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

2023 年度報告
ANNUAL REPORT

CUSTOMER
FOR LIFE

CONTENTS

CORPORATE INFORMATION

Board of directors

Executive directors

Mr. Chou Patrick Hsiao-Po (Chairman)
(resigned on 9 March 2024)
Ms. Sun Jing (Deputy chairlady)
Mr. Xu Tao (chief executive officer)
Mr. Chau Kwok Keung (resigned on 14 January 2024)

Non-executive director

Dr. Chou Som Po (Chairman)
(appointed on 9 March 2024)

Independent non-executive directors

Mr. Liu Dengqing
Mr. Lou Sai Tong (appointed on 13 November 2023)
Mr. Wong Ka Kit
Mr. Yau Ka Chi (resigned on 31 October 2023)

Company secretary

Mr. Chau Kwok Keung (resigned on 14 January 2024)
Mr. Leung Chi Kit (appointed on 14 January 2024)

Authorised representatives

Ms. Sun Jing
Mr. Chau Kwok Keung (resigned on 14 January 2024)
Mr. Leung Chi Kit (appointed on 14 January 2024)

Audit committee

Mr. Lou Sai Tong (Chairman)
(appointed on 13 November 2023)
Mr. Yau Ka Chi (Chairman)
(resigned on 31 October 2023)
Mr. Liu Dengqing
Mr. Wong Ka Kit

Remuneration committee

Mr. Wong Ka Kit (Chairman)
Mr. Chou Patrick Hsiao-Po (resigned on 9 March 2024)
Dr. Chou Som Po (appointed on 9 March 2024)
Mr. Liu Dengqing

Nomination committee

Mr. Chou Patrick Hsiao-Po (Chairman)
(resigned on 9 March 2024)
Dr. Chou Som Po (Chairman)
(appointed on 9 March 2024)
Mr. Liu Dengqing
Mr. Lou Sai Tong (appointed on 13 November 2023)
Mr. Yau Ka Chi (resigned on 31 October 2023)

Strategic development committee

Mr. Chou Patrick Hsiao-Po (Chairman)
(resigned on 9 March 2024)
Dr. Chou Som Po (Chairman)
(appointed on 9 March 2024)
Ms. Sun Jing
Mr. Wong Ka Kit

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
19th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditor

SHINEWING (HK) CPA Limited
(appointed on 19 December 2023)
17/F, Chubb Tower,
Windsor House,
311 Gloucester Road
Causeway Bay
Hong Kong

Stock code

06909

Company website

www.blchina.com

CHAIRMAN STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of BetterLife Holding Limited (the "**Company**"), I am pleased to present the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 (the "**Year**" or "**Reporting Period**"). During the Year, our revenue increased by approximately RMB646.8 million, or approximately 6.4%, from approximately RMB10,081.7 million for the year ended 31 December 2022 to approximately RMB10,728.5 million for the Year. The Group's net profits for the Year were RMB84.4 million, representing a decrease of approximately 65.2% from approximately RMB242.8 million in 2022.

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of 31 December 2023, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, one Jaguar-Land Rover showroom and one Mercedes-Benz showroom across seven provinces and municipalities in China, namely Beijing, Tianjin, Shandong, Sichuan, Zhejiang, Shanghai and Guangdong. These seven provinces and municipalities were all among the well-developed regions in China and had shown strong purchase power and demands for luxury and ultra-luxury automobiles.

We offer a comprehensive range of automobile-related products and services, including (i) sale of automobiles consisting of mainly imported and domestically manufactured petroleum models; and (ii) after-sales services, which consist of repair and maintenance services, sale of accessories and other automobile-related products, insurance agency services and automobile license plate registration services. We also provide other automobile-related value-added services to customers, such as automobile financing and pre-owned automobile-related business 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 batch of 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, high-quality service and 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 pre-owned 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, improve customers' experience and increase operating efficiency; (iii) enhance our after-sales services and automobile-related high-frequency services to meet customer daily needs; (iv) further expand our used car business to adapt to and capture the growing new energy vehicle market; and (v) continue to focus on the recruitment, training and retention of employees to support our future growth and expansion.

During the Year, the Group's revenue from sales of automobiles and after-sales services both increased healthily. However, the average selling price and gross margin of vehicle sales decreased during the Year since the macro-economy and consumption power have not been fully recovered in Mainland China as expected. It resulted in a decline in the operating results of the Group in the Year as compared to that of 2022. With the support of our Board and management team, I am confident that our business will continue to grow and to develop steadily and healthily in the long run. We will closely monitor the market changes, and still plan to acquire other 4S dealership stores that operate luxury and ultra-luxury brands, including, among others, Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover, Volvo, new energy vehicle and so on in economically well-developed regions in China.

We have noticed that the sales of new passenger cars in China's auto market are becoming more stable. As the regulatory environment of the used car market continues to improve and the used car industry has become more standardized, the Group established a used car center in 2023 to focus on developing the used car business. We trade in and trade out with transparent price, and provide customers with comprehensive services such as vehicle inspection, maintenance, warranty and financial services to enhance consumers' confidence in used cars.

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

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

Chou Som Po
Chairman, Non-executive Director

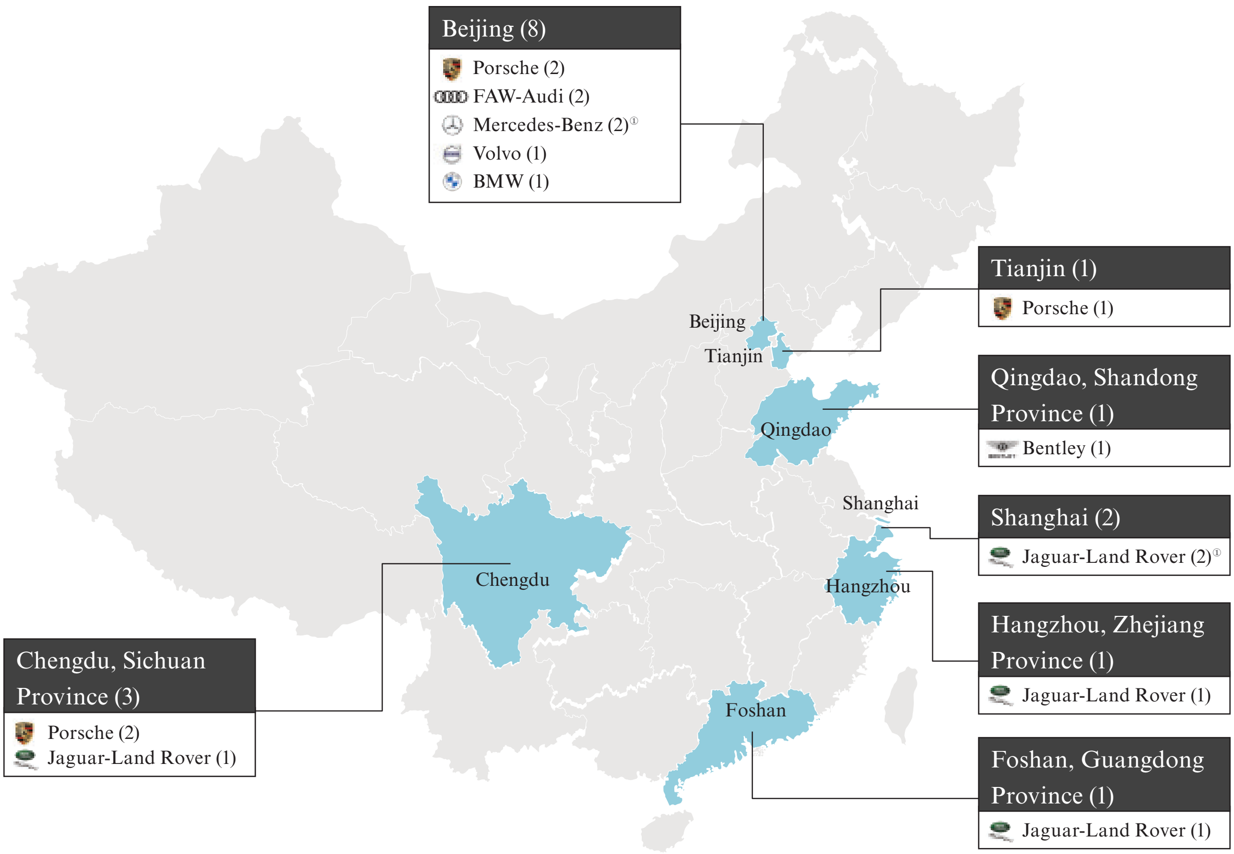
Beijing, the PRC, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are an automobile dealership service provider in China focusing on luxury and ultra-luxury brands. As of the date of this Annual Report, we operated 15 4S dealership stores for the brands of Porsche, Mercedes-Benz, BMW, Audi, Bentley, Jaguar-Land Rover and Volvo, and one Jaguar-Land Rover showroom and one Mercedes-Benz showroom across seven provinces and municipalities in China, namely Beijing, Shanghai, Tianjin, Shandong, Sichuan, Zhejiang and Guangdong. 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.

During 2023, we established a new showroom of Jaguar-Land Rover in Shanghai and our new showroom of Mercedes-Benz in Beijing commenced operation.



*Note: ① One 4S store and one showroom.

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-related business 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 place more value on comprehensive professional and high-quality services. Our 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, has enabled us to minimize the costs of maintaining inventory and improve our overall sales performance and customers' satisfaction with our services.

During the Year, the Group sold 18,782 passenger vehicles in total, representing an increase of approximately 23.9% from 15,154 passenger vehicles sold during the previous year. The revenue generated from the sales of automobiles for the Year amounted to approximately RMB9,427.2 million, representing an increase of approximately 5.7% over that of the previous year, which accounted for approximately 87.9% of the Group's total revenue for the Year. During the Year, the Group's revenue from after-sales services reached approximately RMB1,301.3 million, representing an increase of approximately 11.6% as compared to that of last year, which accounted for approximately 12.1% of the Group's total revenue for the Year.

Revenues from our top five customers for the Year represented approximately 6.4% of our total revenue, compared to approximately 5.3% for the previous year. The sales to our largest customer accounted for approximately 2.1% of our total revenue for the Year, as compared to approximately 1.6% for the previous year.

Our top five suppliers are automobile manufacturers that supply new automobiles and spare parts to us. During the Year, purchases from our top five suppliers represented approximately 74.6% of our total purchases, compared to approximately 76.5% for the previous year. And the purchases from our largest supplier represented approximately 34.9% of our total purchases for the Year, as compared to approximately 43.2% 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 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 prudent business strategy we have pursued in recent years, including a disciplined approach to dealership network expansion, efficient management of our various inventories, and the maintenance of a conservative capital structure as well as a solid financial position, has rewarded us with a position in the market that is able to weather the challenging economic environment and to capture future growth opportunities. We would continue to manage and to mitigate the risks to our business and aim to capture the opportunities that the automobile dealership sector will offer in the coming years.

Financial Review

Revenue

The Group's revenue from sales of automobiles and after-sales services both increased healthily during the Year. Our revenue increased by approximately RMB646.8 million, or approximately 6.4%, from approximately RMB10,081.7 million for the year ended 31 December 2022 to approximately RMB10,728.5 million for the Year. Revenue from sales of automobiles increased by approximately RMB511.3 million, or approximately 5.7%, from approximately RMB8,915.9 million for the year ended 31 December 2022 to approximately RMB9,427.2 million for the Year, accounting for approximately 87.9% of the total revenue of the Group for the Year (the year ended 31 December 2022: approximately 88.4%). In terms of sales volume, the Group sold 18,782 units of passenger vehicles in total for the Year, representing an increase of approximately 23.9% from 15,154 units of passenger vehicles sold during the year ended 31 December 2022. However, the impact of increase in sales volume was partially offset by the decrease in the average selling price (the "**ASP**") of automobile of approximately 14.7% from approximately RMB588,350 for the year ended 31 December 2022 to approximately RMB501,928 for the Year. The decrease in ASP during the Year was mainly due to the consumers consumption power having not been fully recovered as expected. Revenue from after-sales services increased by approximately RMB135.4 million, or approximately 11.6%, from approximately RMB1,165.9 million for the year ended 31 December in 2022 to approximately RMB1,301.3 million for the Year, accounting for approximately 12.1% of the total revenue of the Group for the Year (the year ended 31 December 2022: approximately 11.6%).

Cost of sales

Cost of sales increased by approximately 10.3% from approximately RMB9,204.2 million for the year ended 31 December 2022 to approximately RMB10,150.0 million for the Year, which was primarily due to the increase in sales volume of passenger vehicles as described above.

Gross Profit and Gross Profit Margin

During the Year, the Group recorded gross profits of approximately RMB578.4 million, representing a decrease of approximately 34.1% from the gross profit of approximately RMB877.5 million for the year ended 31 December 2022. Our gross profit margin decreased from approximately 8.7% for the year ended 31 December 2022 to approximately 5.4% for the Year. Such decrease was primarily due to the decrease in ASP of passenger vehicles. Gross profit margin for the sales of passenger vehicles decreased to approximately 0.2% for the Year from approximately 4.1% for the year ended 31 December 2022. Gross profit margin for the after-sales decreased to approximately 42.8% for the Year from approximately 43.9% for the year ended 31 December 2022.

Other Income and Gains

Our other income and gains increased by approximately 60.4% from approximately RMB256.1 million for the year ended 31 December 2022 to approximately RMB410.7 million for the Year. Other income and gains mainly comprised commission income from other value-added automobile services, including referring customers who require financing arrangements for purchasing automobiles and pre-owned automobile brokerage services and the gain from disposal of property, plant and equipment etc. The increase of other income and gains during the Year was mainly due to the increase in commission income generated from the other value-added automobile services.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 10.1% from approximately RMB513.2 million for the year ended 31 December 2022 to approximately RMB565.2 million for the Year, which was in line with the increase in sales volume of automobiles and after-sales services during the Year. It accounted for approximately 5.3% of the total revenue of the Group which increased from approximately 5.1% recorded for the year ended 31 December 2022.

Administrative Expenses

Our administrative expenses decreased by approximately 6.9% from approximately RMB261.2 million for the year ended 31 December 2022 to approximately RMB243.1 million for the Year, as the Group had carried out stricter control over the administrative expenses. It accounted for approximately 2.3% of the total revenue of the Group for the Year which decreased slightly from approximately 2.6% recorded for the year ended 31 December 2022.

