the "**IPO**"), of approximately HK$706.8 million (after deducting underwriting commissions and related expenses) in total. The Company issued 172,500,000 Shares in total at a price of HK$4.4 per Share. The net price to the Company (which was calculated by dividing the Net Proceeds by the number of Shares issued in connection with the initial public offering of Shares of the Company) was approximately HK$4.10 per Share. The Net Proceeds have been and will continue to be used in a manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**").

Please refer to the Prospectus and the announcements of the Company dated 14 July 2021 and 6 August 2021, respectively, for further details. Set out below is a summary of the utilization of the net proceeds from the IPO as of 31 December 2021:

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

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

As at the date of this 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 2021 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 2021.

Equity-linked agreements

Save as disclosed in this Annual Report, as at the end of and throughout the year ended 31 December 2021, 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 2021 and no permitted indemnity provision was in force as at the date of this Annual Report.

Share option scheme

A 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.

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.

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.

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).

Details of the outstanding options to subscribe for shares pursuant to the Share Option Scheme and the movement during the year ended 31 December 2021 are set out below:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2021	Granted during 2021	Exercised during 2021	Lapsed during 2021	Cancelled during 2021	Balance as at 31 December 2021
Director								
Ms. Sun Jing	1 September 2021	HK$8.264	—	2,000,000	—	—	—	2,000,000
Ms. Wei Hongjing (resigned on 31 December 2021)	1 September 2021	HK$8.264	—	1,000,000	—	(1,000,000)	—	—
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
			—	9,800,000	—	(1,000,000)	—	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 save as disclosed above, no options granted under the share option scheme were cancelled.

Further details of the share option scheme are set out in note 31 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 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 2021 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 39 to the financial statements, the related party transactions disclosed in notes 39(b) and 39(c) 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 2021, the Group entered into 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 2021, the total property management fees and utilities expenses paid by the Group to the Service Providers (or their respective subsidiaries) was approximately RMB15.2 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 2021, the total amount of service fees paid by the Group to the Xiaobo Technology was approximately RMB7.8 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 2021, the lease payments and license plate utilization fees paid by the Group to eCapital was approximately RMB21.8 million, and the total proceeds from the disposal of vehicles to eCapital amounted to approximately RMB18.4 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 2021, the total vehicle purchase transaction amounts paid by eCapital to the Group was approximately RMB98.7 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 2021, the total amount of the commission fees paid by eCapital to the Group was approximately RMB0.8 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 2021, the total amount of service fees paid by eCapital to the Group was approximately RMB0.3 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 51 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 of the Company, 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.

As at the date of this report, 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 December 31, 2021, the Group had 1,320 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 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 31 to the financial statements.

None of the Directors waived any emoluments throughout the year ended 31 December 2021.

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 2.4 to the Financial Statements.

Major customers and suppliers

During the year ended 31 December 2021, the percentage of the aggregate sales attributable to the Group's five largest customers was less than 5% 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 48.4% and 85.2%. 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 2021, 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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for the following deviation.

The code provision 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 for securities transactions by Directors of listed issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date and up to the date of this Annual Report.

Auditor

Ernst & Young 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 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

The Shares were listed on the Listing Date by way of the Global Offering. Please refer to the Prospectus and the announcements of the Company dated 14 July 2021 and 6 August 2021. Save as disclosed above and in this Annual Report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date and up to 31 December 2021.

Important events since the end of the period

(a) On 4 March 2022, the Group entered into a sale and purchase agreement with an independent third party to purchase a property situated in Mainland China at a cash consideration of RMB155.0 million (equivalent to approximately HK$191.4 million). The property is to be used as a showroom of Mercedes-Benz automobiles.

(b) On 28 March 2022, the board of directors of the Company recommend a final dividend of RMB0.22 per share for the year ended 31 December 2021, representing approximately RMB137.0 million in total.

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

The Board resolved to propose to the Shareholders at the forthcoming annual general meeting on 28 June 2022 (the "**AGM**") for the distribution of a final dividend of RMB22.0 cents per Share for the year ended 31 December 2021 payable to the Shareholders whose names are listed in the register of the Company on 8 July 2022, in an aggregate amount of approximately RMB137.0 million. It is expected that the final dividend will be paid on 26 July 2022. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

Closure of register of members

For the purpose of determining who is entitled to attend the AGM, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to qualify for attending and voting 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, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, 22 June 2022. In addition, the Company's register of members will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive) for the purpose of determining the Shareholder's entitlement to the proposed final dividend of the Company. In order to qualify for the proposed final dividend (subject to the approval by Shareholders at the AGM), unregistered holders of Shares shall lodge share transfer documents, together with relevant share certificates, with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above-mentioned address for registration before 4:30 p.m. on Monday, 4 July 2022.

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

28 March 2022

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**") 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 2021 and the date of this annual report, the Board comprises six and seven Directors, respectively, consisting of three 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), Ms. Wei Hongjing (resigned on 31 December 2021) 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 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 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 2021, female and male employees represented approximately 37.1% and 62.9% 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 also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions since the Listing Date and up to 31 December 2021.

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.

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 2021:

	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	√	√	√	√
Ms. Wei Hongjing (resigned on 31 December 2021)	√	√	√	√
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 period from the Listing Date and up to 31 December 2021, five Board 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)*	5/5	N/A
Ms. Sun Jing	5/5	N/A
Ms. Wei Hongjing (resigned on 31 December 2021)	5/5	N/A
Mr. Xu Tao (appointed on 1 January 2022)	0/5	N/A
Mr. Chau Kwok Keung	5/5	N/A
Independent non-executive Directors		
Mr. Liu Dengqing	5/5	N/A
Mr. Wong Ka Kit	5/5	N/A
Mr. Yau Ka Chi	5/5	N/A

As the Shares were listed on the Stock Exchange on 15 July 2021, no general meeting had been held during the period from the Listing Date and up to 31 December 2021. Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 28 March 2021. 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, 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 Company's articles of association (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, Ms. Wei Hongjing (resigned on 31 December 2021) 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 AGM at least once every three years in accordance with the articles of association of the Company.

The articles of association of the Company provide 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 AGM 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. Chou Patrick Hsiao-Po, Ms. Sun Jing and Mr. Chau Kwok Keung shall retire at the AGM to be held on 28 June 2022 whereas in accordance with article 83(3) of the Articles of Association, Mr. Xu Tao (appointed on 1 January 2022) shall hold office only until the AGM. Mr. Chou Patrick Hsiao-Po, Ms. Sun Jing, Mr. Chau Kwok Keung and Mr. Xu Tao, 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 28 June 2022 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 unaudited interim results for the six months ended 30 June 2021, and the audited annual results for the year ended 31 December 2021 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 period from the Listing Date and up to 31 December 2021.

Since the Listing Date and up to 31 December 2021, 2 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	2/2
Mr. Liu Dengqing	2/2
Mr. Wong Ka Kit	2/2

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.

Since the Listing Date and up to 31 December 2021, the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management.

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

Since the Listing Date and up to 31 December 2021, 2 meetings were 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	2/2
Mr. Chou Patrick Hsiao-Po	2/2
Mr. Liu Dengqing	2/2

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 of 2021.

Throughout the year, 1 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. Wong Ka Kit	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 Mr. Chou Patrick Hsiao-Po, Mr. Wong Ka Kit and Ms. Sun Jing, and Mr. Chou Patrick Hsiao-Po is the chairman of our Strategic Development Committee.

Since the Listing Date and up to 31 December 2021, 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.

Since the Listing Date and up to 31 December 2021, 1 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 79 to 82 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 79 to 82. The external auditor of the Company shall attend the AGM to be held on 28 June 2022 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 2021 amounted to approximately RMB4,580,000 and RMB477,000, respectively. The Audit Committee recommended to the Board that, subject to our shareholders' approval at the forthcoming AGM (to be held on 28 June 2022), Ernst & Young 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 2021, 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 2021 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.

Since the Listing Date and up to 31 December 2021, 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 period from the Listing Date and up to 31 December 2021.

Since the Listing Date and up to 31 December 2021, 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

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 of the Company, 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 Law (2013 Revision) 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

Save for the adoption of the Articles of Association for the purpose of the Listing, 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 of the Company 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 17 June 2021, the Company has made certain changes to the Articles of Association for the purpose of the Listing. 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

Scope and reporting period

This is the first Environmental, Social, and Governance ("**ESG**") report of BetterLife Holding Limited (the "**Company**", and collectively with its subsidiaries referred as the "**Group**" or "**we**"), which lays out the principles and concept of sustainable development to which we adhere while performing our corporate social responsibilities, summarises the relationship of the Group with the stakeholders, and states our vision and mission for the social responsibilities.

The Group 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. This ESG report covers the Company and its 12 4S dealership stores across six provinces and municipalities in the PRC[1], for the period from 1 January 2021 to 31 December 2021, unless otherwise stated.

Reporting principles

The Report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" set out in Appendix 27 to the Listing Rules of the Stock Exchange (the "**Guide**"). The contents covered herein are in compliance with the provision of "Comply or Explain" as well as four reporting principles of materiality, quantitativeness, balance and consistency required in the Guide.

Materiality — Materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other stakeholders, the significant stakeholders, procedures, and results of the engagement of which are presented in the section "Stakeholder Engagement and Materiality" in the Report.

Quantitativeness — Key performance indicators ("**KPI**"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

Balance — The Report presents the Group's performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency — Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

Reporting language

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

1 These include six stores in Beijing, two stores in Sichuan, one store in Tianjin, one store in Shandong, one store in Zhejiang, and one store in Guangdong.

Approval

The Report was approved by the Board of Directors on 28 March 2022 upon confirmation from the management.

Stakeholders' feedback

Your opinions about the Report are highly valued by the Company. If you have any enquiries or advice, please contact us by e-mail (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.

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 employees, investors and shareholders, customers, suppliers, governments 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 has been established in August 2021. It strives to integrate our ESG strategies into the operation 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, Nomination Committee and Strategic Development Committee under the supervision of the Board of Directors 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 environmental, social and governmental 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.

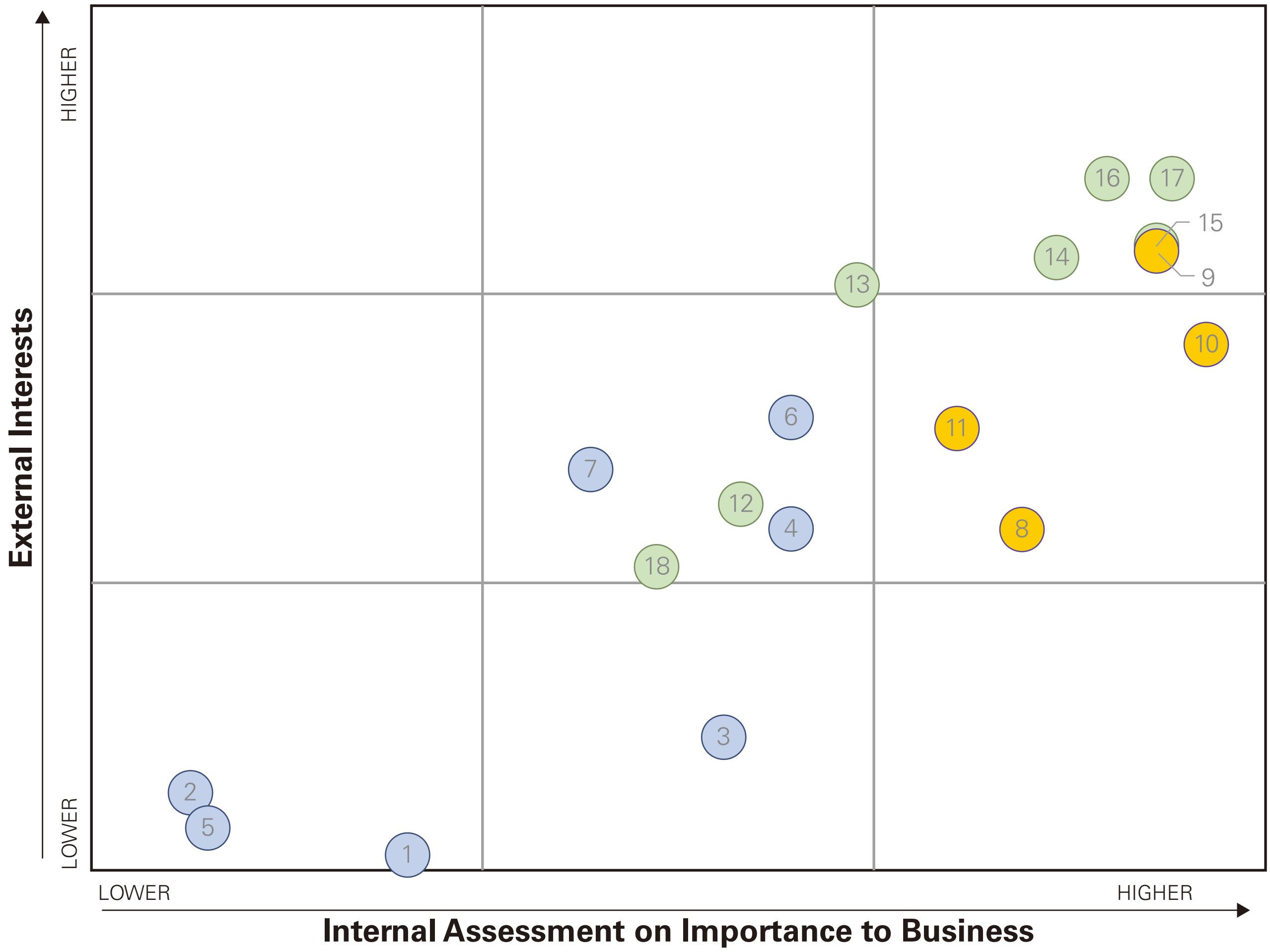
Stakeholder engagement and materiality

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, staff, customers, business partners, suppliers, regulatory authorities and community/non-governmental organisations) 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	Key Channels of Communication
Shareholders/Investors	— 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	— Performance appraisals — Interviews — Seminars/workshops/speeches — Staff intranet
Clients	— Visits by customer relationship manager — Daily operation/communication — Telephone — Mailbox — Mobile communication applications (such as WeChat and WhatsApp)
Suppliers	— Management procedures for suppliers — Assessment system for suppliers — Video conferences — Site inspections — Mobile communication applications (such as WeChat)
Regulators	— Mailbox

During the Reporting Period, the Group has specifically engaged its board of directors, senior management, shareholders, suppliers, frontline employees, clients, and third-party professionals to gain further insights on ESG aspects they find material and relevant challenges that they may induce. A materiality assessment has then been produced according to the engagement as follows.

Materiality of Different Topics from Stakeholder Engagement



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. Occupational Health and Safety

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. Environmental

A1. Emissions

The Group attaches great importance to environmental protection, and strictly abides by related laws and regulations. While developing our business, the Group thoroughly implement 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 Group's car dealing business operations have minimal impacts on the environment and natural resources. Our carbon footprints mainly come from the use of electricity, the use of water in offices and store operations, the use of office materials and waste generated, company vehicle usage, and business trips. We have carried out 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, discharge 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 impact on the Group.

A1.1 Air Emissions

During the Reporting Period, the consumption of natural gas, petrol, and diesel from business operations of the Group contributed to 217.52 kg of nitrogen oxides ("**NOx**"), 2.36 kg of sulphur oxides ("**SOx**"), and 7.40 kg of particulate matters ("**PM**") emissions.

The overall intensity was 2.491 g of NOx, 0.027 g of SOx, and 0.085 g of PM per m^2 of total area of our Beijing office and 12 4S stores.

A1.2 Greenhouse Gas Emissions

During the Reporting Period, 8,986.36 tonnes of carbon dioxide equivalent (tCO_2e) greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) 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 %)
Scope 1 Direct Emissions	Combustion of Fuel in Stationary Sources	1,556.03	28.07
	Combustion of Fuel in Mobile Sources	373.56	
	Release of Refrigerants from the Operation of Equipment and Systems	593.15	
	Assimilation of Carbon Dioxide through Tree Planting	(0.35)	
Scope 2 Energy Indirect Emission	Purchased Electricity	5,658.28	66.98
	Purchased Natural Gas	360.84	
Scope 3 Other Indirect Emissions	Paper Waste Disposal	165.03	4.95
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	65.50	
	Business Air Travels	214.32	
Total		**8.986.36**	**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 102.92 $kgCO_2e$ per m^2 of total area.

A1.3. Hazardous Waste

During the Reporting Period, 489.14 tonnes of hazardous waste were generated from daily business operations. Hazardous wastes generated mainly comprised of motor oil waste, solid hazardous waste, batteries, waste containing organic solvents, electronic waste, and lightbulbs.

Hazardous waste generated during the Reporting Period

Types of Hazardous Wastes	Waste Generated (tonnes)
Motor Oil Waste	306.50
Solid Hazardous Waste	175.65
Batteries	3.79
Organic solvent-containing waste (e.g., organic solvents, waste cloth, containers)	2.17
Electronic waste (e.g., printer cartridges, computer hardware)	0.93
Lightbulbs	0.10

The intensity was 5.60 kg of hazardous waste per m^2 of total area.

A1.4. Non-hazardous Waste

During the Reporting Period, the Group's operations generated approximately 4,187.79 tonnes of non-hazardous waste, 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)
Everyday Non-Hazardous Waste	3,848.85
Food Waste	174.11
Other Paper Waste (e.g., newspaper, card paper)	164.83

The intensity was 47.96 kg of non-hazardous waste per m^2 of total area.

A1.5. Measures to Mitigate Emissions

The Group's operations generally resulted in insignificant emissions. The main source of emission was electricity used for daily operations, as well as natural gas used for canteen operations, details of which will be presented in section A2. In the Reporting Period, the Group has set annual targets for air emissions, which were mainly focused on reducing sulphur and GHG emissions. To achieve the targets, the Group has taken the following measures:

- undertaking an environmental impact assessment, inspection and rectification of the paint spray booth and improving emission monitoring equipment so as to reduce exhaust emission;
- arranging 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;
- arranging a scientific test drive and test ride, rationally planning routes so as to reduce exhaust emission;
- equipping 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;
- encouraging employees to take public and shared transportation;
- encouraging employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences;
- designating personnel to turn off lighting and ensure the reasonable use of air conditioning; and
- conducting monthly electricity statistics to analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term.

Through these measures, the Group aims to achieve a 10% reduction in overall emissions intensity in 10 years.

A1.6. Waste Reduction and Initiatives

The Group understands the importance of good waste management practices and strictly abides by waste disposal related rules and regulations.

The Group generated most of its hazardous waste from store operations, which consisted of motor oil waste, solid hazardous waste, batteries, and organic solvent-containing waste from car maintenance. These wastes were collected by professional third-party waste-handlers for recycling, reuse, or further processing.

Non-hazardous waste from the Group 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.

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. The Group aims to achieve a 10% reduction in overall hazardous waste and non-hazardous waste intensity in 10 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 18,069,712.91 kWh of energy was consumed by the Group for its operations during the Reporting Period. Electricity was the major source of energy for the Group, consuming 9,274,343.01 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. 140,343.82 litres of petrol were consumed, which is equivalent to 1,243,746.57 kWh of energy. 100 litres of diesel were consumed, which is equivalent to 999.81 kWh of energy. 763,889.52 m^3 of natural gas was consumed, which is equivalent to 7,550,623.52 kWh of energy.

The intensity was 106.22 kWh of electricity, 14.24 kWh of petrol, 0.01 kWh of diesel, and 86.47 kWh of natural gas per m^2 of total area.

A2.2. Water Consumption

The headquarters and dealership stores consumed 106,162.20 m^3 of water during the Reporting Period. The water intensity was 1.22 m^3/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 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 are able to 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 to reduce its electricity and energy consumption during operation and shall strive to keep on improving consumption efficiency. The Group aims to achieve a 10% reduction in overall energy use intensity in 10 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. 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:

- encouraging water-saving, stopping water supply if car wash services are suspended;
- installing water-saving sprinklers in washing bays;
- installing motion-sensor water tap in toilets; and
- recycling water resources under suitable condition.

Through these measures, the Group aims to achieve a 10% reduction in overall water use intensity in 10 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. Finally, 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. Climate change poses a huge threat to all businesses, and that of the Group's is not an exception. It 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. So far, the Group has strictly followed all environmental-related rules and guidance from local and national authorities. 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 three brands, namely Porsche, 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 Company also complies strictly with the relevant laws and regulations to ensure employees' interests are protected. 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 2021, the Group had a total of 1,320 employees in its headquarters at Beijing and 12 4S dealership stores across six provinces and municipalities. See below for the detail breakdown of the workforce.