Financial Costs

Our finance costs increased by approximately 25.7% from approximately RMB37.8 million for the year ended 31 December 2022 to approximately RMB47.5 million for the Year, primarily due to the increase in our bank and other borrowings during the Year. It accounted for approximately 0.4% of the total revenue of the Group for the Year, at the same level as approximately 0.4% recorded for the year ended 31 December 2022.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by approximately 58.5% from approximately RMB321.4 million for the year ended 31 December 2022 to approximately RMB133.4 million for the Year.

Income Tax Expense

Our income tax expense decreased by approximately 37.7% from approximately RMB78.6 million for the year ended 31 December 2022 to approximately RMB49.0 million for the Year, primarily due to the decrease in taxable profit that we recorded during the Year.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the Year decreased by approximately 65.2% from approximately RMB242.8 million for the year ended 31 December 2022 to approximately RMB84.4 million for the Year. The net profit margin for the Year was approximately 0.8%, comparing to the net profit margin of approximately 2.4% for the year ended 31 December in 2022.

Profit Attributable to Owners of the Parent

The profit attributable to owners of the parent for the Year decreased by approximately 66.9% from approximately RMB171.5 million for the year ended 31 December 2022 to approximately RMB56.8 million for the Year as a result of the foregoing.

Dividend

The Board resolved to recommend a final dividend of RMB3.0 cents per share for the Year (the year ended 31 December 2022: RMB3.0 cents per share), representing a total payout of approximately RMB18.7 million, subject to approval by the Shareholders at the annual general meeting to be held on Tuesday, 30 April 2024. The total dividends for the Year, which include the final dividends, represented approximately 32.9% of the profit attributable to holding company for the Year. Any amount of dividend we pay will be considered annually at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, the Company does not have a fixed dividend distribution ratio.

Inventory Turnover Days

There was a decrease in inventory balance of approximately 6.1% from approximately RMB853.8 million as at 31 December 2022 to approximately RMB801.3 million as at 31 December 2023, despite of the increase in sales volume. The Group continued to focus on inventory management and to achieve a healthy liquidity position throughout the Year. The average inventory turnover days as at 31 December 2023 totaled approximately 29.8 days (31 December 2022: approximately 29.6 days).

Liquidity and Financial Resources

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

As at 31 December 2023, the total equity of the Group amounted to approximately RMB2,893.2 million (31 December 2022: approximately RMB2,832.8 million). As at 31 December 2023, the current asset of the Group amounted to approximately RMB2,463.5 million (31 December 2022: approximately RMB2,495.6 million) while current liabilities amounted to approximately RMB1,211.7 million (31 December 2022: approximately RMB1,406.0 million).

As at 31 December 2023, the Group's loans and borrowings amounted to RMB441.4 million, representing a decrease of approximately 22.8% as compared to RMB572.1 million as at 31 December 2022. The decrease in the Group's interest-bearing bank and other borrowings during the Year was primarily due to the repayment of the loan and other borrowings, by using cash generated from our operating activities. The annual interest rates of the bank loans and other borrowings ranged from approximately 3.15% to approximately 5.69%. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group currently has not used any derivatives to hedge interest rate risk. The debt-to-equity ratio (being the total loans and borrowings divided by total equity) was approximately 15.3% as at 31 December 2023 (31 December 2022: approximately 20.2%). The Group was in net cash position of approximately RMB535.7 million as at 31 December 2023 (31 December 2022: approximately RMB184.6 million).

As at 31 December 2023, cash and cash equivalents, cash in transit, restricted cash and pledged deposits amounted to approximately RMB977.1 million (31 December 2022: approximately RMB756.7 million). The cash and cash equivalents and pledged bank deposits were mainly denominated in Renminbi and Hong Kong Dollars. Other than part of the cash denominated in Hong Kong Dollars, the Group's business operations in China and major transactions are all denominated in Renminbi. During the Year, the Group did not employ in any significant financial instruments such as forward foreign exchange contracts for foreign exchange hedging purposes, nor did it employ any major financial instruments for hedging purposes. The management of the Group will closely monitor foreign exchange risks and will consider measures to hedge potential major foreign exchange risks when necessary.

Capital Commitments

The Group's capital commitments mainly comprised expenditures on property, plant and equipment, intangible assets and business acquisition. As at 31 December 2023, the capital commitments were approximately RMB3.5 million (31 December 2022: approximately RMB14.5 million). Save as disclosed above, the Group did not make any significant commitments during the Year.

Details of the Future Investment Plans for Material Investment

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

Significant Acquisition and Disposal of Subsidiaries

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

Capital Expenditures and Investment

The Group's capital expenditures comprised expenditures on property, plant and equipment, land use rights and business acquisition. For the Year, the Group's total capital expenditures were approximately RMB286.6 million (the year ended 31 December 2022: approximately RMB784.3 million). Save as disclosed above, the Group did not make any significant investments during the Year.

Contingent Liabilities

As at 31 December 2023, there was no material contingent liability (31 December 2022: 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 2023, certain of our bank loans and other borrowings and bills payables were secured by (i) mortgages over our inventories, which had an aggregate carrying amount of approximately RMB142.8 million (31 December 2022: approximately RMB47.7 million); and (ii) mortgages over the deposits, which had an aggregate carrying amount of approximately RMB108.7 million (31 December 2022: approximately RMB36.6 million). Save as disclosed above, as at 31 December 2023, no other assets of the Group were charged.

Human Resources

As of 31 December 2023, the Group had 1,440 employees (31 December 2022: 1,490). The remuneration of the existing employee includes basic salaries, discretionary bonuses and social security contributions. Payment levels of the employees are commensurate with their responsibilities, performance and contribution.

Important Events after the Year

The Directors are not aware of any significant event which had material effect on the Group subsequent to 31 December 2023 and up to the date of this Annual Report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Sun Jing (孫靖), aged 54, joined our Group in December 2006. Ms. Sun 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 and deputy chairlady of the Board in August 2023. Ms. Sun is currently the chief of the board office (董事會辦公室主任) of Beijing BetterLife Automobile Import and Export Group Co., Ltd. ("**Beijing BetterLife Group**").

From July 2014 to December 2018, Ms. Sun was the general manager of Beijing BetterLife Auto Sales Co., Ltd. ("**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 Management Group Co., Ltd. ("**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 46, joined the Group in April 2008 and was appointed as an executive Director in January 2022 and the chief executive officer of the Company in March 2024. He also has been serving as the director of information operation in the Group since August 2023.

Mr. Xu has approximately 20 years of experience in the automobile industry. Prior to joining the 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 Haidian Mercedes-Benz operated by Beijing BetterLife Star Auto Sales Co., Ltd.* (北京百得利之星汽車銷售有限公司) ("**Beijing BetterLife Star**") as a sales director in April 2008, and served as the general manager from May 2013 to April 2022. 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. He served as the general manager of Beijing Yingzhibao Automobile Trading Co., Ltd.* (北京盈之寶汽車貿易有限公司) ("**Beijing YZB**") from May 2022 to July 2023.

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.

Non-executive Directors

Dr. Chou Som Po (周松波), aged 56, was appointed as chairman of the Board and a non-executive Director in March 2024. Dr. Chou is the elder brother of Mr. Chou Patrick Hsiao-Po, who is the controlling shareholder of the Company. Dr. Chou has extensive experience in business management. Dr. Chou has been the managing director of Solmic Biotech GmbH, which is primarily engaged in manufacturing and sales of nutritional supplements, cosmetic and pharmaceutical products businesses in Germany, since May 2020. Dr. Chou served as the general manager of Chou Dynasty GmbH, which is engaged in a wide range of businesses including trade, investment and catering business between China and Germany through its subsidiaries and associated companies from 1998 to around 2015. Dr. Chou also served as the chairman of the board of directors of Tongling Sanjia Technology Co., Ltd.* (銅陵三佳科技股份有限公司, a company listed on the Shanghai Stock Exchange with the stock code of 600520, now known as WenYi Trinity Technology Co., Ltd. (文一三佳科技股份有限公司) from May 2006 to April 2009. From November 2010 to April 2020, Dr. Chou served as the chairman of the board of directors of eCapital (China) Finance Leasing Co., Ltd.* (易匯資本(中國)融資租賃有限公司).

Dr. Chou graduated from the Department of National Economics of University of Bonn and received a diploma in July 1990. Dr. Chou obtained a doctorate in economics from the School of Economics (經濟學院) of Peking University (北京大學) in January 1995. Dr. Chou completed a postdoctoral research in business administration at Peking University from December 2006 to March 2009, and obtained a postdoctoral certificate from the National Postdoctoral Management Committee* (全國博士後管理委員會) in March 2009.

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

Independent Non-executive Directors

Liu Dengqing (劉登清), aged 53, was appointed as an independent non-executive Director 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 project appraisal expert of financial institution state assets appraisal project of the MoF. 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, a member of the 4th and 5th Merger and Reorganization Committee of the CSRC from 2012 to 2016, and a member of the 1st ChiNext Listing Committee of the Shenzhen Stock Exchange from 2020 to 2023.

Mr. Liu has served as 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 of Hong Kong Limited (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, 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, and was an independent director of Polaris Bay Group Co., Ltd. (華創雲信數字技術股份有限公司) (formerly known as Polaris Bay Group Co., Ltd. (華創陽安股份有限公司)) (a company listed on the Shanghai Stock Exchange (stock code: 600155)) from December 2016 to April 2023. 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 47, was appointed as an independent non-executive Director in December 2020 and is responsible for providing independent opinion and judgment to our Board.

Mr. Wong served 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 served as the chief executive officer, chief financial officer and a director of Bridgetown 2 Holdings Limited (a company listed on NASDAQ (symbol: BTNB)) until March 2022. Mr. Wong was a senior vice president (Mergers and Acquisitions) in Pacific Century Group Holdings (HK) Limited and he 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. Mr. Wong served in PineBridge Investments Asia Limited (a portfolio company of Pacific Century) ("**PineBridge**") as a consultant to the PineBridge group of companies (with the title of senior managing director) and served as a member of the executive committee of PineBridge from 2015 to 2018. Mr. Wong served as an independent non-executive director of AV Concept Holdings Limited (a company listed on the Stock Exchange, stock code 595) from September 2004 to August 2020. Mr. Wong has also served as a director of CompareAsia Group Capital Limited (which operates a comparison site for financial products in Southeast Asia) from July 2019 to January 2022.

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

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

Mr. Lou Sai Tong (盧世東), aged 56, was appointed as an independent non-executive Director in November 2023 and is responsible for providing independent opinion and judgment to our Board.

Mr. Lou has over 30 years of professional and extensive experience working in international audit firms and as chief financial officer/company secretary in various publicly listed companies, including companies listed on the Stock Exchange. Mr. Lou currently serves as the managing director of Full Capital Group Co., Ltd. (盛京集團有限公司). From May 2019 to November 2020, Mr. Lou served as an independent non-executive director of Sino Vision Worldwide Holdings Limited (a company previously listed on the growth enterprise market of the Stock Exchange with stock code 8086). From June 2000 to July 2017, Mr. Lou served as the chief financial officer and/or the company secretary of various companies listed or previously listed on the Stock Exchange or Singapore Exchange, including SMI Holdings Group Limited (a company previously listed on the Main Board of the Stock Exchange with stock code 0198), China Kingstone Mining Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code 1380), China Shineway Pharmaceutical Group Limited (a company listed on the Main Board of the Stock Exchange with stock code 2877), China NT Pharma Group Company Limited (a company listed on the Main Board of the Stock Exchange with stock code 1011), C&G Environmental Protection Holdings Limited (a company previously listed on the Main Board of the Singapore Exchange with stock code D79) and China Everbright Technology Limited (a company listed on the Main Board of the Stock Exchange with stock code 256, and currently known as Citychamp Watch & Jewellery Group Limited). Mr. Lou graduated from University of South Australia and received a master's degree in business administration. He is a member of Association of International Accountants as well as a member of Hong Kong Institute of Certified Public Accountants.

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

Senior Management

Ms. Wei Hongjing (魏紅晶), aged 53, first joined the Group in June 2002 and was appointed as the deputy chief executive officer of the Company in August 2023.

Ms. Wei has extensive knowledge of the business and operation of Group as well as the industry. During the periods of July 2015 to December 2015 and July 2004 to June 2009, Ms. Wei served as the general manager of the Beijing Yizhuang Porsche Center operated by Beijing BetterLife Group and was primarily responsible for formulating strategy, sales goals and operation plans and adjustment of marketing strategy of such center. Ms. Wei served as the assistant to the chief executive officer of the Group from July 2014 to July 2015. Ms. Wei served as the general manager of Chengdu Jinniu Porsche Center operated by Chengdu Jinbao from January 2016 to December 2020, the general manager of Chengdu Airport Porsche Center operated by Chengdu Xinbao from January 2018 to December 2020, an executive Director from December 2020 to December 2021. Ms. Wei resigned as an executive Director on 31 December 2021 in order to devote more time to her family. Ms. Wei rejoined the Group when she was appointed as an executive vice president of the Company on 21 August 2023, before she was appointed as the deputy chief executive officer of the Company on 29 August 2023.

Ms. Wei graduated from Tianjin United Yeyu University* (天津聯合業餘大學) (the predecessor of the current Tianjin Development Zone Vocational College* (天津開發區職業技術學院)) in July 1993 and attended training courses provided by Porsche Business Excellence International Dealer Academy (保時捷卓越經銷商管理學院) at the Executive School of Management, Technology and Law of the University of St. Gallen in Switzerland, from February 2017 to March 2018.

Mr. Luo Chao (羅超), aged 53, 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 been serving as the audit director in our Group since January 2023.

Mr. Luo has approximately 21 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. He was also serving as the general manager of Beijing Yizhuang Porsche Center operated by our Group between July 2016 and January 2023. Under the leadership of Mr. Luo, Beijing Yizhuang Porsche Center operated by our Group received various awards and recognitions, including Sales Excellence Award of Porsche Retail Competition of the Northern District of China in 2017, 2018 and 2019.

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

Mr. Ma Shaohui (馬少暉), aged 41, 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 17 years of experience in the automobile industry. Prior to joining our Group, Mr. Ma served as the sales manager of Dalian Hongtai Audi Auto Sales Service Ltd* (大連弘泰奧迪汽車銷售服務有限公司), an authorized dealer for Audi automobiles, from June 2014 to May 2015. Mr. Ma also served as a sales manager of Dalian Yanbao Auto Sales Service Ltd* (大連燕寶汽車銷售服務有限公司), an authorized dealer for BMW automobiles, from March 2007 to June 2014.

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

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities

The Group's operations are conducted in the PRC through its subsidiaries. The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the sale and service of motor vehicles. There were no significant changes in the nature of the Group's principal activities during the Year. We are an automobile dealership service provider in the PRC focusing on luxury and ultra-luxury brands. We have dealership agreements to operate our 4S dealership stores for a diversified portfolio of luxury and ultra-luxury automobile brands, including Porsche, Mercedes Benz, BMW, Audi, Jaguar Land Rover, Bentley and Volvo. We offer a comprehensive range of new automobiles and after-sales products and services, which consist of repair and maintenance services, sale of accessories and other automobile-related products, insurance agency services and automobile license plate registration services. We also provide other automobile-related value-added services to customers, such as automobile financing and pre-owned automobile brokerage services.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2023 are set out in note 17 to the financial statements.

Results

The results of the Group for the year ended 31 December 2023 are set out in the audited consolidated statement of profit or loss on page 88 of this Annual Report.

Business review

A review of the business of the Company and a discussion and analysis of the Company's performance during the Year, and the material factors underlying its results and financial position are provided in the Management Discussion and Analysis on pages 6 to 12 of this Annual Report. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in the section headed "Principal risks and risk management" on page 33 to 34 of this Annual Report and the section headed "Risk management and internal controls" on pages 49 to 50 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 8 to 12 of this Annual Report. The future development of the Company's business is discussed throughout this Annual Report including in the Chairman's Statement on pages 4 to 5 and Management Discussion and Analysis on pages 6 to 12 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 35. Compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "Compliance with Laws and Regulations" of this Report of the Directors; and an account of the Company's relationships with its employees, customers, suppliers, Shareholders, etc. are disclosed in "Relationship with stakeholders" of this Report of the Directors on page 35 to 36.

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 2023 are set out in the consolidated financial statements on pages 88 to 159 of this Annual Report.

Share capital

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

Reserves

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

Distributable reserves

As at 31 December 2023, the Company's reserves available for distribution from share premium less accumulated losses, calculated in accordance with the provisions of Companies Act of the Cayman Islands, amounted to approximately RMB388.7 million (2022: RMB419.3 million), of which approximately RMB18.7 million has been proposed as final dividend for the Year.

Dividends and dividend policy

The Board resolved to recommend a final dividend of RMB3.0 cents per share for the Year (the year ended 31 December 2022: RMB3.0 cents), representing a total pay out of approximately RMB18.7 million, subject to approval by the Shareholders at the annual general meeting to be held on Tuesday, 30 April 2024. The total dividends for the Year, which include the interim, final and special dividends, represented approximately 32.9% of the profit attributable to holding company for the Year. Any amount of dividend we pay will be considered annually at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, the Company does not have a fixed dividend distribution ratio.

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

Summary financial information

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 December 2023 is set out on page 160 of this Annual Report.

Charitable donations

The Company did not make material donation to any charity project or organisation for the year ended 31 December 2023.

Property, plant and equipment

Movements in property, plant and equipment of the Group for the Year are set out in note 12 to the financial statements.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2023 are set out in note 24 to the financial statements.

Contingent liabilities

As at 31 December 2023, our Group had no significant contingent liabilities.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares (the "**Shares**") as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2023.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "**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)* (resigned on 9 March 2024)
Ms. Sun Jing (appointed as Deputy Chairlady on 29 August 2023)
Mr. Xu Tao (appointed as Chief Executive Officer on 9 March 2024)
Mr. Chau Kwok Keung (resigned on 14 January 2024)

Non-Executive Director

Dr. Chou Som Po *(Chairman)* (appointed on 9 March 2024)

Independent Non-Executive Directors

Mr. Liu Dengqing
Mr. Lou Sai Tong (appointed on 13 November 2023)
Mr. Wong Ka Kit
Mr. Yau Ka Chi (resigned on 31 October 2023)

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

In accordance with article 84 of the Articles of Association, Ms. Sun Jing and Mr. Xu Tao will retire from the Board by rotation at the forthcoming annual general meeting. Each of Ms. Sun Jing and Mr. Xu Tao and in accordance with article 83(3), Mr. Lou Sai Tong and Dr. Chou Som Po, 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 as at the date of this Annual Report are set out on pages 13 to 17 of this Annual Report.

Changes in Directors' information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Director's information subsequent to the date of 2023 interim report of the Company are as follows:

- Mr. Xu Tao, being an executive Director, has been serving as the director of information operation in the Group since August 2023. Mr. Xu has served as the general manager of Beijing Yingzhibao Automobile Trading Co., Ltd.* (北京盈之寶汽車貿易有限公司) from May 2022 to July 2023;
- Ms. Sun Jing was appointed as the deputy chairlady of the Board on 29 August 2023;
- Mr. Yau Ka Chi resigned as an independent non-executive Director on 31 October 2023;
- Mr. Lou Sai Tong was appointed as an independent non-executive Director on 13 November 2023;
- Mr. Chau Kwok Keung resigned as an executive Director on 14 January 2024;
- Mr. Chou Patrick Hsiao-Po resigned as an executive Director on 9 March 2024; and
- Dr. Chou Som Po was appointed as a non-executive Director and chairman of the Board on 9 March 2024.

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

Directors' material interests in transactions, arrangements or contracts

Other than as disclosed in this Annual Report or note 35 to the financial statements, no transactions, arrangements or contracts to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as of 31 December 2023 or at any time throughout the year ended 31 December 2023.

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. The non-executive Director has signed an appointment letter with the Company for a term of three years commencing from the date of appointment and will continue thereafter until terminated by not less than three months' notice in writing served by the Director or by notice in writing serviced by the Company. Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of one year with effect from their respective date of appointment unless terminated by not less than three months' notice in writing served by the independent non-executive Director or by notice in writing serviced by the Company. 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. Lou Sai Tong and Mr. Wong Ka Kit, the confirmation of their respective independence. 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 in accordance with Rule 3.13 of the Listing Rules for the year ended 31 December 2023 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 2023, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix C3 to the Listing Rules, were as follows:

Name of Director	Nature of interest	Number of shares interested	Approximate percentage of interest in the issued share capital of the Company
Mr. Chou Patrick Hsiao-Po[1]	Protector and beneficiary of a discretionary trust	450,000,000(L)	72.29%
	Beneficial owner	1,561,000(L)	0.25%
Ms. Sun Jing	Beneficial owner[2]	2,000,000(L)	0.32%
Mr. Xu Tao	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 Holding Co., Ltd. (the "**Chou Dynasty**"), which was owned by Red Dynasty Investments Limited (the "**Red Dynasty**") as to 100%. Red Dynasty was wholly owned by Greenview Nominees Ltd., which was owned by The Bank of N.T. Butterfield & Son Limited as to 100% as nominee and trustee for Butterfield Trust (Asia) Limited as trustee of the Chou Family Trust since 31 October 2023 (previously the trustee of the Chou Family Trust being Credit Suisse Trust Limited). 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. Mr. Chou Patrick Hsiao-Po resigned as a Director on 9 March 2024.

(2) These interests represent options granted to the Director as beneficial owner under the Share Option Scheme (as defined below). Mr. Chan Kwok Keung resigned as a Director on 14 January 2024.

Save as disclosed above, as at 31 December 2023, 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 2023, 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%
Butterfield Trust (Asia) 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 was wholly owned by Greenview Nominees Ltd., which was owned by The Bank of N.T. Butterfield & Son Limited as to 100% as nominee and trustee for Butterfield Trust (Asia) Limited as trustee of the Chou Family Trust since 31 October 2023 (previously the trustee of the Chou Family Trust being Credit Suisse Trust Limited). Therefore, Butterfield Trust (Asia) 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 2023, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which would require to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Material acquisitions and disposals of subsidiaries and affiliated companies

Save as disclosed in this Annual Report, for the year ended 31 December 2023, the Company did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Capital raising activities and the use of proceeds from global offering

The ordinary Shares with a nominal value of HK$0.01 each were listed on the main board of the Stock Exchange on 15 July 2021 (the "**Listing Date**") with total net proceeds from (i) the global offering of the Company and (ii) issue and allotment of additional Shares pursuant to the exercise of over-allotment option on 11 August 2021 (the "**IPO**"), of approximately HK$706.80 million (after deducting underwriting commissions and related expenses) in total. The Company issued 172,500,000 Shares in total at a price of HK$4.40 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 used in a manner consistent with that set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**"). As at 1 January 2023, the unutilized amount of net proceeds was approximately HK$2.00 million.

Please refer to the Prospectus and the announcements of the Company dated 14 July 2021 and 6 August 2021, respectively, for further details. Set out below is a summary of the utilization of the net proceeds from the IPO as of 31 December 2023:

Intended use of net proceeds	% of total net proceeds	Amount of net proceeds (HK$ million)	Utilized from the Listing Date up to 31 December 2022 (HK$ million)	Utilized during the Year (HK$ million)	% utilized	Amount not yet utilized (HK$ million)
Acquire other automobile dealership store network	45	318	318	Nil	100	Nil
Open new automobile dealership store network	30	212	212	Nil	100	Nil
Renovate of our existing 4S dealership stores	10	71	71	Nil	100	Nil
Optimize and upgrade the information technology Systems	5	35	33	2	100	Nil
Working capital and general corporate purposes	10	71	71	Nil	100	Nil
Total	**100**	**707**	**705**	**2**	**100**	**Nil**

As of 31 December 2023, the Company has utilized all of the net proceeds from the IPO.

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the year ended 31 December 2023 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 2023.

Equity-linked agreements

Save as disclosed in this Annual Report, as at the end of and throughout the year ended 31 December 2023, 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 2023 and no permitted indemnity provision was in force as at the date of this Annual Report.

Share option scheme

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

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

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

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

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

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

The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from 15 July 2021 to 16 June 2031, after which no further options will be granted or offered. As such, the remaining life of the Share Option Scheme is approximately 7 years as at the date of this Annual Report.

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

As at the date of this report, the Company had 8,800,000 share options granted and remained outstanding under the Share Option Scheme, which represented approximately 1.4% of the Shares in issue as at the date of this report. As the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 60,000,000 Shares, as of 31 December 2023, additional share options in respect of a total of 51,200,000 Shares, representing approximately 8.2% of the total issued Shares at the beginning and the end of the year ended 31 December 2023, could be further granted under the Share Option Scheme. The number of Shares that may be issued in respect of options granted under all schemes of the Company during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period equals to approximately 1.4%.

Details of the outstanding options to subscribe for shares pursuant to the Share Option Scheme and the movement during the year ended 31 December 2023 are set out below:

Grantee	Date of Grant	Exercise price per Share	Balance as at 1 January 2023	Granted during 2023	Exercised during 2023	Lapsed during 2023	Cancelled during 2023	Balance as at 31 December 2023
Director								
Ms. Sun Jing	1 September 2021	HK$8.264	2,000,000	—	—	—	—	2,000,000
Mr. Chau Kwok Keung (resigned with effect from 14 January 2024)	1 September 2021	HK$8.264	5,800,000	—	—	—	—	5,800,000
Mr. Xu Tao	1 September 2021	HK$8.264	1,000,000	—	—	—	—	1,000,000
			8,800,000	—	—	—	—	8,800,000

Note:

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

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

During the year ended 31 December 2023, no option was granted under the Share Option Scheme and, no options granted under the Share Option Scheme were cancelled, lapsed or exercised. Further details of the Share Option Scheme are set out in note 29 to the financial statements.

Arrangement for Directors to purchase shares or debentures

Save as disclosed in "Share Option Scheme" above, at no time during the Year, were rights to acquire benefits by means of the acquisition of Share in or debentures of the Company granted to any Director 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 to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Non-compete undertakings

Each of Chou Dynasty, Red Dynasty and Mr. Chou Patrick Hsiao-Po (collectively, the "**Controlling Shareholders**") has confirmed to the Company of his/her/its 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 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 2023 and up to the date of this Annual Report.

Material contracts

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

Connected transaction

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

Non-Exempt Continuing Connected Transactions

During the year ended 31 December 2023, the Group conducted certain non-exempt continuing connected transactions.

1. The Framework Property Management Service Agreement

Reference is made to the section headed "Connected Transactions" in the Prospectus. On 10 June 2021, BetterLife Tianjin (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 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 2023, the total property management fees and utilities expenses paid by the Group to the Service Providers (or their respective subsidiaries) was approximately RMB15.9 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 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 2023, the total amount of service fees paid by the Group to the Xiaobo Technology was approximately RMB7.7 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 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 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 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 2023, the lease payments and license plate utilization fees paid by the Group to eCapital was approximately RMB25.6 million, and the total proceeds from the disposal of vehicles to eCapital amounted to approximately RMB26.2 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 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 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 2023, the total vehicle purchase transaction amounts paid by eCapital to the Group was approximately RMB85.2 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 (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 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 2023, the total amount of the commission fees paid by eCapital to the Group was approximately RMB1.2 million.

6. The Framework Vehicle Repair and Maintenance Agreement

Reference is made to the CCT Announcement. On 24 September 2021, BetterLife Tianjin (for itself and on behalf of its subsidiaries and fellow subsidiaries) and eCapital entered into the framework vehicle repair and maintenance agreement (the "**Framework Vehicle Repair and Maintenance Agreement**"), pursuant to which BetterLife Tianjin (or its subsidiaries or fellow subsidiaries) shall provide repair and maintenance services for eCapital's own vehicles, and eCapital shall pay BetterLife Tianjin (or its subsidiaries or fellow subsidiaries) service fees for such services, for a term from 24 September 2021 to 31 December 2023 with estimated annual caps of RMB700,000, RMB1,500,000 and RMB1,800,000 for the years ended 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 2023, the total amount of service fees paid by eCapital to the Group was approximately RMB0.01 million.

Listing Rules Implications of the Abovementioned Continuing Connected Transactions

The highest applicable percentage ratio of each of the abovementioned transactions with a term of three years ended 31 December 2023 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 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 49 to 50 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 29 December 2023, Beijing BetterLife Auto, Beijing BetterLife Star, BetterLife Tianjin, Beijing BetterLife Group and Beijing YZB (collectively as borrowers), five 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 the borrowers a term loan facility of an aggregate amount up to RMB200,000,000. 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, being the ultimate Controlling Shareholder, is required to maintain directly or indirectly not less than 51% of the issued share capital of the Company. For details, please refer to the announcement of the company dated 29 December 2023.