Total Workforce as of 31 December	**2021**
By Employment Type	
Full-time	100.00%
Part-time	0.00%
By Gender	
Female	37.05%
Male	62.95%
By Employee Category	
Senior Management	1.67%
Middle Management	7.58%
Frontline and Other Employees	90.75%
By Age Group	
18–25	11.82%
26–35	56.29%
36–45	27.65%
46–55	3.86%
56 or above	0.38%
By Geographical Location	
Mainland China	100.00%

B1.2 Turnover Figures

A total of 561 employees left the Group during the Reporting Period, which gave a turnover rate of 42.50%. 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	2021
By Employment Type	
Full-time	42.50%
Part-time	0.00%
By Gender	
Female	45.40%
Male	40.79%
By Employee Category	
Senior Management	18.18%
Middle Management	38.00%
Frontline and Other Employees	43.32%
By Age Group	
18–25	63.46%
26–35	45.76%
36–45	30.96%
46–55	15.69%
56 or above	20.00%
By Geographical Location	
Mainland China	42.50%

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. 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 Labor 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 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, diversity and anti-discrimination during the Reporting Period. In addition, 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 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.

B1.5 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, 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 2021

Work related fatality	0
Fatality rate[1]	0.00%
Work injury cases >3 days	1
Work injury cases ≤3 days	0
Lost days due to work injury	7

Occupational Health and Safety Data in 2020

Work related fatality	0
Fatality rate[1]	0.00%

Occupational Health and Safety Data in 2019

Work related fatality	0
Fatality rate[1]	0.00%

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

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 trainings through on-the-job trainings and external trainings 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 to 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 not limited to products, skills, management upgrades. During the Reporting Period, the Group has provided its employees with multiple online and offline training courses.

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

During the Reporting Period, 1310 employees, or 99.24% of all employees, received training as arranged by the Group, and the average training hours that each employee received was 57.36 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

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.

During the Reporting Period, the Group had engaged with 32 key suppliers, of which details are as follows:

Supplier Region	Type of Supplier	Numbers
Beijing	Insurance Services	4
	Vehicle Procurement	5
	Accessory Procurement	7
Chengdu	Insurance Services	1
Guangdong	Vehicle Procurement	1
	Accessory Procurement	1
Jilin	Vehicle Procurement	1
	Accessory Procurement	1
Jiangsu	Insurance Services	1
	Vehicle Procurement	1
	Accessory Procurement	1
Shandong	Accessory Procurement	1
Shanghai	Vehicle Procurement	2
Sichuan	Accessory Procurement	2
Tianjin	Insurance Services	1
Zhejiang	Vehicle Procurement	2

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 addition, there had been no products sold or shipped subject to recalls for safety and health reasons during the Reporting Period.

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. 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 concern 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 complaint was established to manage the collection, transmission, and handling of customer complaints as well as return visits. Upon receiving 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 strive 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 10 complaints from clients, which were resolved successfully. The Group has resolved the problems for customers and no further complaints has been received from the respective customers.

B6.3 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 staff 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.

The Group complies with all applicable laws regarding confidential information and data protection of the PRC. 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 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.

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 0.76 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 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. And there was no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

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
June 25, 2021	The Community Chest of Hong Kong	3,000,000 HKD
November 9, 2021	Kenfei Poverty Alleviation Service Center, Xiaoshan District, Hangzhou City	105.5 kg of clothing

In the future, the Company will continue to proactively cooperate with charitable organizations and participate in various community investment and charitable activities. 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

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To the shareholders of BetterLife Holding Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of BetterLife Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 83 to 181, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2021, 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"), and we have fulfilled our other ethical responsibilities in accordance with 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of vendor rebates	
The Group recognised volume-related vendor rebates on an accrual basis based on the terms of the suppliers' contracts. As at 31 December 2021, the rebate receivables included in the consolidated statement of financial position amounted to approximately RMB160,870,000. We focused on this area because the balance of rebate receivables was significant and the process of calculation of the accrual was complex. Specific disclosures about vendor rebates are included in note 2.4 "Summary of significant accounting policies" and note 21 "Prepayments, other receivables and other assets" to the financial statements.	We obtained understanding of and tested management's key internal controls in relation to the recognition of vendor rebates. We checked the rebate policies adopted against the terms of the relevant supplier contracts on a sampling basis and recalculated the rebate receivables based on the rebate policies and underlying inputs, including sales and purchase volume, rebate rates and other criteria as set out in the rebate policies. We also checked the subsequent settlement of the rebates against the accrued balance on a sampling basis.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises 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 of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Responsibilities of the directors for the consolidated financial statements (continued)

The directors of the Company 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. Our 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.

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.

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

- 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 to 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.

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 Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**365,471**	335,015
Investment properties	14	**65,755**	—
Right-of-use assets	15	**317,466**	313,948
Goodwill	16	**210,396**	210,396
Intangible assets	17	**525,166**	549,120
Deferred tax assets	29	**46,024**	27,621
Long-term prepayments	21	**4,950**	5,179
Amounts due from related parties	39	**—**	10,296
Total non-current assets		**1,535,228**	1,451,575
CURRENT ASSETS			
Inventories	19	**641,090**	444,963
Trade receivables	20	**41,113**	38,246
Amounts due from related parties	39	**7,836**	11,621
Prepayments, other receivables and other assets	21	**525,766**	392,945
Financial assets at fair value through profit or loss	18	**50,000**	439,000
Pledged deposits	22	**10**	25,451
Cash in transit	23	**19,779**	6,160
Restricted cash	24	**4,909**	—
Cash and cash equivalents	24	**1,333,369**	230,672
Total current assets		**2,623,872**	1,589,058
CURRENT LIABILITIES			
Trade and bills payables	25	**118,998**	145,625
Amounts due to related parties	39	**7,686**	11,059
Other payables and accruals	26	**221,542**	169,847
Contract liabilities	27	**287,229**	269,118
Interest-bearing bank and other borrowings	28	**223,516**	326,106
Lease liabilities	15	**36,605**	34,222
Tax payable		**70,513**	44,712
Total current liabilities		**966,089**	1,000,689
NET CURRENT ASSETS		**1,657,783**	588,369
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,193,011**	2,039,944

	Notes	As at 31 December 2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	27	**101,629**	88,273
Lease liabilities	15	**144,915**	110,642
Deferred tax liabilities	29	**138,831**	146,843
Total non-current liabilities		**385,375**	345,758
Net assets		**2,807,636**	1,694,186
EQUITY			
Equity attributable to owners of the parent			
Share capital	30	**5,180**	—*
Reserves	32	**2,581,632**	1,528,017
		2,586,812	1,528,017
Non-controlling interests		**220,824**	166,169
Total equity		**2,807,636**	1,694,186

* Less than RMB1,000.

Chou Patrick Hsiao-Po
Director

Chau Kwok Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Year ended 31 December 2020

		Attributable to owners of the parent						
	Notes	Share capital RMB'000	Capital reserve* RMB'000	Retained profits* RMB'000	Exchange fluctuation reserve* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020		—**	380,741	913,547	(1,034)	1,293,254	190,810	1,484,064
Profit for the year		—	—	234,984	—	234,984	71,507	306,491
Other comprehensive loss for the year:								
Exchange differences on translation of the financial statements of subsidiaries		—	—	—	(221)	(221)	—	(221)
Total comprehensive income/(loss) for the year		—	—	234,984	(221)	234,763	71,507	306,270
Acquisition of non-controlling interests		—	—	—	—	—	3,852	3,852
Dividends paid to non-controlling shareholders	33	—	—	—	—	—	(100,000)	(100,000)
At 31 December 2020		—**	380,741	1,148,531	(1,255)	1,528,017	166,169	1,694,186

Year ended 31 December 2021

		Attributable to owners of the parent								
	Notes	**Share capital RMB'000**	**Share premium* RMB'000**	**Share option reserve* RMB'000**	**Capital reserve* RMB'000**	**Retained profits* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2021		**–****	**–**	**–**	**380,741**	**1,148,531**	**(1,255)**	**1,528,017**	**166,169**	**1,694,186**
Profit for the year		**–**	**–**	**–**	**–**	**456,030**	**–**	**456,030**	**104,655**	**560,685**
Other comprehensive loss for the year:										
Exchange differences on translation of the financial statements of a subsidiary		**–**	**–**	**–**	**–**	**–**	**(112)**	**(112)**	**–**	**(112)**
Exchange differences on translation of the financial statements of the Company		**–**	**–**	**–**	**–**	**–**	**(10,468)**	**(10,468)**	**–**	**(10,468)**
Total comprehensive income/(loss) 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	33	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(50,000)**	**(50,000)**
Contributions from the controlling shareholder		**–**	**–**	**–**	**2,351**	**–**	**–**	**2,351**	**–**	**2,351**
Equity-settled share option arrangements	31	**–**	**–**	**5,299**	**–**	**–**	**–**	**5,299**	**–**	**5,299**
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**

* These reserve accounts comprise the consolidated reserves of RMB2,581,632,000 (2020: RMB1,528,017,000) in the consolidated statement of financial position as at 31 December 2021.

** Less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**727,328**	420,212
Adjustments for:			
Finance costs	7	**19,609**	41,054
Interest income	5	**(1,205)**	(11,592)
Depreciation of property, plant and equipment	6	**78,862**	64,901
Depreciation/amortisation of investment properties	6	**2,417**	—
Amortisation of intangible assets	6	**24,180**	23,265
Depreciation of right-of-use assets	6	**56,409**	57,373
Gain on disposal of property, plant and equipment	5	**(12,079)**	(8,826)
Gain on disposal of financial assets at fair value through profit or loss	5	**—**	(500)
Write-down of inventories to net realisable value	6	**12,681**	7,658
Gain on disposal of subsidiaries	5	**—**	(2,244)
Impairment of prepayments, other receivables and other assets	6	**—**	10,240
Investment income from financial assets at fair value through profit or loss	5	**(13,485)**	(9,936)
Equity-settled share option expense	6	**5,299**	—
		900,016	591,605
(Increase)/decrease in inventories		**(191,556)**	217,569
(Increase)/decrease in trade receivables		**(2,867)**	25,494
(Increase)/decrease in cash in transit		**(13,619)**	14,750
Increase in restricted cash		**(4,909)**	—
Decrease/(increase) in amounts due from related parties		**14,081**	(7,219)
Increase in prepayments, other receivables and other assets		**(129,011)**	(79,484)
(Decrease)/increase in trade and bills payables		**(62,142)**	62,564
(Decrease)/increase in amounts due to related parties		**(2,138)**	2,662
Increase/(decrease) in other payables and accruals		**31,931**	(13,849)
Increase in contract liabilities		**31,467**	52,111
Cash generated from operations		**571,253**	866,203
Interest received		**1,205**	2,492
Income taxes paid		**(167,257)**	(78,400)
Net cash flows from operating activities		**405,201**	790,295