As at 31 December 2023, the above specific performance obligation imposed on Mr. Chou Patrick Hsiao-Po under the Facility Agreement continued to exist.

Principal risks and risk management

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

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

Business risk

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

Financial risk

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

Compliance risk

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

Operational risk

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

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

Employees

As at 31 December 2023, the Group had 1,440 employees (including employees in all regions of the Group).

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and trainings for advancement and improvement of their skills. The Group has also adopted the Share Option Scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Remuneration policy

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

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration. Details of Directors' remuneration are set out in note 9 to the financial statements.

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

None of the Directors waived any emoluments throughout the year ended 31 December 2023.

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 7 to the Financial Statements.

Major customers and suppliers

During the year ended 31 December 2023, the percentage of the aggregate sales attributable to the Group's largest customers and five largest customers was approximately 2.1% and 6.4% respectively of the Group's total sales. The respective percentage of purchases attributable to the Group's largest supplier and five largest suppliers in aggregate was 34.9% and 74.6% respectively. These suppliers are relatively large and reputable corporations with long-standing relationships with the Group. None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

Tax relief

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

Environmental protection

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

Relationship with stakeholders

The Company recognises that our employees, customers and business associates are key to our sustainability development. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting the community and social welfare. The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance.

Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us. We promote a customer-oriented culture within the Company. Our corporate motto is "Customers for Life", and it is central to our corporate culture. The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards. We have strong and established working relationships with leading global automakers and their PRC joint venture corporations. We believe that our suppliers are equally important in our development into a first-class automobile dealer enterprise.

Therefore, we proactively collaborate with our business partners to deliver quality sustainable services. With the goal of developing into a preeminent international enterprise and a trustworthy public company, the Company actively fulfill its social responsibility. The Group, with high quality products and services, is committed to creating good internal and external corporate relationships, and build a harmonious enterprise to undertake its responsibilities for employees, customers, suppliers and the Shareholders.

Compliance with laws and regulations

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

Significant legal proceedings

During the year ended 31 December 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Code on corporate governance practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules except the deviation of the code provision C.2.1 of the CG Code and the non-compliance with Rules 3.10(1), 3.21 and 3.27A of the Listing Rules during the year ended 31 December 2023. For details, please refer to the Corporate Governance Report in this Annual Report.

Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code during the year ended 31 December 2023 and up to the date of this report.

Auditor

KPMG has resigned as the auditor of the Company with effect from 29 November 2023. SHINEWING (HK) CPA Limited ("**SHINEWING**") has been appointed as the new auditor of the Company with effect from 19 December 2023 to fill the casual vacancy following the resignation of KPMG.

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

Review of the financial statements

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

Important events since the end of the period

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

Proposed distribution of final dividend

A final dividend in respect of the year ended 31 December 2023 of RMB3.0 cents per Share (2022: RMB3.0 cents per Share) to Shareholders whose names appear on the register of members on Friday, 10 May 2024, was proposed pursuant to a resolution passed by the Board on 22 March 2024 and subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 30 April 2024. The expected date of payment of final dividend will be on or no later than Tuesday, 13 August 2024.

Closure of Register of Members

For the purpose of determining the following entitlements:

(i) AGM

The register of members of the Company will be closed from Thursday, 25 April 2024 to Tuesday, 30 April 2024, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged in the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 24 April 2024.

(ii) Proposed Final Dividend

The register of members of the Company will be closed from Tuesday, 7 May 2024 to Friday, 10 May 2024 (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, in 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, 6 May 2024.

On behalf of the Board
Dr. Chou Som Po
Chairman

22 March 2024

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 C1 to the Listing Rules and has complied with such code provisions during the year ended 31 December 2023, except for the following deviation.

Code Provision C.2.1 of the CG Code

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year, Mr. Chou Patrick Hsiao-Po ("**Mr. Chou**") was 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 of its shares on the Stock Exchange, the Board considers that the balance of power and authority for the abovementioned 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.

On 9 March 2024, Mr. Chou has resigned from the positions as an executive Director, the chairman of the Board and the chief executive officer of the Company. On the even date, Dr. Chou Som Po and Mr. Xu Tao have been appointed as the chairman of the Board and chief executive officer of the Company respectively. Thereafter, the Company has complied with the code provision C.2.1 of the CG code.

Compliance with Rules 3.10(1), 3.21 and 3.27A of the Listing Rules

Mr. Yau Ka Chi resigned as an independent non-executive Director with effect from 31 October 2023. Upon Mr. Yau's resignation as an independent non-executive Director, he also ceased to be the chairman of the Audit Committee and a member of the nomination committee (the "**Nomination Committee**") of the Board. As a result, the number of independent non-executive Directors and the members of Audit Committee was below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules and the Company failed to maintain a majority of independent non-executive Directors in the Nomination Committee as required under Rule 3.27A of the Listing Rules.

On 13 November 2023, Mr. Lou Sai Tong was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee. Following the above appointments of Mr. Lou, the number of independent non-executive Directors, the number of members of the Audit Committee and the number of independent non-executive Directors in the Nomination Committee meet the requirements under Rules 3.10(1), 3.21 and 3.27A of the Listing Rules.

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 the date of this Annual Report, the Board comprises six Directors, respectively, consisting of two executive Directors, Ms. Sun Jing (appointed as deputy chairlady of the Board on 29 August 2023) and Mr. Xu Tao (appointed as chief executive officer on 9 March 2024), one non-executive Director, Dr. Chou Som Po (appointed as Director and chairman of the Board on 9 March 2024), and three independent non-executive Directors, Mr. Liu Dengqing, Mr. Lou Sai Tong (appointed on 13 November 2023) and Mr. Wong Ka Kit. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. Biographical information of the Directors is set out in the section headed "Biographical 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.

As at 31 December 2023 and the date of this Annual Report, 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.

Dr. Chou Som Po, who was appointed as a non-executive Director on 9 March 2024, has obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to him as a Director and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 8 March 2024 and, he has confirmed that he understood his obligations as a non-executive Director.

Board diversity policy

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

Pursuant to the Board Diversity Policy, the Nomination Committee 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 2023, the Board has achieved gender diversity as it comprises 1 female Directors and 6 male Directors while female and male employees represented approximately 38% and 62% 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 (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;

- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and

- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Model Code

The Company has adopted the Model Code as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code during the year ended 31 December 2023 and up to the date of this report.

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. Lou Sai Tong, 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. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

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

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

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

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

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2023.

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 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 2023:

	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 (resigned with effect from 9 March 2024)	√	√	√	√
Ms. Sun Jing	√	√	√	√
Mr. Xu Tao	√	√	√	√
Mr. Chau Kwok Keung (resigned with effect from 14 January 2024)	√	√	√	√
Independent non-executive Directors				
Mr. Liu Dengqing	√	√	√	√
Mr. Lou Sai Tong (appointed with effect from 13 November 2023)	√	√	√	√
Mr. Wong Ka Kit	√	√	√	√
Mr. Yau Ka Chi (resigned with effect from 31 October 2023)	√	√	√	√

Directors' and officers' insurance

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

Directors' attendance records

During the year ended 31 December 2023, seven Board meetings and two general meetings were held. The attendance of each Director is set out in the table below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. Chou (resigned as Director and chairman with effect from 9 March 2024)	5/7	1/2
Ms. Sun Jing *(Deputy Chairlady)*	7/7	2/2
Mr. Xu Tao	7/7	2/2
Mr. Chau Kwok Keung (resigned with effect from 14 January 2024)	7/7	2/2
Independent non-executive Directors		
Mr. Liu Dengqing	7/7	2/2
Mr. Lou Sai Tong (appointed with effect from 13 November 2023)	2/2	1/1
Mr. Wong Ka Kit	7/7	2/2
Mr. Yau Ka Chi (resigned with effect from 31 October 2023)	4/4	1/1

Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 31 March 2023. 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 amended and restated memorandum of association and Articles of Association, as well as relevant rules and regulations.

Appointments, re-election and removal of Directors

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

Both of Ms. Sun Jing and Mr. Xu Tao, 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 1 January 2022, respectively, and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Dr. Chou Som Po, being the non-executive Director of the Company, has entered into a service contract with the Company for a specific term of three years commencing from 9 March 2024 and will continue thereafter until terminated by not less than three months' notice in writing served by the Director or by notice in writing serviced by the Company.

Both of Mr. Liu Dengqing and Mr. Wong Ka Kit, being the independent non-executive Directors of the Company, have entered into an appointment letter with the Company for a specific term of one year commencing from the Listing Date, and will automatically continue for another one year thereafter until terminated by not less than three months' notice in writing served by the Director or by notice in writing serviced by the Company.

Mr. Lou Sai Tong, being the independent non-executive Director of the Company, has entered into a service contract with the Company for a specific term of one year commencing from 13 November 2023 and will continue thereafter until terminated by not less than three months' notice in writing served by the Director or by notice in writing serviced by the Company.

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

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

According to article 84 of the Articles of Association and code provision B.2.2 of the CG Code, Ms. Sun Jing and Mr. Xu Tao shall retire at the AGM to be held on Tuesday, 30 April 2024 whereas in accordance with article 83(3) of the Articles of Association, Mr. Lou Sai Tong (appointed on 13 November 2023) and Dr. Chou Som Po (appointed on 9 March 2024) shall hold office only until the AGM. Ms. Sun Jing, Mr. Xu Tao, Dr. Chou Som Po and Mr. Lou Sai Tong, 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 Tuesday, 30 April 2024 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 (the "**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 the 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. Lou Sai Tong (appointed with effect from 13 November 2023), Mr. Liu Dengqing and Mr. Wong Ka Kit. Mr. Yau Ka Chi ceased to be the chairman of the Nomination Committee with effect from 31 October 2023. Mr. Lou Sai Tong is the chairman of the Audit Committee.

The Group's audited annual results for the year ended 31 December 2022, the unaudited interim results for the six months ended 30 June 2023, and the audited annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditors. In addition, the Audit Committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout the year ended 31 December 2023.

For the year ended 31 December 2023, three 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. Lou Sai Tong (appointed with effect from 13 November 2023)	2/2
Mr. Liu Dengqing	3/3
Mr. Wong Ka Kit	3/3
Mr. Yau Ka Chi (resigned with effect from 31 October 2023)	1/1

Remuneration Committee

The Company established the 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, Dr. Chou Som Po, a non-executive Director (appointed with effect from 9 March 2024) and two independent non-executive Directors, Mr. Liu Dengqing and Mr. Wong Ka Kit. Mr. Chou ceased to be the member of the Remuneration Committee on 9 March 2024. Mr. Wong Ka Kit is the chairman of the Remuneration Committee.

For the year ended 31 December 2023, the Remuneration Committee reviewed the Share Option Scheme, the remuneration policy and structure of the Company and the remuneration packages of the Directors and the senior management, and made recommendations to the Board in respect of these issues.

Details of the Directors' remuneration are set out in note 9 to the Financial Statements.

The remuneration of the members of senior management (other than Directors) of the Group by band for the year ended 31 December 2023 is set out below:

Remuneration Bands (RMB)	Number of Individuals
Nil to 1,000,000	2
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	—
Total	3

For the year ended 31 December 2023, three meetings was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Wong Ka Kit	3/3
Mr. Chou (resigned with effect from 9 March 2024)	2/3
Mr. Liu Dengqing	3/3

Nomination Committee

The Company established the 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, Dr. Chou Som Po, a non-executive Director and the chairman of the Board (appointed with effect from 9 March 2024) and two independent non-executive Directors, Mr. Liu Dengqing and Mr. Lou Sai Tong (appointed with effect from 13 November 2023). Mr. Yau Ka Chi ceased to be a member of the Nomination Committee with effect from 31 October 2023 and Mr. Chou ceased to be the chairman of the Nomination Committee on 9 March 2024. Dr. Chou Som Po is the chairman of the Nomination Committee.

The Nomination Committee reviewed the structure, size and composition of the Board, during the year ended 31 December 2023.

Throughout the year, three meetings 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 (resigned with effect from 9 March 2024)	2/3
Mr. Liu Dengqing	3/3
Mr. Lou Sai Tong (appointed with effect from 13 November 2023)	—
Mr. Yau Ka Chi (resigned with effect from 31 October 2023)	2/2

Strategic Development Committee

We established the 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 an executive Director, Ms. Sun Jing, a non-executive Director, Dr. Chou Som Po (appointed with effect from 9 March 2024) and an independent non-executive Director, Mr. Wong Ka Kit. Mr. Chou creased to be the chairman of the Strategic Development Committee. Dr. Chou Som Po is the chairman of our Strategic Development Committee.

For the year ended 31 December 2023, the Strategic Development Committee formulated the operation goals and long-term development strategies of our Group, supervised and inspected the implementation of our annual operating plans.

For the year ended 31 December 2023, one meeting was held by the Strategic Development Committee. The individual record of each member of the Strategic Development Committee at the meeting of the Strategic Development Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Chou (resigned with effect from 9 March 2024)	1/1
Mr. Wong Ka Kit	1/1
Ms. Sun Jing	1/1

Company secretary

Mr. Chau Kwok Keung ceased to be the company secretary of the Company with effect from 14 January 2024. Mr. Leung Chi Kit ("**Mr. Leung**"), a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider), has been appointed as the company secretary of the Company on the same day to replace Mr. Chau Kwok Keung. Ms. Tu Jing, financial manager of board office, is the primary contact person of Mr. Leung at the Company.

For the year ended 31 December 2023, Mr. Leung has informed the Company that he has undertaken not less than 15 hours of relevant professional training. 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 81 to 87 of this Annual Report.

External auditor and auditor's remuneration

KPMG has resigned as the auditor of the Company with effect from 29 November 2023. SHINEWING has been appointed as the new auditor of the Company with effect from 19 December 2023 to fill the casual vacancy following the resignation of KPMG.

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 81 to 87. The external auditor of the Company shall attend the AGM to be held on Tuesday, 30 April 2024 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 2023 is set out below:

External auditor	**Service category**	**Fee paid/ payable** (RMB)
KPMG	Audit Services	1,760,000.00
	Non-audit services (consultation)	2,047,885.98
SHINEWING	Audit Services	2,400,000.00

The Audit Committee recommended to the Board that, subject to our Shareholders' approval at the forthcoming AGM (to be held on Tuesday, 30 April 2024), SHINEWING 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 2023, 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 2023 and is subject to continuous improvement.

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

For the year ended 31 December 2023, the Company provided inside information training course and self-study materials to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

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

The management and the internal audit department have confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2023.

For the year ended 31 December 2023, the Board, with the assistance of the Audit Committee and management team, has conducted reviews of the risk management and internal control systems of the Company twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

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

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

Anti-corruption and whistle-blowing policies

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

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

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

Shareholders' rights

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

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

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

Procedures by which enquiries may be put to the Board

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

Constitutional documents

For the year ended 31 December 2023, the Articles of Association have not been amended and restated.

Communications with Shareholders

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

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

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.

Introduction

BetterLife Holding Limited (the "**Company**", and collectively with its subsidiaries referred as the "**Group**" or "**we**") is an automobile dealership service provider in China focusing on luxury and ultra-luxury brands and it offers a comprehensive range of automobile-related products and services, including (i) sale of automobiles; and (ii) after-sales services, which consist of repair and maintenance services, sale of accessories and other automobile-related products, insurance agency services and automobile license plate registration services.

About this Report

The Group is pleased to release its third Environmental, Social and Governance ("**ESG**") Report (the "**Report**"). The Report aims to disclose the sustainability strategies and management approaches of the Group, and to highlight the performance of various ESG aspects to its stakeholders, thereby promoting its sustainable development and planning. The Report has been uploaded to the Group's website (www.blchina.com) and the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for public inspection. The Report is in both Chinese and English. If there is any inconsistency, please refer to the English version.

Reporting Scope and Period

The Report sets out the Group's policies, measures, and performance in ESG aspects during the period from 1 January 2023 to 31 December 2023 (hereinafter, the "**Reporting Period**") in detail.

The Report covers the overall business performance of the Group and its 15 4S dealership stores and 2 showrooms across seven provinces and municipalities in the PRC[1], during the period from 1 January 2023 to 31 December 2023 (hereinafter, the "**Reporting Period**"). Through reporting to our stakeholders, the Group discloses its measures and performance on sustainable development issues in a transparent and open manner. We believe that summarizing and disclosing the Group's performance to stakeholders can enhance our transparency and further improve our sustainable development performance. Overall, there are no material changes to the reporting scope of the Reporting Period compared to 2022's ESG Report.

Reporting Guidelines and Principles

The Report has been prepared in compliance with the disclosure requirements of the "ESG Reporting Guide" (the "**Guide**") set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") issued by the Stock Exchange of Hong Kong Limited (the "**HKEx**") and has fully adhered to the reporting principles in the Guide, which materiality, quantitative, balance and consistency are the basic principles for report preparation. The application of relevant reporting principles is as follows:

Materiality The Group communicates with major stakeholders on a regular basis, and has conducted an annual materiality assessment survey to identify and evaluate ESG issues that are important to the Group and relevant stakeholders, so as to determine the reporting content and make focused disclosure.

Quantitative In accordance with the Guide, the Group has recorded and collected data of various ESG key performance indicators ("**KPIs**") where feasible, and disclosed relevant quantitative information and historical data in the Report for comparison and evaluation. In addition, the standards, methods, assumptions, calculation tools and references adopted by each KPI have been properly indicated in the Report.

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

Balance Following the principle of impartiality, the Report has disclosed both achievements and challenges of the Group in aspects of environment, society and governance in a truthful and comprehensive manner, for readers to objectively and fairly evaluate relevant performance.

Consistency The Report has been prepared according to consistent standards, and the reporting scope, data statistics and reporting methods are basically the same as the 2022 ESG Report, so as to ensure the comparability of the reports. Meanwhile, the Group has included corresponding explanations for any inconsistencies (if any) with previous reports.

The Report has complied with the "Mandatory Disclosure Requirements" and the "Comply or explain" provisions set out in the Guide. Except for provisions that the Group considers not applicable to its business operations or provide partial disclosure, relevant explanations have been set out in the corresponding sections. The data and information contained in the Report are mainly from internal documents and statistical data of the Group, and the content of the Report has been reviewed and confirmed by the board of directors of the Company ("**Board**") .

Approval

The Report was approved by the Board on 22 March 2024 upon confirmation from the management.

Stakeholders' Feedback

The Group attaches great importance to stakeholders' opinions and aims to further improve its sustainability performance in the future. The Group therefore welcomes all parties to provide comments or suggestions on the Report and its sustainability performance. Please share your views with us via email: ir@blchina.com.

The Statement of the Board

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

The Group's Future Development and Commitments

We regard our commitment to the environment, employees, customers and communities as the four strategic pillars of the Group's sustainable development, and formulate corresponding ESG management policies and work plans. The Group insists on communicating and cooperating closely with all stakeholders including our employees shareholders and investors, suppliers, customers government departments and communities in a candid, open and responsible manner. At the same time, we continue pay attention to the market development trends and the expectations of all sectors of society, and constantly review and adjust our ESG strategies, policies and measures so that we can quickly respond to various new opportunities and risks and further promote our sustainable development process.

Sustainable Development Strategy

Committment to Customers
- Providing reliable service to customers
- Improving the user experience

Committment to Community
- Participating in community activities actively
- Creating value for the community and shouldering social responsibilities

Committment to the Environment
- Protecting the environment
- Responding to the climate change
- Saving energy and reducing emissions
- Implementing green procurement
- Realizing a circular economy

Committment to Employees
- Committed to creating a harmonious, safe and healthy working environment
- Investing resources in employee training and development
- Offering good career development opportunities to employees

Sustainability Governance Structure

In order to realize its sustainable development vision, the Group is committed to integrating sustainability concepts into our daily business operation through a comprehensive sustainability governance structure. The Group has a three-level sustainability governance structure, which is composed of the Board, the ESG task force and the internal working group to improve communication between the decision-making and execution level, allowing thorough integration of corporate governance, environmental management and social responsibility concepts into its daily operations. In order to enhance its corporate governance standard, the Group has also actively promoted Board diversity and adopted the "Board Diversity Policy". When selecting members of the Board, the balance of different gender, ages, background, and professional knowledge, etc., will be fully considered. With the diverse skills, experience and perspectives of members, its decision-making capabilities for sustainable development can be advanced. Please refer to the "Corporate Governance Report" of the Group for more details.

The Board

As the highest governance body of the Group, the Board assumes overall responsibility for ESG and climate-related matters. Their roles and responsibilities include:

- Regularly review and renew sustainable development strategies, ESG management and performance to ensure the effective implementation of relevant policies
- Monitor and manage ESG-related risks and opportunities
- Review the progress of ESG-related work and goals
- Supervise and approve the Group's ESG matters and reports

ESG Task Force

The ESG Task Force is authorized by the Board and composed of the Group's senior management, department heads and employee representatives. It assists in coordinating and supervising ESG work, and reports to the board of directors regularly. Their roles and responsibilities include:

- Set and implement relevant policies and measures in accordance with the Board's guidelines on ESG matters in each department
- Assist the Board in identifying, assessing and managing ESG-related risks, and provide advice on formulating policies, goals and work plans
- Regularly report ESG work performance to the Board to help review and improve the Group's sustainable development strategy and management
- Collect and manage ESG-related data and information, assist in the preparation of annual ESG reports and disclosure of related information

Risk Management

The Group understands the importance of risk management to sustainable development. Efficient ESG management helps us respond to various sustainable development risks and opportunities in a timely and effective manner. The Group has established a comprehensive ESG management system, which is divided into three levels and adopts a top-down management method, to consistently identify and evaluate the risks associated with its business operations.

At Group level, the Board is responsible for maintaining and reviewing the effectiveness of the Group 's risk management and internal control systems. Corresponding management and control measures are implemented based on severity of these risks. The Group has taken steps to mitigate the impacts of these risks in timely manner, demonstrating its commitment to sustainable and responsible operations. Moreover, the Group has set up the Audit Committee, Remuneration Committee and Nomination Committee under the supervision of the Board to conduct annual assessment on the existing and potential risks faced by the Group as a whole, review the effectiveness and suitability of the Company's internal control system, and give full play to the supporting role of laws, auditing, and discipline supervision, so as to ensure legal and compliant operations of the Company. In addition, the Company has also established an internal audit department, which is responsible for the construction, operation and maintenance of the Company's risk prevention and control system.

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

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

Compliance Management

Complying with all applicable laws and regulations is the basic requirement of the Group in its operations and is also a reflection of its social responsibility. We understand that violations of laws and regulations will have various impacts on the Group. Impacts may include damage to the ability to operate a business, damage to public image and credibility, as well as legal penalties and litigation. Therefore, we have developed and implemented a series of policies and systems to strengthen compliance management and ensure that business activities comply with all relevant legal and regulatory requirements. The Board and the Audit Committee are responsible for reviewing and evaluating the internal control system.

During the Reporting Period, the Group had no cases of violations of laws and regulations related to various ESG aspects, and there were no corruption lawsuits filed against the Group or its employees.

For details on the Group's corporate governance practices including risk and compliance management, please refer to the section headed "Corporate Governance Report" of the Company's annual report.

Stakeholder Engagement and Materiality

Long-term support and trust of stakeholders is an important factor for the company's sustainable growth, and it also provides a solid foundation for us to formulate and implement effective sustainable development strategies, policies and measures.

The Group attaches great importance to establishing and maintaining two-way communication with stakeholders, and strives to understand and respond to the concerns and expectations of various stakeholders in order to maintain close cooperation. Through a diversified and highly transparent communication platform, we regularly collect valuable opinions and suggestions from different stakeholders so that we can make corresponding improvements and adjustments in business management and sustainable development strategies to enhance ESG governance levels and performance.

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
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	— Protect shareholders' rights and interests — Disclosing information accurately and timely — Improving corporate governance — Risk management and control — Group business and prospects — Business and financial strategies	— Convene annual general meetings and special general meetings — Improve transparency of information disclosure — Strengthen risk management and control — Promote sustainable development of the group

Major Stakeholder	Communication Channels	Focus on issues	The Group's response and measures
Frontline Employees	— Performance appraisals — Interviews — Seminars/workshops/ speeches — Staff intranet — Regular training	— Employee benefits and rights — Competitive salary and welfare — Labour protection at the workplace — Employee development and training — Employee involvement and policy democracy — Corporate culture — Personal physical and mental health	— Follow labor standards — Provide competitive salary and benefits — Implement health and safety management system — Improve career development and training system — Hose employee events — Establish a smooth and transparent communication mechanism to understand employees' opinions
Customers	— Visits by customer relationship manager — Daily operations/ communications — Telephone — Mailbox — Mobile communication applications (such as WeChat and WhatsApp)	— Customer service — Product quality — Data security and customer privacy management — Customer service and complaint handling	— Respond quickly to customer needs — Strengthen quality management — Upgrade information and network security systems
Suppliers	— Management procedures for suppliers — Assessment system for suppliers — Video conferences — Site inspections — Mobile communication applications (such as WeChat)	— Supply chain management and sustainable development — Safeguarding suppliers' rights and interests — the Code of Business Conduct — Anti-corruption and anti-fraud	— Implement supplier admission and delisting mechanism — Conduct supplier training — Strengthen cooperation and communication — Commitment to operate with integrity
Government and Community	— News report — Regulatory information submission — Community activity — Forum exchange activities	— Comply with laws and regulations — Workplace safety and health — Creating economic benefits, promoting employment — Creating welfare for the community — Protect environment — Responding to national policies	— Implement compliance operations — Participate in community construction and services — Organize volunteer activities and encourage employees to actively participate

Materiality assessment

In order to promote its sustainable development, the Group regularly understands stakeholders' opinions and concerns on ESG matters through materiality assessment. During the Reporting Period, it has continued to entrust an independent sustainability consultant to carry out the materiality assessment. By inviting internal and external stakeholders to participate in the questionnaire survey, the assessment was conducted following the 3 steps of identification, prioritization and verification. Based on the survey result, the Group has confirmed the materiality and impact of each sustainability issue on its sustainable development, and determined the disclosure focus of the Report. Moreover, it will give priority to enhancing the ESG management work of related issues, and incorporate into the consideration of its future adjustment in strategic planning and risk management.

1 Identification

- Referring to the "Guidelines", reporting trends and industry practices, and screening based on the group's internal situation, 24 ESG issues closely related to the group's business were identified.

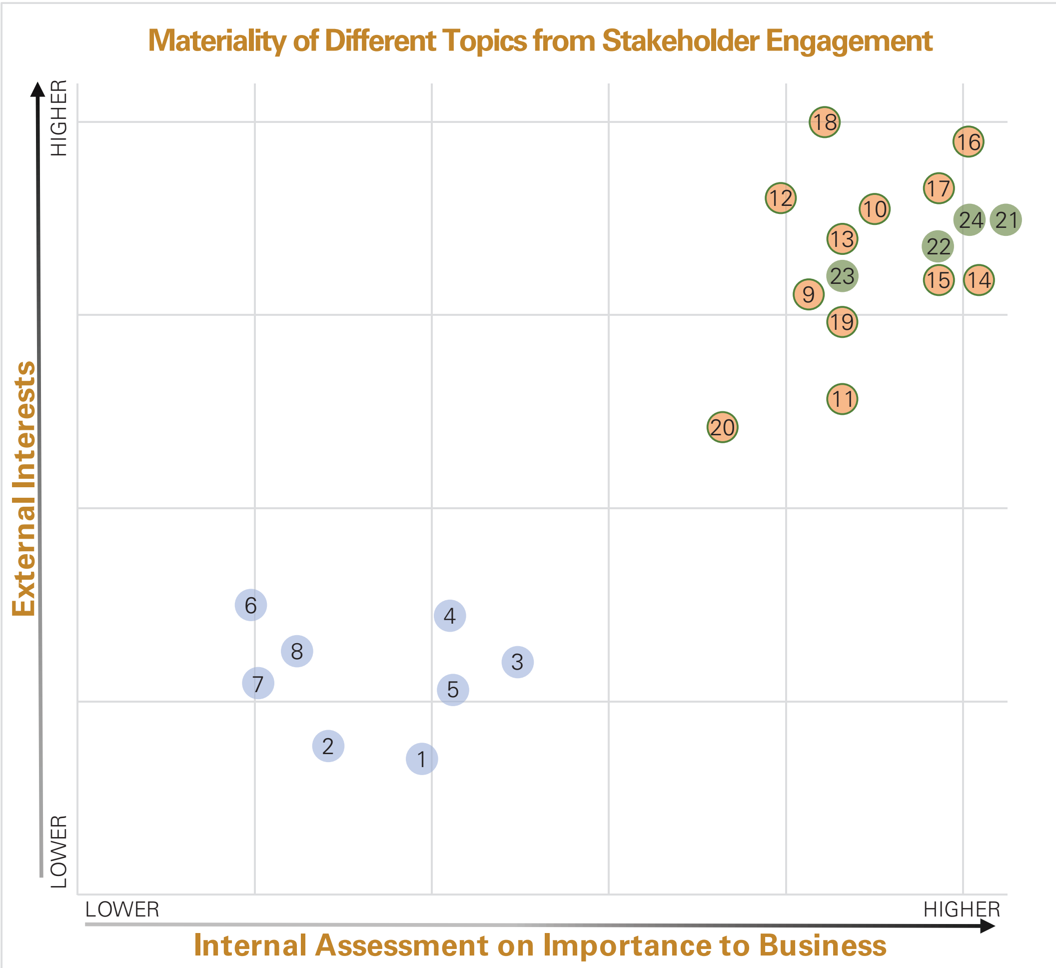
2 Prioritization

- Invite internal and external stakeholders to participate in an online survey to rate the importance of ESG issues.
- Collect scores on two dimensions of each ESG issue, including the impact on the Group's corporate value (financial importance) and the Group's impact on the economy, environment and society (impact importance), to determine the overall importance of each ESG issue.
- Develop a materiality matrix and priority list of ESG issues.