	Notes	Year ended 31 December **2021** RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**74,053**	77,380
Proceeds from disposal of financial assets at fair value through profit or loss		**4,373,165**	3,792,230
Purchases of financial assets at fair value through profit or loss		**(3,984,165)**	(4,023,730)
Purchases of items of property, plant and equipment		**(181,973)**	(129,535)
Additions to intangible assets		**(226)**	—
Prepayment of right-of-use assets		**(1,151)**	—
Disposal of subsidiaries		**—**	59,025
Payment for business combination	34	**—**	(40,000)
Advances of loans to related parties		**—**	(142,000)
Repayment of loans from related parties		**—**	242,000
Investment income from financial assets at fair value through profit or loss		**13,485**	9,936
Interest received from loans to related parties		**—**	9,100
Net cash flows from/(used in) investing activities		**293,188**	(145,594)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**223,317**	648,989
Repayment of bank and other borrowings		**(324,832)**	(1,270,439)
Decrease in pledged deposits		**25,441**	6,444
Interest paid		**(9,367)**	(33,804)
Dividends paid to non-controlling shareholders		**(50,000)**	(100,000)
Proceeds from sale and lease-back transactions		**18,354**	16,918
Payment of sale and lease-back transactions		**(20,755)**	(15,329)
Payment of lease liabilities	35(c)	**(64,464)**	(39,502)
Proceeds from issue of shares		**631,746**	—
Payment of listing expenses		**(17,227)**	(1,823)
Contributions from the controlling shareholder		**2,351**	—
Net cash flows from/(used in) financing activities		**414,564**	(788,546)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,112,953**	(143,845)
Cash and cash equivalents at beginning of year		**230,672**	374,721
Effect of foreign exchange rate changes, net		**(10,256)**	(204)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,333,369**	230,672
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	24	**1,333,369**	230,672

1. Corporate and Group information

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
BetterLife Tianjin Management Group Co., Ltd.* (i) 百得利(天津)企業管理集團有限公司	PRC/ Mainland China 30 August 2007	RMB 303,320,000	—	100%	Investment holding, sale and service of motor vehicles
Beijing BetterLife Automobile Import and Export Group Co., Ltd.* (ii) 北京百得利汽車進出口集團有限公司	PRC/ Mainland China 3 September 1998	RMB 60,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Trade Co., Ltd.* (ii) 北京百得利汽車貿易有限公司	PRC/ Mainland China 6 February 2004	RMB 20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Sales Co., Ltd.* (ii) 北京百得利汽車銷售有限公司	PRC/ Mainland China 14 April 2008	RMB 20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Star Auto Sales Co., Ltd.* (ii) 北京百得利之星汽車銷售有限公司	PRC/ Mainland China 9 January 2008	RMB 40,000,000	—	100%	Sale and service of motor vehicles

1. Corporate and Group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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.* (ii) 北京百得利國際商貿有限公司	PRC/ Mainland China 9 December 2011	RMB 80,000,000	—	100%	Sale and service of motor vehicles
Hangzhou BetterLife Auto Co., Ltd.* (ii) 杭州百得利汽車有限公司	PRC/ Mainland China 18 August 2010	RMB 50,010,000	—	100%	Sale and service of motor vehicles
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.* (ii)(iii) 成都百川金保汽車銷售服務有限公司	PRC/ Mainland China 8 January 2014	RMB 33,333,333	—	30%	Sale and service of motor vehicles
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.* (ii) 成都百川新保汽車銷售服務有限公司	PRC/ Mainland China 30 March 2012	RMB 33,333,333	—	70%	Sale and service of motor vehicles
Beijing BetterLife Experimental Technology Development Co., Ltd.* (ii) 北京百得利體驗科技發展有限公司	PRC/ Mainland China 16 August 2018	RMB 20,000,000	—	100%	Sale and service of motor vehicles
Qingdao BetterLife Auto Co., Ltd.* (ii) 青島百得利汽車有限公司	PRC/ Mainland China 9 December 2019	RMB 10,000,000	—	100%	Sale and service of motor vehicles
Foshan Baide Laifu Auto Sales and Services Co., Ltd.* (ii) 佛山柏得來富汽車銷售服務有限公司	PRC/ Mainland China 11 September 2020	RMB 15,000,000	—	90%	Sale and service of motor vehicles

1. Corporate and Group information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shanghai Baide Laifu Auto Co., Ltd.* (ii) 上海佰得來富汽車有限公司	PRC/ Mainland China 1 July 2021	RMB 20,000,000	—	100%	Sale and service of motor vehicles
Hainan Liya Holding Co., Ltd.* (i) 海南莉雅控股有限公司	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.* (ii) 成都百得利汽車銷售服務有限公司	PRC/ Mainland China 25 October 2021	RMB 5,000,000	—	100%	Sale and service of motor vehicles

* 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 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.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

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

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

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

2.2 Changes in accounting policies and disclosures (continued)

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 Issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

2.3 Issued but not yet effective IFRSs (continued)

Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 On 25 June 2020, the IASB issued the amendments to IFRS 17 which included a deferral of the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted for entities that apply IFRS 9 on or before the date of initial application of IFRS 17. Accordingly, qualifying insurers could apply both standards (IFRS 9 and IFRS 17) for the first time to annual reporting periods beginning on or after 1 January 2023. As a consequence of the amendments to IFRS 17, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. The adoption of them is not expected to have any significant impact on the Group's financial position and financial performance.

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 Issued but not yet effective IFRSs (continued)

Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective IFRSs (continued)

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not yet effective IFRSs (continued)

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of significant accounting policies (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

2.4 Summary of significant accounting policies (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 Group 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); and

(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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives used for this purpose are as follows:

Categories	Estimated useful lives
Buildings	20 years
Machinery equipment	10 years
Leasehold improvements	Over the shorter of the lease terms and 5 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 that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation/amortisation and accumulated impairment losses, if any.

Depreciation/amortisation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 Summary of significant accounting policies (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	**Estimated useful lives**
Software	10 years
Dealership	30 years

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	**Estimated useful lives**
Prepaid land lease payments	35–45 years
Leasehold land and buildings	3–20 years
Other equipment	3.5 years

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of other equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessor (continued)

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale and leaseback transactions (as a seller-lessee)

The Group applies the requirements of IFRS 15 to assess whether a sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as financial liabilities within the scope of IFRS 9.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Other than spare parts and accessories, cost is calculated on the specific identification basis as appropriate and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of spare parts and accessories is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 Summary of significant accounting policies (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods

Revenue from the sale of motor vehicles, spare parts, accessories and other automobile-related products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Rendering of services

For the rendering of services, the control is transferred overtime and therefore, the performance obligation is satisfied and revenue is recognised over time, if one of the following criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Rendering of services (continued)

(ii) the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at the point in time when the customer obtains control of the distinct good or service.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Commission income is recognised at the point in time when the services are fully rendered and accepted by customers.

Rental income is recognised on a time proportion basis over the lease terms. 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 incurred.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Vendor rebates

Volume-related vendor rebates are recognised as a deduction from cost of sales on an accrual basis based on the expected entitlement earned up to the end of each reporting period for each relevant supplier contract.

Rebates relating to items purchased but still held at the end of each reporting period are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

2.4 Summary of significant accounting policies (continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial tree model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of significant accounting policies (continued)

Other employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic and supplementary medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to the statement of profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and one overseas subsidiary are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgement that significantly affects the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in a bundled sale of motor vehicles and after-sales services

The Group provides after-sales services that are either sold separately or bundled together with the sale of motor vehicles to a customer. The after-sales services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both motor vehicles and after-sales services are each capable of being distinct. The fact that the Group regularly sells both motor vehicles and after-sales services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the motor vehicles and to provide after-sales services are distinct within the context of the contract. The motor vehicles and after-sales services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the motor vehicles and after-sales services together in the contract does not result in any additional or combined functionality and neither the vehicle nor the service modifies or customises the other. In addition, the motor vehicles and after-sales services are not highly interdependent or highly interrelated, because the Group would be able to transfer the motor vehicles even if the customer declined after-sales services and would be able to provide after-sales services in relation to products sold by other distributors. Consequently, the Group has allocated a portion of the transaction price to the motor vehicles and after-sales services based on relative standalone selling prices.

Significant judgement in determining the 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).

3. Significant accounting judgements and estimates (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2021 was RMB210,396,000 (2020: RMB210,396,000). Further details are given in note 16 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Deferred tax assets

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. Significant 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. Further details are contained in note 29 to the financial statements.

Provision for inventories

The Group reviews the carrying amounts of the inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

Accruals of vendor rebates

The Group reviews the accruals of vendor rebates at the end of each reporting period by reference to the rebate receivables in accordance with the applicable terms and conditions of the suppliers' agreements. The accruals of vendor rebates involve management estimation and the extent of rebate entitlement under the respective categories of vendor rebates. Specific factors that management considers include the recent historical sales volume patterns, the rebate rates applied and any other available information concerning the creditworthiness of suppliers.

Useful lives of intangible assets

The intangible assets are amortised on the straight-line basis by taking into account the residual value. The Group reviews the estimated useful lives periodically to determine the related amortisation charges for its intangible assets. The estimation is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions, with consideration of market conditions. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than the previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. Operating segment information

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

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

Geographical information

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

Information about major customers

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

5. Revenue, other income and gains

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

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

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

5. Revenue, other income and gains (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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

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

(b) Performance obligations

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

Sale of goods

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

5. Revenue, other income and gains (continued)

Other income and gains

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Other income		
Interest income	**1,205**	11,592
Commission income	**150,263**	102,171
Rental income	**8,086**	7,196
Government grants	**1,146**	4,942
Others (note)	**34,060**	21,074
	194,760	146,975
Gains		
Gain on disposal of property, plant and equipment	**12,079**	8,826
Gain on disposal of financial assets at fair value through profit or loss	**—**	500
Investment income from financial assets at fair value through profit or loss	**13,485**	9,936
Gain on disposal of subsidiaries	**—**	2,244
	25,564	21,506
	220,324	168,481

Note: In 2021, a tax refund of RMB11,980,000 was received from the tax bureau and recognised as other income, which was a tax rebate at the preferential tax rate for the year ended 31 December 2015.