3 Verification

- After the assessment results are reviewed and confirmed by the Board and senior management, the Group will make targeted responses and focused reports.

The stakeholder questionnaire survey of the Year was conducted online, 48 valid responses were received in total. Combining the impact of the issues on the Group's corporate value and the Group's impact on the economy, environment and society, the following matrix shows the overall importance level of the 24 ESG issues, covering 3 aspects of "Environment", "Society", and "Governance" to compile the questionnaire. We identified 5 ESG issues after analysing the importance of the issues to the Group's operations and stakeholders, considering the industry background, development status, and strategic planning. The 5 ESG issues, including Customer Engagement, Business Ethics and Integrity, Data Security and Customer Privacy Management, Innovation and Technology, Labour Management, located on the upper right side of the materiality matrix curve are regarded as "important issues", and the Group will make targeted responses on relevant issues. At the same time, we will prioritize strengthening ESG management work on these issues and incorporate them into the Group's future strategic planning and risk management considerations.



Environment		Society		Governance	
1	Air Emission	**9**	Employment Practices	**21**	Business Ethics and Integrity
2	GHG Emissions	**10**	Employee Participation	**22**	Risk Management
3	Waste Management	**11**	Diversity and Equal Opportunities	**23**	Intellectual Property Protection
4	Energy Consumption	**12**	Development and Training	**24**	Innovation and Technology
5	Water Usage	**13**	Occupational Health and Safety		
6	Raw Materials Consumption	**14**	Labour Management		
7	Climate Change and Resilience	**15**	Quality and Safety of Products and services		
8	Product Lifecycle Management	**16**	Customer Engagement		
		17	Data Security and Customer Privacy Management		
		18	Responsible Marketing and Labelling		
		19	Responsible Supply Chain Management		
		20	Community Engagement and Investment		

We firmly believe that the opinions of stakeholders have an important impact on the Group's achievement of sustainable development goals. Further understanding and respecting the views and needs of stakeholders will enable the Group to make better decisions and plans. In the future, the Group will continue to strive to establish and maintain positive interactions with stakeholders through diversified, transparent and effective communication channels, optimize sustainable development strategies, and make us more successful in the pursuit of sustainable development.

A. Commitment to the Environment

The Group attaches great importance to sustainable development and regards environmental protection as one of its core responsibilities.

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

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

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

A1. Emissions

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

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

A1.1. Air Emissions

During the Reporting Period, the Group consumed natural gas, petrol and diesel from our business operations. The following table presents details of air emissions figures in 2023 and 2022:

The type of emissions	2023 Emission (kg)	2023 Intensity (g/m^2)	2022 Emission (kg)	2022 Intensity (g/m^2)
Total NOx emissions	**245.07**	**2.12**	232.15	2.01
Total SOx emissions	**2.75**	**0.02**	2.71	0.02
Total PM emissions tons	**9.85**	**0.09**	9.85	0.09

A1.2. Greenhouse Gas Emissions

During the Reporting Period, 10,200.82 tonnes of carbon dioxide equivalent (tCO_2e) GHG (mainly carbon dioxide, methane and nitrous oxide) (2022: 10,720.26 tonnes) were emitted from the Group's operations. The Company's GHG emissions are generated from fuel consumption by the vehicles, electricity and water consumption during operation, landfill, paper consumption, emissions from air travel of employees for business trips, etc.

Scope of GHG	Emission Sources	Emission (in tCO_2e) 2023	Emission (in tCO_2e) 2022	Total Emission (in %) 2023	Total Emission (in %) 2022
Scope 1 Direct Emissions	Combustion of Fuel in Stationary Sources	**1,479.05**	1,307.15	**27.58**	31.74
	Combustion of Fuel in Mobile Sources	**445.50**	443.58		
	Release of Refrigerants from the Operation of Equipment and Systems	**889.27**	1,651.62		
	Assimilation of Carbon Dioxide through Tree Planting	**(0.00)**	(0.00)		
Scope 2 Energy Indirect Emission	Purchased Electricity	**6,511.69**	6,666.35	**67.20**	65.01
	Purchased Natural Gas	**342.99**	303.12		
Scope 3 Other Indirect Emissions	Paper Waste Disposal	**176.66**	169.10	**5.22**	3.25
	Electricity Used for Processing Fresh Water and Sewage by Third Party Handler	**65.03**	65.32		
	Business Air Travels	**290.64**	114.03		
Total		**10,200.82**	10,720.26	**100**	100

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

The overall intensity was 88.32 $kgCO_2e$ per m^2 of total area, (2022: 92.82 $kgCO_2e$ per m^2 of total area).

A1.3. Hazardous Waste

During the Reporting Period, 659.73 tonnes of hazardous waste were generated from daily business operations (2022: 550.03 tonnes). The intensity was 5.71 kg of hazardous waste per m^2 of total area (2022: 4.76 kg per m^2 of total area). Hazardous wastes generated mainly comprised of motor oil waste, solid hazardous waste, batteries, waste containing organic solvents, electronic waste, and lightbulbs.

A1.4. Non-hazardous Waste

During the Reporting Period, the Group's operations generated approximately 2,955.42 tonnes of non-hazardous waste (2022: 4,063.90 tonnes), which mainly included everyday non-hazardous waste, food waste, and other paper waste. The decrease is mainly because there were renovations in a few 4S dealership stores in 2022, which involved a large amount of construction and decoration waste, as well as office waste.

Non-hazardous waste generated during the Reporting Period

Types of Non-Hazardous Wastes	Waste Generated (tonnes)	
	2023	2022
Everyday Non-Hazardous Waste	**2,695.74**	3,793.75
Food Waste	**187.41**	174.10
Other Paper Waste (e.g., newspaper, card paper)	**72.27**	96.05

The intensity was 25.59 kg of non-hazardous waste per m^2 of total area (2022: 35.19 kg).

A1.5. Measures to Mitigate Emissions

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

- undertook an environmental impact assessment, inspection and rectification of the paint spray booth and improved emission monitoring equipment every year so as to reduce exhaust emission;
- arranged annual inspections for each dealership store to ensure that waste water, noise, and air emissions are compliant with regulations and do not pose any health risks to employees;
- arranged scientific test drives and test rides, rationally planned routes so as to reduce exhaust emission;
- equipped a dry grinder for dust produced in the paint spraying and polishing process, a vacuum cleaner for poisonous gas produced in the welding process, and activated carbon and filtering sponge for air pollutants produced in the paint baking process;
- regularly replaced the consumables of the exhaust gas purification devices, such as the filter cotton and activated carbon, and actively implemented the equipment maintenance plans to ensure legal and compliant emission of exhaust;
- encouraged employees to take public and shared transportation;

- regularly evaluated the number and cost of business trips and encouraged employees to replace business travel and long-distance face-to-face meetings with telephone or video conferences;
- designated personnel to turn off lighting and ensure the reasonable use of air conditioning;
- conducted monthly electricity statistics to analyse electricity efficiency and usage distribution to monitor the company's electricity consumption in the long term;
- all electric lamps in the work area will be replaced with energy-saving lamps in phrases;
- encouraged the electric vehicles over fuel-driven vehicles when introducing new official vehicles; and
- evaluate feasibility to install rooftop solar system and gradually implement to our 4S dealership stores.

A1.6. Waste Reduction and Initiatives

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

The Group's operations involve the generation of general garbage, paper, plastic, metal, wood and other non-hazardous waste. Through the specification of the management system, we reasonably classify, collect, store, and process all non-hazardous waste. To achieve the waste reduction goals of recycling, reducing waste and saving costs, the Group advocates waste reduction at the source, strengthens the management and control of production units based on the principle of waste minimization, and reduces unnecessary waste generation.

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

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

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

A2. Use of Resources

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

A2.1. Energy Consumption

A total of 19,339,677.38 kWh of energy (2022: 18,841,823.48 kWh) was consumed by the Group for its operations during the Reporting Period. Electricity was the major source of energy for the Group, consuming 10,673,153.11 kWh (2022: 10,926,654.29 kWh) for lighting, air-conditioning and other equipment of the Group necessary for its daily operations. The rest of the Group's energy source was petrol and diesel used for fuelling its vehicle fleet, and natural gas used for canteen operations. 163,173.40 litres (2022: 159,708.51 litres) of petrol were consumed, which is equivalent to 1,446,065.50 kWh (2022: 1,415,359.16 kWh) of energy. 4,337.95 litres (2022: 7,172.7 litres) of diesel were consumed, which is equivalent to 43,371.37 (2022: 71,713.55 kWh) of energy. 726,099.22 m^3 (2022: 641,707.94 m^3)of natural gas was consumed, which is equivalent to 7,177,087.40 kWh (2022: 6,342,926.48 kWh) of energy.

The following table presents details of energy consumption figures in 2023 and 2022:

	2023		2022	
Energy Consumption	**Consumption (kWh)**	**Intensity (kWh/m^2)**	Consumption (kWh)	Intensity kWh/m^2)
Electricity	**10,673,153.11**	**92.41**	10,926,654.29	94.60
Petrol	**1,446,065.50**	**12.52**	1,415,359.16	12.25
Diesel	**43,371.37**	**0.38**	71,713.55	0.62
Natural gas	**7,177,087.40**	**62.14**	6,342,926.48	54.92

A2.2. Water Consumption

The headquarters and dealership stores consumed 104,392.28 m^3 (2022: 105,866.25 m^3) of water during the Reporting Period. The water intensity was 0.90 m^3 per m^2 of total area (2022: 0.92 m^3 per m^2 of total area).

A2.3. Energy Use Efficiency Initiatives

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

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

A2.4. Water Use Efficiency Initiatives
The Company strictly abides by the rules and regulations in relation to water pollution control. The domestic water we use is supplied by our property buildings, and we have no problem in sourcing water that is fit for purpose. All car wash services were outsourced to third party vendors. We encourage the vendors to develop and apply new technology and equipment with high water consumption to improve our water-saving efficiency. We have also promoted reasonable water use among employees in workshops of various dealerships in the Group to increase the utilisation rate of water resources.

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

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

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

A2.5. Packaging Materials
The Group's operations did not involve any regular use of packaging materials. Packaging material was mainly used by its suppliers.

A3. The Environment and Natural Resources
The Group is committed to conducting its business responsibly, ensuring that its business does not contribute to significant adverse impact on the environment and society while bringing sustainable growth and profit.

A3.1. Significant Impacts of Activities on the Environment
The Group's car dealing business operations do not have significant impacts on the environment and natural resources. The Group has established internal policies to reduce its consumption of resources and to minimise business travels and encourage online meetings. The Group is also committed purchasing from qualified suppliers who follow national environmental rules and regulations. To effectively reduce exhaust emissions, the Group is looking into expanding its business on pre-owned vehicles and new energy vehicles to reduce consumption of natural resources. In order to further cooperate with the Carbon Neutrality measures in mainland China, the Group accelerates the replacement of company cars and test drive cars from gasoline vehicles to electric vehicles. In 2023, there was a net decrease of 24 gasoline vehicles and a net increase of 11 electric vehicles are recorded, while there was a net increase of 38 gasoline vehicles in 2022. The Group has taken the above resource-saving measures during the Reporting Period and have shown significant improvement. In the future, the Group will continue to refine and improve resource-saving strategies, in order to balance business growth and environment protection. Through these measures, the Group aims to achieve a general reduction of 1% in overall emission intensity in upcoming three years.

A4. Climate Change

Climate change is a pressing global issue with far-reaching impacts on the economy and society. The Company recognizes the escalating threat posed by climate change, which affects businesses worldwide, including our Group. In response, we are committed to implementing environmentally sound practices and complying with relevant regulations and guidelines from local and national authorities. We have developed comprehensive emergency plans and countermeasures tailored to our company's specific circumstances to mitigate the effects of extreme weather events and safeguard daily operations and personal safety. Moreover, we are actively pursuing a green transformation aligned with China's goals to reduce energy intensity and achieve "carbon peaking" and "carbon neutrality". By prioritizing low-carbon operations, we aim to make meaningful contributions towards these ambitious targets. Our ongoing efforts include the development of internal policies and regulatory systems focusing on managing emissions, resource utilization, and enhancing our ability to identify and address climate risks and opportunities.

The Group deeply understands the importance of identifying and effectively managing climate risks and opportunities for achieving stable and sustainable business development. We plan to gradually identify industry-specific climate risks relevant to our own operations and further analyze the connections and impacts between these risks and our business. As climate change intensifies, extreme weather events such as floods and heavy rainfall, are becoming more frequent and severe. This results 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 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.

With the intensification of climate change, extreme weather events are becoming more frequent and severe. In response to adverse weather conditions, the Group has developed emergency situation action plan:

Strengthening the risk-awareness and emergency management

- Enhance risk awareness, improve prevention and control capabilities, and focus on preventing and mitigating major risks.
- Strengthen emergency management training for leaders at all levels in collaboration with relevant departments to increase awareness of extreme weather events and improve emergency response capabilities.

Strengthening forecast and warning

- Prioritize prevention and increase the frequency of monitoring and forecasting extreme weather events.
- Establish a point-to-point warning and response mechanism to promptly alert relevant departments to undertake preventive measures.
- Issue meteorological warning information to company employees to enable them to prepare for disaster prevention and mitigation in advance.