6. Profit before tax

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

		Year ended 31 December	
	Notes	**2021**	2020
		RMB'000	RMB'000
Cost of sales of motor vehicles		**8,117,576**	7,082,878
Cost of after-sales services		**666,776**	586,639
Cost of sales		**8,784,352**	7,669,517
Depreciation of property, plant and equipment	13	**78,862**	64,901
Depreciation/amortisation of investment properties	14	**2,417**	—
Depreciation of right-of-use assets	15	**56,409**	57,373
Amortisation of intangible assets	17	**24,180**	23,265
Lease payments not included in the measurement of lease liabilities	15	**2,789**	3,083
Listing expenses		**9,214**	22,558
Auditor's remuneration		**4,580**	—
Employee benefit expense (including directors' and chief executive's remuneration (note 8))**:			
Wages, salaries and allowances		**290,072**	206,424
Equity-settled share option expense	31	**5,299**	—
Pension scheme contributions		**25,789**	1,428
		321,160	207,852
Write-down of inventories to net realisable value*	19	**12,681**	7,658
Impairment of prepayments, other receivables and other assets*		**—**	10,240
Interest income	5	**(1,205)**	(11,592)
Investment income from financial assets at fair value through profit or loss	5	**(13,485)**	(9,936)
Gain on disposal of financial assets at fair value through profit or loss	5	**—**	(500)
Gain on disposal of subsidiaries	5	**—**	(2,244)
Gain on disposal of property, plant and equipment	5	**(12,079)**	(8,826)

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

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

7. Finance costs

An analysis of finance costs is as follows:

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

8. Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fees	**420**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**13,954**	4,293
Equity-settled share option expense	**4,696**	—
Pension scheme contributions	**110**	13
	18,760	4,306
	19,180	4,306

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. Directors' and chief executive's remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees RMB'000
Year ended 31 December 2021	
Independent non-executive directors:	
Mr. Liu Dengqing	**140**
Mr. Wong Ka Kit	**140**
Mr. Yau Ka Chi	**140**
	420

There were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	**Equity-settled share option expense RMB'000**	**Pension 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 (note)	**2,302**	**—**	**—**	**2,302**
Mr. Chau Kwok Keung	**5,321**	**3,492**	**15**	**8,828**
	13,954	**4,696**	**110**	**18,760**

8. Directors' and chief executive's remuneration (continued)

(b) Executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2020				
Executive directors:				
Mr. Chou Patrick Hsiao-Po (chief executive)	960	—	—	960
Ms. Sun Jing	1,043	—	4	1,047
Ms. Wei Hongjing	1,617	—	4	1,621
Mr. Chau Kwok Keung	673	—	5	678
	4,293	—	13	4,306

Note: Ms. Wei Hongjing resigned as an executive director with effect on 31 December 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: nil).

9. Five highest paid employees

The five highest paid employees during the year ended 31 December 2021 included three directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**4,535**	2,553
Equity-settled share option expense	**603**	—
Pension scheme contributions	**109**	8
	5,247	2,561

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2021	2020
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$3,500,000	**1**	—
	2	2

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. Income tax

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year ended 31 December 2021.

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current — Mainland China		
Charge for the year	**193,058**	110,656
Deferred (note 29)	**(26,415)**	3,065
Total tax charge for the year	**166,643**	113,721

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

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

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

11. Dividends

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

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

During the year, subsidiaries of the Group declared and paid dividends of RMB50,000,000 (2020: RMB100,000,000) in cash to non-controlling interests. Details are given in note 33.

12. Earnings per share attributable to ordinary equity holders of the parent

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the capitalisation issue as described in note 30 as if the capitalisation issue had been completed on 1 January 2020.

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB456,030,000 (2020: RMB234,984,000), and the weighted average number of the Company's ordinary shares of 528,678,082 (2020: 450,000,000) in issue during the year.

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

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**456,030**	234,984

12. Earnings per share attributable to ordinary equity holders of the parent (continued)

	Year ended 31 December	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**528,678,082**	450,000,000

13. Property, plant and equipment

	Buildings RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	243,303	58,383	29,674	119,307	54,536	9,194	514,397
Accumulated depreciation	(88,656)	(24,365)	(6,748)	(26,985)	(32,628)	–	(179,382)
Net carrying amount	154,647	34,018	22,926	92,322	21,908	9,194	335,015
At 1 January 2021, net of accumulated depreciation	154,647	34,018	22,926	92,322	21,908	9,194	335,015
Additions	–	7,340	22,546	105,370	4,285	44,142	183,683
Business combination (note 34)	–	2,381	14,313	5,630	1,265	–	23,589
Transfers	–	1,264	22,436	–	2,982	(26,682)	–
Transfer to investment properties (note 14)	(35,980)	–	–	–	–	–	(35,980)
Disposals	–	(95)	(239)	(60,775)	(865)	–	(61,974)
Depreciation provided during the year	(27,131)	(5,638)	(14,011)	(24,431)	(7,651)	–	(78,862)
At 31 December 2021, net of accumulated depreciation	91,536	39,270	67,971	118,116	21,924	26,654	365,471
At 31 December 2021:							
Cost	189,327	68,814	88,969	150,048	53,885	26,654	577,697
Accumulated depreciation	(97,791)	(29,544)	(20,998)	(31,932)	(31,961)	–	(212,226)
Net carrying amount	91,536	39,270	67,971	118,116	21,924	26,654	365,471

13. Property, plant and equipment (continued)

	Buildings RMB'000	Machinery equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	243,139	57,333	76,476	123,818	48,528	192	549,486
Accumulated depreciation	(69,878)	(24,569)	(52,846)	(24,446)	(29,439)	—	(201,178)
Net carrying amount	173,261	32,764	23,630	99,372	19,089	192	348,308
At 1 January 2020, net of accumulated depreciation	173,261	32,764	23,630	99,372	19,089	192	348,308
Additions	164	7,885	5,610	81,582	10,519	11,743	117,503
Transfers	—	1,270	1,471	—	—	(2,741)	—
Business combination (note 34)	—	835	—	7,148	138	—	8,121
Disposals	—	(635)	—	(67,756)	(163)	—	(68,554)
Disposal of subsidiaries	—	(1,723)	(35)	(3,478)	(226)	—	(5,462)
Depreciation provided during the year	(18,778)	(6,378)	(7,750)	(24,546)	(7,449)	—	(64,901)
At 31 December 2020, net of accumulated depreciation	154,647	34,018	22,926	92,322	21,908	9,194	335,015
At 31 December 2020:							
Cost	243,303	58,383	29,674	119,307	54,536	9,194	514,397
Accumulated depreciation	(88,656)	(24,365)	(6,748)	(26,985)	(32,628)	—	(179,382)
Net carrying amount	154,647	34,018	22,926	92,322	21,908	9,194	335,015

Notes:

(a) The net carrying amount of the Group's vehicles held under sale and lease-back transactions included in the total amounts of property, plant and equipment was RMB16,125,000 (2020: RMB18,165,000) as at 31 December 2021.

(b) Certain of the Group's buildings with a net carrying amount of nil (2020: RMB21,703,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2021. Details are given in note 28.

14. Investment properties

	Buildings RMB'000	Land RMB'000	Total RMB'000
At 1 January 2021, net of accumulated depreciation/ amortisation	—	—	—
Transfer from property, plant and equipment/right-of-use assets (notes 13 and 15)	35,980	32,192	68,172
Depreciation/amortisation provided during the year	(1,406)	(1,011)	(2,417)
At 31 December 2021, net of accumulated depreciation/ amortisation	34,574	31,181	65,755
At 31 December 2021			
Cost	53,976	40,861	94,837
Accumulated depreciation/amortisation	(19,402)	(9,680)	(29,082)
Net carrying amount	34,574	31,181	65,755

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

The fair value of the investment properties, as determined by the directors of the Company, based on the income approach, was estimated to be approximately RMB74,460,000 as at 31 December 2021 (2020: nil).

Fair value hierarchy

The following table illustrates the fair value disclosure hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2021 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value disclosure for:				
Properties	—	—	74,460	74,460

During the year, there were no transfers into or out of Level 3 (2020: nil).

14. Investment properties (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	**Significant unobservable inputs**
Properties	Income approach	(i) Discount rate
		(ii) Average monthly rental per square meter

15. Leases

The Group as a lessee

The Group has lease contracts for various items of land, buildings and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 35 to 45 years, and no ongoing payments will be made under the terms of these land leases. Leases of land and buildings generally have lease terms between 3 and 20 years. Lump sum payments were made upfront to acquire other equipment from the owners with lease periods of 3.5 years, and no ongoing payments will be made under the terms of these leases.

15. Leases (continued)

The Group as a lessee (continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'000	Leasehold land and buildings RMB'000	Other equipment RMB'000	Total RMB'000
As at 1 January 2020	69,541	262,194	424	332,159
Additions	—	28,042	—	28,042
Business combination (note 34)	—	25,965	—	25,965
Early termination and modification of lease contracts	—	(14,845)	—	(14,845)
Depreciation charge	(2,301)	(54,755)	(317)	(57,373)
As at 31 December 2020 and 1 January 2021	**67,240**	**246,601**	**107**	**313,948**
Additions	**—**	**50,039**	**1,151**	**51,190**
Business combination (note 34)	**—**	**53,018**	**—**	**53,018**
Early termination and modification of lease contracts	**—**	**(12,089)**	**—**	**(12,089)**
Transfer to investment properties (note 14)	**(32,192)**	**—**	**—**	**(32,192)**
Depreciation charge	**(1,291)**	**(54,819)**	**(299)**	**(56,409)**
As at 31 December 2021	**33,757**	**282,750**	**959**	**317,466**

The Group's prepaid land lease payments comprise leasehold interest in land situated in Mainland China on medium term leases.

Prepaid land lease payments with a net carrying amount of nil (2020: RMB21,662,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2021.

15. Leases (continued)

The Group as a lessee (continued)

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the year are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Carrying amount at 1 January	**144,864**	137,430
New leases	**50,039**	28,042
Additions as a result of business combination (note 34)	**53,018**	25,965
Early termination and modification of lease contracts	**(12,089)**	(14,845)
Accretion of interest recognised during the year	**10,152**	7,774
Payments	**(64,464)**	(39,502)
Carrying amount at 31 December	**181,520**	144,864
Analysed into:		
Current portion	**36,605**	34,222
Non-current portion	**144,915**	110,642

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest on lease liabilities	**10,152**	7,774
Depreciation charge of right-of-use assets	**56,409**	57,373
Expense relating to short-term leases and leases of low-value assets	**2,789**	3,083
Total amount recognised in profit or loss	**69,350**	68,230

(d) The total cash outflow for leases is disclosed in note 35(c) to the financial statements.