Strengthening the operability of contingency plans

- Establish a sound linkage mechanism between meteorological warnings and emergency response, quantify relevant activation standards, and formulate specific measures to prevent and respond to extreme weather events.
- In case of extreme weather conditions that make it inconvenient for customers to visit the stores, the Group implemented online payment methods in all stores by September 2023, enabling customers to conduct transactions online. The purchase can be delivered to the location designated by the customer, and the after-sales services also support on-site pick-up for repairs and delivery after repairs, ensuring that extreme weather does not affect vehicle sales and after-sales maintenance services.

Enhancing the coordination in disaster prevention and relief

- Strengthen the leadership in disaster prevention, reduction, and relief work, and strictly implement the responsibilities of various departments.
- Promote the responsibilities of the emergency management department and other relevant departments, establish emergency contacts and duty personnel, and fully leverage leadership, command, and coordination roles.

Strengthen resource prepositioning

- Select the store locations that are relatively prosperous or have better infrastructure, typically less prompt to the drainage and transportation issues.
- Based on risk assessment, guide and urge relevant departments to preposition response resources for high-risk areas.
- In terms of infrastructure, in addition to basic fire and flood prevention measures, special treatments are carried out based on regional geological characteristics. For example, considering the frequent earthquakes in the Chengdu area, the design and construction standards are enhanced for independent column foundations, ground beams, structural columns, ring beams, and steel material requirements.
- Various measures have also been taken for system maintenance in response to natural disasters, such as off-site data backup. Local core system data (SAP/MBS, etc.) are backed up daily and synchronized in an off-site data backup center on Alibaba Cloud, ensuring data availability in extreme situations. Rapid application recovery can be achieved using Alibaba Cloud's resources to quickly restore the business application environment in the event of a loss at the local data center, combined with off-site data backup to ensure business system availability. Fast network recovery is achieved by utilizing reliable third-party network infrastructure (such as Nanling Technology and Alibaba Cloud) to build a network spanning the cities where the business operates, allowing secure access to any branch.

Strengthening publicity and education

- Widely carry out disaster prevention and reduction publicity and education to enhance employee risk awareness and disaster prevention capabilities.

Besides, the Group will introduce more hybrid and new energy vehicles from luxury and ultra-luxury automobile manufacturers. During the Reporting Period, we sold new energy vehicles for luxury brands, namely Porsche, Mercedes Benz, BMW, Audi, and Volvo. During the Reporting Period, a total of 1,066 new energy vehicles was sold in 2023, accounting for 6% of all vehicles, an increase of 421 units from last year (645 new energy vehicles sold in 2022, accounting for 4% of all vehicles). 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. Commitment to Employees

The Group upholds the core value of "people-oriented" and is committed to building an excellent and diverse team.

B1. Employment

B1.1. Employment Figures

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

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

As of 31 December 2023, the Group had a total of 1,440 employees in its headquarters at Beijing, 15 4S dealership stores and two showrooms across seven provinces and municipalities. See below for the detail breakdown of the workforce.

Total Workforce as of 31 December	2023	2022
By Employment Type		
Full-time	**100.00%**	100.00%
Part-time	**0.00%**	0.00%
By Gender		
Female	**38.47%**	37.85%
Male	**61.53%**	62.15%
By Employee Category		
Senior Management	**2.15%**	1.61%
Middle Management	**8.47%**	6.64%
Frontline and Other Employees	**89.38%**	91.75%
By Age Group		
18–25	**9.17%**	10.60%
26–35	**45.83%**	50.07%
36–45	**38.89%**	33.82%
46–55	**5.69%**	4.97%
56 or above	**0.42%**	0.54%
By Geographical Location*		
Mainland China	**100%**	100%
Foreign countries	**0.00%**	0.00%

* *Refining research methodologies during Reporting Period*

B1.2. Turnover Figures

A total of 565 employees left the Group during the Reporting Period, which gave a turnover rate of 39.24%. 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	2023	2022
By Employment Type		
Full-time	**39.24%**	53.15%
Part-time	**0.00%**	0.00%
By Gender		
Female	**36.82%**	49.82%
Male	**40.74%**	55.18%
By Employee Category		
Senior Management	**19.35%**	33.33%
Middle Management	**24.59%**	32.32%
Frontline and Other Employees	**41.10%**	55.01%
By Age Group		
18–25	**75.00%**	105.06%
26–35	**46.21%**	58.31%
36–45	**26.07%**	34.72%
46–55	**15.85%**	20.27%
56 or above	**33.33%**	12.50%
By Geographical Location*		
Mainland China	**39.24%**	53.15%

* *Refining research methodologies during Reporting Period*

B1.3. Employee Recruitment, Compensation and Benefits

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

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

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

The Group complies with all working hours, rest, and vacation regulations of the Chinese labour Law to ensure the physical and mental health of all employees. The Group does not force employees to work overtime. On statutory holidays, the approved overtime will be paid according to the Labour Law, After consulting with employees, those who work overtime on weekends and weekdays will be compensated with rest days. 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 additions, during the Reporting Period, the Company was not aware of any violation cases relating to compensation, recruitment and promotion, working hours, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the operations of the Company.

B1.4. Employee 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, such as car repairing and maintenance services, the Group issues personal protective equipment for their protection, while also providing annual medical examination. Furthermore, the Group has installed ventilation systems in each dealership store.

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

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

B2.1. Work-related Fatalities and Injury

Occupational Health and Safety Data in 2023 and 2022	2023	2022
Work related fatality	**0**	0
Fatality rate[1]	**0.00%**	0.00%
Work injury cases >3 days	**3**	5
Work injury cases ≤3 days	**0**	0
Lost days due to work injury	**267**	332

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

The company attaches great importance to the occupational safety of all colleagues and has devoted effort in protecting the health of its staff. During the Reporting Period, the Company did not receive any complaints or lawsuits regarding violations of health and safety-related laws, and there was no work-related death in the past three years.

B3. Development and Training

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

To promote the joint growth of the Group and its employees, the Group has invested a lot of resources in talent training. The Group has standardized and improved its employee training system to develop exclusive development paths 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.

Training courses and activities organized by various brand manufacturers

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

During the Reporting Period, 1,440 employees, or 100.00% of all employees, received training as arranged by the Group, and the average training hours that each employee received was approximately 68.96 hours. The percentage and average training hours per gender and employee category during the Reporting Period are as follows:

2023

By Gender		
Female	**100.00%**	**67.68 hrs**
Male	**100.00%**	**69.76 hrs**
By Employee Category		
Senior Management	**100.00%**	**60.42 hrs**
Middle Management	**100.00%**	**64.05 hrs**
Frontline and Other Employees	**100.00%**	**69.63 hrs**

2022

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

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.

C. Commitment to Customers

C1. Supply Chain Management

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

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

During the Reporting Period, the Group had engaged with 26 (2022: 27) key suppliers, mainly for insurance services, vehicle purchase and accessories purchase.

Supplier Region	Type of Supplier	Numbers	
		2023	2022
Beijing	Insurance Services	1	1
	Vehicle Procurement	4	5
	Accessory Procurement	6	6
Guangdong	Accessory Procurement	0	1
Jilin	Accessory Procurement	1	1
Jiangsu	Vehicle Procurement	1	1
	Accessory Procurement	1	1
Jiangxi	Insurance Services	1	1
Shandong	Accessory Procurement	1	1
Shanghai	Vehicle Procurement	3	2
	Accessory Procurement	2	1
Sichuan	Insurance Services	1	1
	Accessory Procurement	0	1
Tianjin	Insurance Services	1	1
	Accessory Procurement	1	1
Zhejiang	Vehicle Procurement	2	2
Total		26	27

C2. Product Responsibility

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

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

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

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

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

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

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

- documents for inspection process should be filed; and

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

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

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

- manufacturer publishes announcement to recall products;

- identifying affected vehicles;

- preparing preliminary spare parts inventory based on actual situation;

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

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

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

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

C2.1. 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.

C2.2. Customer Services

Adhering to our customer-oriented philosophy of "Customer for Life" (待客以恒), the Group is dedicated to providing customized services to satisfy each customer's specific demands. We have established a "butler service model" (管家式服務), where we provide each customer with detailed services in the process of purchasing a new automobile, including the introduction of the brand and performance of the automobiles, selection of automobile models, arranging for test-drives and procuring the relevant financing and insurance products, as well as license plate registration services. In addition, the Group is dedicated to providing our customers with comprehensive after-sales services, including repairs, maintenance and warranty extension services during the life cycle of their automobiles. This service model has allowed us to increase the frequency of interactions with our customers, maintain uniform service quality across our dealership store network, and create customer loyalty. We require our sales and after-sales staff to utilize the information technology systems to serve each customer in a flexible and proactive manner to enhance customers' experience at our 4S dealership stores. We also encourage customers to conduct online service review for our sales and after-sales staff, which allows us to collect feedback and assess the quality of our services in a timely manner.

C2.3. Quality Assurance

The Group's corporate motto is "Customer for Life", and it is central to its corporate culture. The Group strives to deliver optimal services in its daily operations. Thus, the Group attaches great importance to customers' opinions and treats providing customer support as an opportunity to improve its relationship with the customer, and aims to address customer's 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 five complaints from clients, which were resolved successfully. The Group has resolved the problems for customers and no further complaints received from the customers.

C2.4. Confidential Information

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

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

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

C3. 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 1.03 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 were no concluded legal cases regarding corrupt practices brought against its employees during the Reporting Period.

D. Commitment to Community

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. During the Reporting Period, the Group participated in the supplies donation for flooding disaster; tree planting activity in Chengdu's surrounding villages and the volunteering service for community in Qingdao.

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

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE MEMBERS OF BETTERLIFE HOLDING LIMITED
百得利控股有限公司
(incorporated in the Cayman Island with limited liability)

Opinion

We have audited the consolidated financial statements of BetterLife Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 88 to 159, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

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 2023, 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 of 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Recognition of vendor rebates

Refer to Note 20 to the consolidated financial statements and the accounting policies on page 102.

The Key Audit Matter

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

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

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

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

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

How the matter was addressed in our audit

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

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

Key Audit Matters (continued)

Impairment of goodwill and intangible assets — car dealerships

Refer to Note 15 and Note 16 to the consolidated financial statements and the accounting policies on page 100 and page 109.

The Key Audit Matter	How the matter was addressed in our audit
As a result of acquisitions by the Group of 4S dealership stores, the Group recognised goodwill and intangible assets — car dealerships in the consolidated financial statements. Goodwill has been allocated to each of the relevant individual 4S dealership stores, which are considered to represent individual cash generating units ("CGUs"). As at 31 December 2023, goodwill and intangible assets — car dealerships, after provision for impairment, amounted to RMB379 million (2022: RMB379 million) and RMB846 million (2022: RMB881 million), respectively. The 4S dealership business in China operates in a highly competitive and regulated market which increases the sales volatility of the 4S dealership stores. Consequently, there are uncertainties as to whether the acquired 4S dealership stores can meet forecast growth projections.	Our audit procedures to assess impairment of goodwill and intangible assets — car dealerships included the following: • obtaining an understanding and evaluating the design and implementation of key internal controls over the impairment assessment; • evaluating the appropriateness of management's identification of CGUs and the amounts of goodwill and intangible assets — car dealerships allocated to each CGU and determination of recoverable amounts; • assessing the competence, capabilities and objectivity of the external valuer; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and assessing whether the discount rate applied was within the range adopted by other companies in the same industry;

Key Audit Matters (continued)

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

Refer to Note 15 and Note 16 to the consolidated financial statements and the accounting policies on page 100 and page 109. (continued)

The Key Audit Matter

Management performs impairment assessments of the relevant CGUs to which goodwill and intangible assets — car dealerships have been allocated by determining the recoverable amount for each CGU at the end of each reporting period, with reference to a valuation report prepared by an external valuer appointed by management, using the discounted cash flow method. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, particularly in estimating revenue growth rates, corresponding gross margin rates, working capital changes and the discount rates.

We identified impairment of goodwill and intangible assets — car dealerships as a key audit matter because these assets are material to the Group and because the impairment assessments prepared by management are complex and contain certain judgements and assumptions which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- comparing certain assumptions including forecast revenue, forecast cost of sales, forecast cost of sales, forecast other operating expenses and forecast working capital in the discounted cash flow forecast of each individual CGU with the financial budget approved by the directors, and comparing forecast revenue growth trends with revenue forecast issued by industry research institutions;

- comparing assumptions included in the discounted cash flow forecasts prepared in the prior year with the current year's performance to assess whether there was any indication of management bias;

- obtaining from management sensitivity analyses on revenue growth rates and the discount rates adopted in the discounted cash flow forecasts and assessing the impact of changes in these assumptions to the conclusions reached in the impairment assessments and considering whether there was any indication of management bias; and

- evaluating the reasonableness of the disclosures in the consolidated financial statements of the assumptions in the impairment assessments of goodwill and intangible assets — car dealerships with reference to the requirements of the prevailing accounting standards.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors of the Company 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee are responsible 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, solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2023.