15. Leases (continued)

The Group as a lessor

The Group leases its land and buildings under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group was RMB8,086,000 (2020: RMB7,196,000) for the year ended 31 December 2021, details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within one year	**11,055**	10,005
After one year but within two years	**9,453**	8,268
After two years but within three years	**8,379**	8,116
After three years but within four years	**3,491**	7,122
After four years but within five years	**3,602**	2,122
After five years	**1,728**	21,388
	37,708	57,021

16. Goodwill

	RMB'000
Cost at 1 January 2020, net of impairment	199,715
Business combination (note 34)	10,681
At 31 December 2020 and 2021	**210,396**
Cost	862,427
Accumulated impairment	(652,031)
At 31 December 2020 and 2021	**210,396**

16. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the relevant 4S dealership business (or group of 4S dealership businesses) from which the goodwill was resulted. The 4S 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 4S dealership business is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
4S dealership business	**210,396**	210,396

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections:

Revenue from the sale and service of motor vehicles — the bases used to determine the future earnings of sale and service of motor vehicles are the historical sales and the average growth rate of similar 4S stores of the Group over the past years. The annual revenue growth rate within the five-year period at 31 December 2021 is 3%. The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from 31 December 2021 is 3%.

Operating expenses — the bases used to determine the values assigned are cost of inventories, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Discount rates — the discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied to the cash flow projections beyond the one-year period is 16.30% to 17.25% (2020: 16.75% to 18.03%) as at 31 December 2021.

The values assigned to key assumptions on revenue from the sale and service of motor vehicles, operating expenses and discount rates are consistent with external information sources.

16. Goodwill (continued)

Key assumptions used in the value in use calculation (continued)

Details of the headroom measured by excess of the recoverable amount over the carrying amount of the CGU as at 31 December 2021 is set out as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
4S dealership business	**971,810**	527,431

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the hypothetical changes to discount rate or annual revenue that would, in isolation, have removed the remaining headroom as at 31 December 2021:

	As at 31 December	
	2021	2020
Increase in discount rate	**8.15%**	5.30%
Annual revenue decreases by	**13.71%**	8.88%

At 31 December 2021, 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.

The directors of the Company determined that there was no impairment of its CGU at 31 December 2021.

17. Intangible assets

	Software RMB'000	Dealership RMB'000	Total RMB'000
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	**15,734**	**533,386**	**549,120**
Additions	**226**	**—**	**226**
Amortisation provided during the year	**(3,095)**	**(21,085)**	**(24,180)**
At 31 December 2021	**12,865**	**512,301**	**525,166**
At 31 December 2021:			
Cost	**30,130**	**632,537**	**662,667**
Accumulated amortisation	**(17,265)**	**(120,236)**	**(137,501)**
Net carrying amount	**12,865**	**512,301**	**525,166**
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	18,893	522,135	541,028
Business combination (note 34)	—	31,357	31,357
Amortisation provided during the year	(3,159)	(20,106)	(23,265)
At 31 December 2020	15,734	533,386	549,120
At 31 December 2020:			
Cost	29,904	632,537	662,441
Accumulated amortisation	(14,170)	(99,151)	(113,321)
Net carrying amount	15,734	533,386	549,120

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

18. Financial assets at fair value through profit or loss

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Financial products, at fair value	**50,000**	439,000
Analysed into:		
Current assets	**50,000**	439,000

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

19. Inventories

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

Inventories with a carrying amount of RMB72,493,000 (2020: RMB143,080,000) were pledged as security for bank and other loans as at 31 December 2021. Details are given in note 28.

20. Trade receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**41,113**	38,246
Impairment	**—**	—
	41,113	38,246

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

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

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

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

20. Trade receivables (continued)

No expected credit loss of trade receivables was provided as at the end of the reporting period.

The information about the credit risk exposure on the Group's trade receivables using a table mainly based on past due information unless other information is available without undue cost or effort is disclosed in note 42.

21. Prepayments, other receivables and other assets

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

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

22. Pledged deposits

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Pledged deposits	**10**	25,451

The pledged deposits, which were all denominated in RMB as at the end of the reporting period, earn interest at interest rates stipulated by the respective financial institutions. The pledged deposits are deposited with creditworthy banks with no recent history of default and pledged to secure general banking facilities granted to the Group. Details are given in note 28.

23. Cash in transit

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash in transit	**19,779**	6,160

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.

24. Cash and cash equivalents, and restricted cash

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

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

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

25. Trade and bills payables

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

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

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

26. Other payables and accruals

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Other taxes payable	**88,682**	66,393
Payroll payable	**54,357**	32,026
Other payables	**78,503**	71,428
	221,542	169,847

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

27. Contract liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Advances from customers	**249,997**	239,908
Deferred revenue	**138,861**	117,483
	388,858	357,391
Portion classified as current liabilities	**(287,229)**	(269,118)
Non-current portion	**101,629**	88,273

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.

28. Interest-bearing bank and other borrowings

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

28. Interest-bearing bank and other borrowings (continued)

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

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

(i) mortgages over the Group's prepaid land lease payments situated in Mainland China, which had an aggregate carrying amount of nil (2020: RMB21,662,000) as at 31 December 2021;

(ii) mortgages over the Group's buildings, which had an aggregate carrying amount of nil (2020: RMB21,703,000) as at 31 December 2021;

(iii) mortgages over the Group's inventories, which had a carrying amount of RMB72,493,000 (2020: RMB143,080,000) as at 31 December 2021; and

(iv) mortgages over the Group's deposits, which had a carrying amount of RMB10,000 (2020: RMB25,451,000) as at 31 December 2021.

29. Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Year ended 31 December 2021		
	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2021	138,815	8,028	146,843
Deferred tax credited to the statement of profit or loss during the year (note 10)	(6,526)	(1,486)	(8,012)
At 31 December 2021	132,289	6,542	138,831

Deferred tax assets

	Year ended 31 December 2021					
	Deferred revenue RMB'000	Impairment of assets RMB'000	Depreciation in excess of related depreciation allowance RMB'000	Leases RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2021	18,680	4,236	3,886	819	—	27,621
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	1,031	(123)	1,123	86	16,286	18,403
At 31 December 2021	19,711	4,113	5,009	905	16,286	46,024

29. Deferred tax (continued)

Deferred tax liabilities

	Year ended 31 December 2020		
	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2020	137,255	7,065	144,320
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(6,280)	963	(5,317)
Business combination (note 34)	7,840	—	7,840
At 31 December 2020	138,815	8,028	146,843

Deferred tax assets

	Year ended 31 December 2020						
	Deferred revenue RMB'000	Accrued payroll and social welfare RMB'000	Impairment of assets RMB'000	Depreciation in excess of related depreciation allowance RMB'000	Leases RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2020	22,603	4,674	1,638	5,690	660	738	36,003
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(3,923)	(4,674)	2,598	(1,804)	159	(738)	(8,382)
At 31 December 2020	18,680	—	4,236	3,886	819	—	27,621

29. Deferred tax (continued)

Deferred tax assets (continued)

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Deductible temporary differences	**89,872**	75,312
Tax losses	**156,719**	293,003
	246,591	368,315

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,611,515,000 (2020: RMB1,154,364,000) as at 31 December 2021.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Share capital

Shares

	As at 31 December	
	2021 **RMB'000**	2020 RMB'000
Issued and fully paid:		
622,500,000 (2020: 1) ordinary shares of HK$0.01 each	**5,180**	—*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital RMB'000**
At 1 January 2020	1	—*
At 31 December 2020 and at 1 January 2021	**1**	**—***
Capitalisation Issue (note a)	**449,999,999**	**3,745**
Global offering (note b)	**150,000,000**	**1,248**
Over-allotment issue (note c)	**22,500,000**	**187**
At 31 December 2021	**622,500,000**	**5,180**

Note:

* Less than RMB1,000.

(a) 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.

(b) 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.

(c) 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.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 31 to the financial statements.

31. Share option scheme

The Company operated a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Share Option Scheme became effective on 17 June 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date. Such 10% limit representing 60,000,000 shares excluding Shares which was issued upon the exercise of the over-allotment option granted by the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Share Option Scheme may be accepted within 28 days from the date of offer, upon payment of a consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the offer date of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the offer date; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31. Share option scheme (continued)

The following share options were outstanding under the Share Option Scheme during the year:

	Year ended 31 December 2021	
	Weighted average exercise price HK$ per share	Number of options '000
At 31 December 2020 and 1 January 2021	—	—
Granted during the year	HK$8.264	9,800
Lapsed during the year	HK$8.264	(1,000)
At 31 December 2021	HK$8.264	8,800

No share options were exercised during the year.

The exercise prices and exercise periods of the share options outstanding as at 31 December 2021 are as follows:

Number of options '000	Exercise price per share	Exercise period
2,200	HK$8.264	1 September 2022 to 31 August 2031
2,200	HK$8.264	1 September 2023 to 31 August 2031
2,200	HK$8.264	1 September 2024 to 31 August 2031
2,200	HK$8.264	1 September 2025 to 31 August 2031
8,800		

The fair value of the share options granted during the year was HK$41,887,000 (HK$4.27 each), of which the Group recognised a share option expense of RMB5,299,000 during the year ended 31 December 2021.

31. Share option scheme (continued)

The fair value of equity-settled share options granted during the year 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**
Weighted average share price (HK$ per share)	**8.264**

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 8,800,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,800,000 additional ordinary shares of the Company and additional share capital of HK$88,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 8,800,000 share options outstanding under the Share Option Scheme, which represented approximately 1.4% of the Company's shares in issue as at that date.

32. Reserves

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Capital reserve

Capital reserve comprises contributions by the controlling shareholder at the respective dates.

(b) Exchange fluctuation reserve

The exchange fluctuation 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 policy set out in note 2.4.

32. Reserves (continued)

(c) Share premium

The share premium of the Group represents the difference between capital injection and the share capital paid by the shareholders.

(d) Share option reserve

The share option reserve of the Group represents the fair value of equity-settled share-based payments granted in 2021.

33. Partly-owned subsidiaries with material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December	
	2021	2020
Percentage of equity interest held by non-controlling interests (note):		
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.	**70%**	70%
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.	**30%**	30%

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Profit for the year allocated to non-controlling interests (note):		
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.	**52,036**	37,350
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.	**52,667**	34,228
	104,703	71,578
Dividends paid to non-controlling interests (note):		
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.	**35,000**	50,000
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.	**15,000**	50,000
	50,000	100,000

33. Partly-owned subsidiaries with material non-controlling interests (continued)

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Accumulated balances of non-controlling interests as at the end of the reporting period		
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.	**129,815**	112,779
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.	**87,276**	49,609
	217,091	162,388

Note: According to the articles of association of the above two partly-owned subsidiaries, the attributable profits shall be both attributed to the Group and non-controlling interests with 50% and 50%, respectively.

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Year ended 31 December	
Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd.	**2021**	2020
	RMB'000	RMB'000
Revenue	**1,328,794**	1,134,812
Total expenses	**61,297**	49,339
Profit for the year	**104,072**	74,700
Total comprehensive income for the year	**104,072**	74,700

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**246,116**	192,767
Non-current assets	**82,257**	85,729
Current liabilities	**(90,260)**	(74,219)
Non-current liabilities	**(23,898)**	(24,134)

33. Partly-owned subsidiaries with material non-controlling interests (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash flows from operating activities	**101,042**	127,821
Net cash flows from/(used in) investing activities	**103,006**	(26,448)
Net cash flows used in financing activities	**(70,233)**	(100,233)
Net increase in cash and cash equivalents	**133,815**	1,140

	Year ended 31 December	
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.	**2021**	2020
	RMB'000	RMB'000
Revenue	**1,341,671**	1,084,987
Total expenses	**61,963**	49,241
Profit for the year	**105,334**	68,456
Total comprehensive income for the year	**105,334**	68,456

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Current assets	**252,346**	155,582
Non-current assets	**104,648**	99,413
Current liabilities	**(113,513)**	(86,182)
Non-current liabilities	**(27,033)**	(27,699)

33. Partly-owned subsidiaries with material non-controlling interests (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash flows from operating activities	**111,645**	138,257
Net cash flows from/(used in) investing activities	**51,240**	(61,705)
Net cash flows used in financing activities	**(21,821)**	(100,738)
Net increase/(decrease) in cash and cash equivalents	**141,064**	(24,186)

34. Business combination

For the year ended 31 December 2021

In 2021, the Group acquired 4S dealership businesses of one Jaguar Land Rover branded 4S store located in Chengdu wholly owned by a third party. The acquisition was completed on 31 December 2021.

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment	13	**23,589**
Right-of-use assets	15	**53,018**
Prepayments, other receivables and other assets		**12,634**
Inventories		**17,252**
Contract liabilities		**(1,364)**
Lease liabilities	15	**(53,018)**
Total identifiable net assets at fair value		**52,111**
Goodwill on acquisition	16	**—**
Satisfied by cash		**52,111**

34. Business combination (continued)

For the year ended 31 December 2021 (continued)

An analysis of the cash flows in respect of the business combination is as follows:

	Fair value recognised on acquisition RMB'000
Cash consideration (note)	–
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	–

Note: The consideration of RMB52,111,000 was fully paid in January 2022.

Since the acquisition, the 2021 acquired business contributed nil and nil to the Group's revenue and profit, respectively, for the year ended 31 December 2021.

For the year ended 31 December 2020

In 2020, the Group acquired a 90% interest in Foshan Baide Laifu Auto Sales and Services Co., Ltd..

The fair values of the identifiable assets and liabilities as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	8,121
Intangible assets	17	31,357
Right-of-use assets	15	25,965
Cash and cash equivalents		5,346
Prepayments, other receivables and other assets		1,111
Inventories		422
Deferred tax liabilities	29	(7,840)
Lease liabilities	15	(25,965)
Total identifiable net assets at fair value		38,517
Non-controlling interests		(3,852)
		34,665
Goodwill on acquisition	16	10,681
Satisfied by cash		45,346

34. Business combination (continued)

For the year ended 31 December 2020 (continued)

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill is not deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(45,346)
Cash and bank balances acquired	5,346
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(40,000)

Since the acquisition, the acquired business contributed nil and RMB710,000 of loss to the Group's revenue and profit, respectively, for the year ended 31 December 2020.

Had the combination taken place on 1 January 2020, the revenue and profit of the Group for the year ended 31 December 2020 would have been RMB8,533,130,000 and RMB306,490,000, respectively.

35. Notes to the consolidated statement of cash flows

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB50,039,000 (2020: RMB28,042,000), in respect of lease arrangements for land and buildings.

During the year ended 31 December 2021, the Group had non-cash transactions of addition on share capital of RMB3,745,000 (2020: nil) out of share premium, in respect of the capitalisation issue which was disclosed in note 30.

35. Notes to the consolidated statement of cash flows (continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Interest payables RMB'000	Sale and lease-back payables RMB'000	Lease liabilities RMB'000
At 1 January 2021	**324,832**	**1,274**	**8,856**	**144,864**
Changes from financing cash flows	**(101,515)**	**(9,367)**	**(2,401)**	**(64,464)**
New leases	—	—	—	**50,039**
Business combination (note 34)	—	—	—	**53,018**
Early termination and modification of lease contracts	—	—	—	**(12,089)**
Interest expense (note 7)	—	**8,292**	**1,165**	**10,152**
At 31 December 2021	**223,317**	**199**	**7,620**	**181,520**
At 1 January 2020	946,282	2,874	6,191	137,430
Changes from financing cash flows	(621,450)	(33,804)	1,589	(39,502)
New leases	—	—	—	28,042
Business combination (note 34)	—	—	—	25,965
Early termination and modification of lease contracts	—	—	—	(14,845)
Interest expense (note 7)	—	32,204	1,076	7,774
At 31 December 2020	324,832	1,274	8,856	144,864

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Within operating activities	**2,789**	3,083
Within investing activities	**1,151**	—
Within financing activities	**64,464**	39,502
	68,404	42,585

36. Contingent liabilities

The Group did not have any contingent liabilities not disclosed in the financial statements at the end of the reporting period.

37. Pledge of assets

Details of the Group's assets pledged for the Group's bank loans and other borrowings are included in notes 13, 15, 19, 22 and 28 to the financial statements.

38. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**17,157**	8,629

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are RMB12,332,000 due within one year and RMB38,498,000 due in the second to fifth years.

39. Related party transactions

(a) Name and relationship

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

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

39. Related party transactions (continued)

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties for the year ended 31 December 2021:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Lease payments:		
Oule (Hangzhou) Automobile Technology Co., Ltd. (i)	**2,371**	1,976
Beijing Zhoushi Xingye Enterprise Management Co., Ltd. (ii)	**21,071**	21,070
Beijing Zhoushi Xingye International Trading Co., Ltd. (iii)	**1,254**	1,254
Tianjin Zhoushi International Trade Co., Ltd. (iv)	**4,569**	7,176
Sichuan Chuanwu Automobile Import and Export Trade Corporation (v)	**232**	232
Chengdu Riyue Industrial Development Co., Ltd. (vi)	**919**	56
	30,416	31,764
Rental income from:		
Beijing eCapital Kechuang Technology Group Ltd.	**606**	669
Insurance agency income from:		
Sichuan Chuanwu Automobile Import and Export Trade Corporation	—	5,777
Commission income from:		
eCapital (China) Leasing Co., Ltd.	**805**	59
Sales of motor vehicles:		
eCapital (China) Leasing Co., Ltd.	**98,564**	46,324
Vehicle repair and maintenance income from:		
eCapital (China) Leasing Co., Ltd.	**319**	—
Purchase of services and goods from:		
Beijing Xiaobo Technology Co., Ltd.	**7,778**	11,534
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**203**	1,701
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	**2**	6,466
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**15,407**	13,240
Tianjin Zhoushi International Trade Co., Ltd.	**445**	339
Chengdu Chuanwu Investment Co., Ltd.	—	1,186
	23,835	34,466

39. Related party transactions (continued)

(b) Transactions with related parties (continued)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest income from:		
eCapital (China) Leasing Co., Ltd.	–	3,249
Beijing eCapital Kechuang Technology Group Ltd.	–	4,291
Beijing Zhoushi Xingye Branding and Management Co., Ltd.	–	1,619
Tianjin Zhoushi Xingye Leasing Co., Ltd.	–	326
Beijing Zhoushi Xingye International Trading Co., Ltd.	–	326
BetterLife Global Auctioneering Co., Ltd.	–	408
Beijing Xiaobo Technology Co., Ltd.	–	348
	–	10,567
Interest expense on sale and lease-back transactions:		
eCapital (China) Leasing Co., Ltd.	**1,165**	1,064
Finance costs paid to:		
eCapital (China) Leasing Co., Ltd.	**209**	809

Notes:

(i) The Group entered into a property leasing agreement with Oule (Hangzhou) Automobile Technology Co., Ltd., and accordingly recognised lease liabilities of RMB4,598,000 (2020: RMB6,689,000) as at 31 December 2021.

(ii) The Group entered into some property leasing agreements with Beijing Zhoushi Xingye Enterprise Management Co., Ltd., and accordingly recognised lease liabilities of RMB19,384,000 (2020: RMB61,337,000) as at 31 December 2021.

(iii) The Group entered into a property leasing agreement with Beijing Zhoushi Xingye International Trading Co., Ltd., and accordingly recognised lease liabilities of RMB3,504,000 (2020: RMB4,533,000) as at 31 December 2021.

(iv) The Group entered into a property leasing agreement with Tianjin Zhoushi International Trade Co., Ltd., and accordingly recognised lease liabilities of RMB15,937,000 (2020: RMB19,463,000) as at 31 December 2021.

(v) The Group entered into a property leasing agreement with Sichuan Chuanwu Automobile Import and Export Trade Corporation, and accordingly recognised lease liabilities of RMB1,362,000 (2020: RMB1,498,000) as at 31 December 2021.

(vi) The Group entered into a property leasing agreement with Chengdu Riyue Industrial Development Co., Ltd., and accordingly recognised lease liabilities of RMB4,820,000 (2020: RMB5,230,000) as at 31 December 2021.

39. Related party transactions (continued)

(c) Other transactions with related parties

(i) During the year ended 31 December 2021, the Group sold its motor vehicles to eCapital (China) Leasing Co., Ltd., which were leased back for use by the Group. The proceeds from the sale and lease-back transactions amounted to approximately RMB18,354,000 (2020: RMB16,918,000) for the year ended 31 December 2021. Lease payments of the sale and lease-back transactions amounted to approximately RMB20,755,000 (2020: RMB15,329,000) for the year ended 31 December 2021. The annual interest rates of the sale and lease-back transactions ranged from 9.68% to 18.39%. In addition, rental fees of utilising the license plates and vehicles owned by eCapital (China) Leasing Co., Ltd. amounted to approximately RMB2,950,000 (2020: RMB2,732,000) for the year ended 31 December 2021.

As at 31 December 2021, sale and lease-back liabilities with eCapital (China) Leasing Co., Ltd. were RMB7,620,000 (2020: RMB8,856,000).

(ii) During the year ended 31 December 2021, the Group sold its motor vehicles to certain customers and then the customers carried out mortgage arrangements with eCapital (China) Leasing Co., Ltd. The proceeds from sale of motor vehicles were partly paid by eCapital (China) Leasing Co., Ltd., which amounted to RMB11,063,000 (2020: nil) for the year ended 31 December 2021.

The above related party transactions in respect of items (b) and (c) were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(d) Balances with related parties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Amounts due from related parties:		
eCapital (China) Leasing Co., Ltd.	**2,402**	2,860
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**5,434**	18,644
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	413
	7,836	21,917
Amounts due to related parties:		
eCapital (China) Leasing Co., Ltd.	**7,686**	10,979
Sichuan Chuanwu Automobile Import and Export Trade Corporation	**—**	27
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**—**	53
	7,686	11,059

Except for sale and lease-back liabilities detailed in note 39(c) above, the balances with related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

39. Related party transactions (continued)

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Short term employee benefits	**20,162**	6,863
Equity-settled share option expense	**5,299**	—
Post-employment benefits	**273**	21
Total compensation paid to key management personnel	**25,734**	6,884

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (b) and (c) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000	**Financial assets at fair value through profit or loss RMB'000**	**Total RMB'000**
Trade receivables	**41,113**	**—**	**41,113**
Financial assets included in prepayments, other receivables and other assets	**284,463**	**—**	**284,463**
Financial assets included in amounts due from related parties	**7,335**	**—**	**7,335**
Financial assets at fair value through profit or loss	**—**	**50,000**	**50,000**
Cash in transit	**19,779**	**—**	**19,779**
Pledged deposits	**10**	**—**	**10**
Restricted cash	**4,909**	**—**	**4,909**
Cash and cash equivalents	**1,333,369**	**—**	**1,333,369**
	1,690,978	**50,000**	**1,740,978**

40. Financial instruments by category (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**118,998**
Lease liabilities	**181,520**
Financial liabilities included in other payables and accruals	**78,503**
Financial liabilities included in amounts due to related parties	**7,620**
Interest-bearing bank and other borrowings	**223,516**
	610,157

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total RMB'000
Trade receivables	38,246	—	38,246
Financial assets included in prepayments, other receivables and other assets	269,753	—	269,753
Financial assets included in amounts due from related parties	8,267	—	8,267
Financial assets at fair value through profit or loss	—	439,000	439,000
Cash in transit	6,160	—	6,160
Pledged deposits	25,451	—	25,451
Cash and cash equivalents	230,672	—	230,672
	578,549	439,000	1,017,549

40. Financial instruments by category (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	145,625
Lease liabilities	144,864
Financial liabilities included in other payables and accruals	71,428
Financial liabilities included in amounts due to related parties	8,917
Interest-bearing bank and other borrowings	326,106
	696,940

41. Fair value and fair value hierarchy of financial instruments

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, pledged deposits, cash in transit, interest-bearing bank and other borrowings, trade and bills payables, amounts due from/to related parties, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in financial products, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

41. Fair value and fair value hierarchy of financial instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**—**	**50,000**	**—**	**50,000**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	439,000	—	439,000

As at 31 December 2021 and 2020, there are no liabilities for which fair values are disclosed.

During the year, 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 (2020: nil).

42. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets other than pledged deposits (note 22), and cash and cash equivalents (note 24).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 28. Borrowings at variable rates expose the Group to the risk of changes on market interest rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax RMB'000**
Year ended 31 December 2021		
RMB	**50**	**(161)**
RMB	**(50)**	**161**
Year ended 31 December 2020		
RMB	50	(1,229)
RMB	(50)	1,229

42. Financial risk management objectives and policies (continued)

Foreign currency risk

The Company and its subsidiaries mainly transact in RMB. Management considers that the Group's exposure to foreign currency risk is not significant.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

42. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	41,113	41,113
Financial assets included in prepayments, other receivables and other assets					
— Normal**	284,463	—	—	—	284,463
— Doubtful**	—	—	15,240	—	15,240
Financial assets included in amounts due from related parties					
— Normal**	7,335	—	—	—	7,335
Cash in transit — Not yet past due	19,779	—	—	—	19,779
Pledged deposits — Not yet past due	10	—	—	—	10
Restricted cash — Not yet past due	4,909	—	—	—	4,909
Cash and cash equivalents — Not yet past due	1,333,369	—	—	—	1,333,369
	1,649,865	—	15,240	41,113	1,706,218

42. Financial risk management objectives and policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	38,246	38,246
Financial assets included in prepayments, other receivables and other assets					
— Normal**	269,753	—	—	—	269,753
— Doubtful**	—	—	15,240	—	15,240
Financial assets included in amounts due from related parties					
— Normal**	8,267	—	—	—	8,267
Cash in transit — Not yet past due	6,160	—	—	—	6,160
Pledged deposits — Not yet past due	25,451	—	—	—	25,451
Cash and cash equivalents — Not yet past due	230,672	—	—	—	230,672
	540,303	—	15,240	38,246	593,789

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in amounts due from related parties and the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

42. Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade and bills payables	**—**	**118,998**	**—**	**—**	**118,998**
Financial liabilities included in other payables and accruals	**78,503**	**—**	**—**	**—**	**78,503**
Financial liabilities included in amounts due to related parties	**66**	**8,084**	**—**	**—**	**8,150**
Interest-bearing bank and other borrowings	**—**	**228,225**	**—**	**—**	**228,225**
Lease liabilities	**—**	**53,497**	**109,944**	**125,584**	**289,025**
	78,569	**408,804**	**109,944**	**125,584**	**722,901**

	As at 31 December 2020				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	145,625	—	—	145,625
Financial liabilities included in other payables and accruals	71,428	—	—	—	71,428
Financial liabilities included in amounts due to related parties	61	9,746	—	—	9,807
Interest-bearing bank and other borrowings	—	332,257	—	—	332,257
Lease liabilities	—	44,355	122,842	9,022	176,219
	71,489	531,983	122,842	9,022	735,336

42. Financial risk management objectives and policies (continued)

Capital 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.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted 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 owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**223,516**	326,106
Trade and bills payables	**118,998**	145,625
Lease liabilities	**181,520**	144,864
Financial liabilities included in other payables and accruals	**78,503**	71,428
Financial liabilities included in amounts due to related parties	**7,620**	8,917
Less: Cash and cash equivalents	**(1,333,369)**	(230,672)
Cash in transit	**(19,779)**	(6,160)
Pledged deposits	**(10)**	(25,451)
Net debt	**(743,001)**	434,657
Equity attributable to owners of the parent	**2,586,812**	1,528,017
Capital and net debt	**1,843,811**	1,962,674
Gearing ratio	**N/A**	22%

As at 31 December 2021, the Group's cash and bank balances exceeded the financial liabilities. As such, no gearing ratio as at 31 December 2021 was presented.

43. Events after the reporting period

(a) On 4 March 2022, the Group entered into a sale and purchase agreement with an independent third party to purchase a property situated in Mainland China at a cash consideration of RMB155,000,685 (equivalent to approximately HK$191,443,957). The property is to be used as a showroom of Mercedes-Benz automobiles.

(b) On 28 March 2022, the board of directors of the Company recommend a final dividend of RMB0.22 per share for the year ended 31 December 2021, representing approximately RMB136,950,000 in total.

44. Statement of financial position of the company

	Note	**As at 31 December**	
		2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries		**36,856**	36,253
Total non-current assets		**36,856**	36,253
CURRENT ASSETS			
Cash and cash equivalents		**570,360**	—*
Prepayments, other receivables and other assets		**11,381**	—
Total current assets		**581,741**	—*
CURRENT LIABILITIES			
Due to a subsidiary		**341**	3
Total current liabilities		**341**	3
NET CURRENT ASSETS/(LIABILITIES)		**581,400**	(3)
TOTAL ASSETS LESS CURRENT LIABILITIES		**618,256**	36,250
NET ASSETS		**618,256**	36,250
EQUITY			
Share capital	30	**5,180**	—*
Reserves (note)		**613,076**	36,250
Total equity		**618,256**	36,250

* Less than RMB1,000.

44. Statement of financial position of the company (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium	Share option reserve	Capital reserve	Accumulated losses	Exchange fluctuation reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	—	—	36,253	—	—	36,253
Total comprehensive loss for the year	—	—	—	(3)	—	(3)
At 31 December 2020 and 1 January 2021	**—**	**—**	**36,253**	**(3)**	**—**	**36,250**
Total comprehensive loss for the year	**—**	**—**	**—**	**(18,520)**	**(10,468)**	**(28,988)**
Issue of shares	**630,311**	**—**	**—**	**—**	**—**	**630,311**
Capitalisation issue	**(3,745)**	**—**	**—**	**—**	**—**	**(3,745)**
Share issue expenses	**(26,051)**	**—**	**—**	**—**	**—**	**(26,051)**
Equity-settled share option arrangements	**—**	**5,299**	**—**	**—**	**—**	**5,299**
At 31 December 2021	**600,515**	**5,299**	**36,253**	**(18,523)**	**(10,468)**	**613,076**

45. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

FOUR YEARS SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four years, as extracted from the published audited financial information and financial statements is set out below.

	Year Ended 31 December			
	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	**RMB'000**
REVENUE	8,409,178	8,178,781	8,533,130	**9,962,870**
Cost of sales	(7,583,982)	(7,396,583)	(7,669,517)	**(8,784,352)**
Gross profit	825,196	782,198	863,613	**1,178,518**
Other income and gains	232,896	140,271	168,481	**220,324**
Selling and distribution expenses	(344,339)	(365,623)	(360,536)	**(418,052)**
Administrative expenses	(191,196)	(153,222)	(192,394)	**(221,149)**
Other expenses	(12,050)	(17,178)	(17,898)	**(12,704)**
Finance costs	(83,549)	(56,242)	(41,054)	**(19,609)**
Profit before tax	426,958	330,204	420,212	**727,328**
Income tax expense	(156,775)	(105,316)	(113,721)	**(166,643)**
Profit for the year	270,183	224,888	306,491	**560,685**
Attributable to:				
Owners of the parent	206,951	159,857	234,984	**456,030**
Non-controlling interests	63,232	65,031	71,507	**104,655**
Assets and liabilities				
TOTAL ASSETS	3,437,589	3,285,571	3,040,633	**4,159,100**
Total liabilities	2,124,948	1,801,507	1,346,447	**1,351,464**
Total equity	1,312,641	1,484,064	1,694,186	**2,807,636**
Attributable to:				
Owners of the Company	1,140,862	1,293,254	1,528,017	**2,586,812**
Non-controlling interests	171,779	190,810	166,169	**220,824**
	1,312,641	1,484,064	1,694,186	**2,807,636**

百得利控股有限公司
BetterLife Holding Limited