The engagement partner on the audit resulting in this independent auditor's report is Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023
(Expressed in RMB'000)

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**10,728,460**	10,081,729
Cost of sales		**(10,150,026)**	(9,204,186)
Gross profit		**578,434**	877,543
Other income	6	**410,736**	256,080
Selling and distribution expenses		**(565,162)**	(513,212)
Administrative expenses		**(243,108)**	(261,178)
Operating profit		**180,900**	359,233
Finance costs	7(a)	**(47,515)**	(37,836)
Profit before tax	7	**133,385**	321,397
Income tax	8	**(49,002)**	(78,554)
Profit for the year		**84,383**	242,843
Attributable to:			
Equity shareholders of the Company		**56,813**	171,528
Non-controlling interests		**27,570**	71,315
Profit for the year		**84,383**	242,843
Earnings per share	11		
Basic and diluted earnings per share (RMB)		**0.09**	0.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
(Expressed in RMB'000)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit for the year	**84,383**	242,843
Other comprehensive income for the year (after tax):		
Items that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	**9,437**	54,335
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(21,932)**	(31,831)
Other comprehensive (expense) income for the year	**(12,495)**	22,504
Total comprehensive income for the year	**71,888**	265,347
Attributable to:		
Equity shareholders of the Company	**44,318**	194,032
Non-controlling interests	**27,570**	71,315
Total comprehensive income for the year	**71,888**	265,347

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in RMB'000)

	Notes	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	12	**526,824**	561,420
Investment properties	13	**58,517**	62,136
Right-of-use assets	14	**371,424**	407,178
Intangible assets	15	**877,083**	897,450
Goodwill	16	**378,625**	378,625
Deferred tax assets	30	**35,491**	34,693
Long-term prepayments		**1,087**	3,694
		2,249,051	2,345,196
Current assets			
Inventories	18	**801,288**	853,774
Trade receivables	19	**54,544**	56,106
Amounts due from related parties	35(d)	**23,350**	9,065
Prepayments, other receivables and other assets	20	**607,255**	819,947
Pledged bank deposits	21	**108,747**	36,557
Cash in transit	22	**7,268**	11,184
Restricted cash	23	**2,598**	7,032
Cash and cash equivalents	23	**858,471**	701,887
		2,463,521	2,495,552
Current liabilities			
Trade and bills payables	26	**391,755**	334,144
Amounts due to related parties	35(d)	**11,954**	10,214
Other payables and accruals	27	**124,617**	235,472
Contract liabilities	28	**155,674**	183,562
Interest-bearing bank and other borrowings	24	**441,445**	572,075
Lease liabilities	25	**31,506**	32,154
Income tax payables		**54,725**	38,390
		1,211,676	1,406,011
Net current assets		**1,251,845**	1,089,541
Total assets less current liabilities		**3,500,896**	3,434,737

Consolidated Statement of Financial Position

At 31 December 2023
(Expressed in RMB'000)

	Notes	At 31 December 2023 RMB'000	At 31 December 2022 *RMB'000*
Non-current liabilities			
Contract liabilities	28	**157,248**	134,051
Lease liabilities	25	**257,237**	263,739
Deferred tax liabilities	30	**193,243**	204,195
		607,728	601,985
Net assets		**2,893,168**	2,832,752
CAPITAL AND RESERVES	31		
Share capital		**5,180**	5,180
Reserves		**2,688,221**	2,655,433
Total equity attributable to equity shareholders of the Company		**2,693,401**	2,660,613
Non-controlling interests		**199,767**	172,139
TOTAL EQUITY		**2,893,168**	2,832,752

The consolidated financial statements on pages 88 to 159 were approved and authorised for issue by the board of directors on 22 March 2024 and are signed on its behalf by:

Sun Jing
Executive Director

Xu Tao
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023
(Expressed in RMB'000)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in RMB'000)

	Attributable to shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balanced at 1 January 2023	5,180	463,565	19,001	386,109	1,776,089	10,669	2,660,613	172,139	2,832,752
Changes in equity for the year ended 31 December 2023:									
Profit for the year	–	–	–	–	56,813	–	56,813	27,570	84,383
Other comprehensive income for the year	–	–	–	–	–	(12,495)	(12,495)	–	(12,495)
Total comprehensive income for the year	–	–	–	–	56,813	(12,495)	44,318	27,570	71,888
Deemed acquisition of equity interest from non-controlling interest (Note 17(iv))	–	–	–	(58)	–	–	(58)	58	–
Dividends recognised as distribution (Note 31(b)(ii))	–	(18,675)	–	–	–	–	(18,675)	–	(18,675)
Equity settled share-based transactions (Note 29(c))	–	–	7,203	–	–	–	7,203	–	7,203
Balance at 31 December 2023	5,180	444,890	26,204	386,051	1,832,902	(1,826)	2,693,401	199,767	2,893,168

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2023
(Expressed in RMB'000)

		Year ended 31 December	
		2023	2022
	Notes	**RMB'000**	RMB'000
Operating activities			
Cash generated from operations	23(b)	**669,096**	138,178
Interest received		**18,171**	8,309
Income taxes paid		**(44,417)**	(133,634)
Net cash generated from operating activities		**642,850**	12,853
Investing activities			
Proceeds from disposal of property, plant and equipment		**114,496**	107,659
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	280,000
Acquisition of financial assets measured at fair value through profit or loss		**–**	(230,000)
Acquisition of items of property, plant and equipment		**(184,467)**	(402,264)
Payment for acquisition of subsidiaries, net of cash acquired		**(83,575)**	(374,961)
Acquisition of items of intangible assets		**(18,543)**	(7,061)
Investment income from financial assets at fair value through profit or loss		**–**	1,463
Net cash used in investing activities		**(172,089)**	(625,164)
Financing activities			
Proceeds from bank and other borrowings		**2,587,297**	2,008,129
Repayment of bank and other borrowings		**(2,718,069)**	(1,660,340)
Increase in pledged bank deposits		**(72,190)**	(36,547)
Interest paid		**(27,936)**	(15,671)
Dividends paid to non-controlling shareholders		**–**	(120,000)
Dividends paid to equity shareholders of the Company		**(18,675)**	(136,950)
Proceeds from sale and lease-back transactions		**26,174**	17,438
Payment of sale and lease-back transactions		**(24,372)**	(16,910)
Capital element of lease rentals paid		**(48,038)**	(46,694)
Interest element of lease rentals paid		**(18,650)**	(20,451)
Net cash used in financing activities		**(314,459)**	(27,996)
Net increase (decrease) in cash and cash equivalents		**156,302**	(640,307)
Cash and cash equivalents at 1 January		**701,887**	1,333,369
Effect of foreign exchange rate changes		**282**	8,825
Cash and cash equivalents at 31 December		**858,471**	701,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023
(Expressed in RMB'000)

1. General information

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

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

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 July 2021.

The consolidated financial statement are presented in Renminbi ("RMB"), which is also the functional currency of its subsidiaries located in the People's Republic of China ("PRC"). The functional currency of the Company and subsidiaries established in Cayman Islands, British Virgin Islands and Hong Kong is denoted in Hong Kong Dollar ("HKD").

2. Application of new and amendments to International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2023.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of new and amendments to International Financial Reporting Standards ("IFRSs") (continued)

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

Impact on application of Amendments to IAS 8 — Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments 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 earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The Group previously applied IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis. Upon application of the amendments, the Group recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under IAS 12. There was no impact on the opening retained earnings as at 1 January 2022. The key impact to the Group relates to the disclosures of the component of deferred tax assets and liabilities as disclosed in note 30.

2. Application of new and amendments to International Financial Reporting Standards ("IFRSs") (continued)

Amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures— Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. Material accounting policy information

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Material accounting policy information (continued)

Basis of consolidation (continued)

The Group reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in capital reserve and attributed to owners of the Company.

Business combinations

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

3. Material accounting policy information (continued)

Business combinations (continued)

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. Material accounting policy information (continued)

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

3. Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Contract liabilities (continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of motor vehicle
- sales of motor spare parts
- maintenance service income

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

(i) Sale of motor vehicles

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

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

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

(iii) After-sales services — maintenance and other services income

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

Vendor rebates

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

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

3. Material accounting policy information (continued)

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. Material accounting policy information (continued)

Lease (continued)

The Group as lessee (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases or which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. Material accounting policy information (continued)

Lease (continued)

Lease modification (continued)

Sale and leaseback transactions

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

For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. Material accounting policy information (continued)

Retirement benefits costs and termination benefits

Payments to defined contribution plans, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Material accounting policy information (continued)

Taxation (continued)

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

3. Material accounting policy information (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. Material accounting policy information (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives as follows:

— Car dealerships	30 years
— Office software	10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible asset acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Other than spare parts and accessories, cost is calculated on specific identification basis as appropriate and comprises all cost 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

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposit) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

3. Material accounting policy information (continued)

Interest in subsidiaries

Interest in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

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.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments) (continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 6).

3. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increases in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increases in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

3. Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Measurement and recognition of expected credit losses (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. Material accounting policy information (continued)

Financial liabilities (continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair values of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to share option reserve.

3. Material accounting policy information (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. Material accounting policy information (continued)

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of goodwill and intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Control in a subsidiary

As stated in note 17, Chengdu Baichuanjinbao Auto Sales and Services Co., Ltd ("Chengdu Baichuanjinbao") is a subsidiary of the Group even through the Group has only a 30% ownership interest. The directors of the Company assessed the Group's control over Chengdu Baichuanjinbao on the basis of its ability to direct the relevant activities. In making their judgement, the directors of the Company considered the Group having domination of representatives in the board of Chengdu Baichuanjinbao.

Lease term of contracts with extension and termination 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). Any increase or decrease in lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

Key sources of estimation uncertainty

The following are 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and intangible assets — cars dealerships

The Group determines whether goodwill and intangible assets acquired through business combinations are impaired requires an estimation of the value in use of the cash generating units (i.e. entities acquired by the Group) to which the relevant goodwill and intangible assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and suitable discount rates in order to calculate their present values. Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details are disclosed in Note 15 and Note 16.

Accrual of vendor rebate

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

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

Deferred tax assets

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

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Estimated useful life of intangible assets — car dealership

At the end of each reporting period, the directors of the Company review the estimated useful life of intangible assets with finite useful life. The carrying amounts of intangible assets with finite useful life as at 31 December 2023 is RMB846,253,000 (31 December 2022: RMB880,574,000).

The intangible assets are amortised on the straight-line basis. 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 in the industry, with consideration of market conditions. Management will increase the amortisation charges when useful lives become shorter than previously estimated.

5. Revenue and segment reporting

The Group is mainly engaged in sales of passenger motor vehicles and provision of after-sales services. For the purpose of resource allocation and assessment of segment performance, the chief executive officer of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and except for entity-wide disclosures, timing of revenue recognition and geographic information, no further analysis of the segment is presented. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

(i) Disaggregation of revenue

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

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of passenger motor vehicles	**9,427,205**	8,915,862
Provision of after-sales services	**1,301,255**	1,165,867
	10,728,460	10,081,729
Disaggregated by geographical location of customers		
The PRC	**10,728,460**	10,081,729
Disaggregated by timing of revenue recognition		
Point in time	**10,728,460**	10,081,729

Substantially all of the Group's operations and non-current assets are located in the PRC.

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

5. Revenue and segment reporting (continued)

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Sale of motor vehicles	**121,557**	218,503
After-sales services	**49,779**	41,476
	171,336	259,979

6. Other income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income	**18,171**	8,309
Commission income	**311,532**	164,681
Rental income	**4,686**	4,423
Government grants	**1,521**	2,290
Gain on disposal of items of property, plant and equipment	**5,884**	23,116
Investment income from financial assets at fair value through profit or loss	**—**	1,463
Others	**68,942**	51,798
	410,736	256,080

7. Profit before taxation

Profit before taxation is arrived at after charging:

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
(a) Finance costs:			
Interest on bank and other borrowings		**28,078**	16,441
Interest on lease liabilities		**18,650**	20,451
Interest on sale and lease-back liabilities		**787**	944
		47,515	37,836
(b) Staff costs:			
Salaries, wages and other benefits		**304,464**	275,699
Contributions to defined contribution retirement plans	(i)	**34,865**	31,651
Equity settled share-based transactions (Note 29(c))		**7,203**	13,702
		346,532	321,052

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

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

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

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

7. Profit before taxation (continued)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
(c) Other items:		
Cost of inventories (Note 18(b))	**10,043,921**	9,128,514
Depreciation		
— Property, plant and equipment	**114,231**	101,667
— Right-of-use assets	**76,687**	75,730
— Investment properties	**3,619**	3,619
Amortisation of intangible assets (included in selling and distribution and administrative expenses)	**38,910**	31,856
Expense relating to short-term leases	**12,654**	3,764
Auditor's remuneration	**2,400**	3,360

8. Income tax

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current tax:		
The PRC	**60,752**	101,419
Deferred tax:		
Current year	**(11,750)**	(22,865)
	49,002	78,554

8. Income tax (continued)

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

	Year ended 31 December	
	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**133,385**	321,397
Tax at the statutory tax rate of 25%	**33,346**	80,349
Tax effect of non-deductible expenses	**965**	5,576
Tax effect of unused tax losses and temporary differences not recognised, net of utilisation	**26,233**	16,433
Effect of tax rate differential	**(11,745)**	(24,222)
Others	**203**	418
Income tax	**49,002**	78,554

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

(ii) No provision for Hong Kong profits tax was made for the Group's subsidiary located in Hong Kong as the subsidiary did not have assessable profits subject to Hong Kong profits tax during the year.

(iii) The PRC subsidiaries of the Group are subject to the PRC Corporate Income Tax rate of 25%, except for certain subsidiaries incorporated in Chengdu for 4S dealership business were granted a preferential rate of 15% for the development of the Western region for nine years starting from 2022. One of the subsidiaries was incorporated in Hainan for automobile accessories business and was granted a preferential rate of 15% for Hainan Free Trade Port from 2022 to 2024.

9. Directors' emoluments

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

	Directors' fee RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based payments (vi) RMB'000	Retirement scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023					
Executive directors:					
Mr. Chou Patrick Hsiao-Po (chief executive) (i)	–	1,534	–	45	1,579
Ms. Sun Jing	–	1,552	1,637	45	3,234
Mr. Chau Kwok Keung (ii)	–	2,159	4,748	16	6,923
Mr. Xu Tao (iii)	–	862	818	65	1,745
Independent non-executive directors					
Mr. Liu Dengqing	306	–	–	–	306
Mr. Wong Ka Kit	306	–	–	–	306
Mr. Yau Ka Chi (iv)	255	–	–	–	255
Mr. Lou Sai Tong (v)	41	–	–	–	41
	908	6,107	7,203	171	14,389

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

9. Directors' emoluments (continued)

Notes:

(i) Mr. Chou Patrick Hsiao-Po resigned as an executive director and the chief executive officer with effect on 9 March 2024.

(ii) Mr. Chau Kwok Keung resigned as an executive director with effect on 14 January 2024.

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

(iv) Mr. Yau Ka Chi resigned as an independent non-executive director with effect on 31 October 2023.

(v) Mr. Lou Sai Tong was appointed as an independent non-executive director with effect on 13 November 2023.

(vi) These represent the share based payment expenses in relation to the share options granted to the directors under the Company's share option scheme.

(vii) There were no arrangements under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: nil).

10. Individuals with highest emoluments

Of the five individuals with the highest emoluments, four (2022: four) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other one (2022: one) individuals are as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**1,369**	1,776
Retirement scheme contributions	**65**	60
	1,434	1,836

The emolument of the one (2022: one) individual with the highest emoluments is within the following band:

	2023 Number of individuals	2022 Number of individuals
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**—**	1
	1	1

11. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB56,813,000 (2022: RMB171,528,000) and the weighted average number of the Company's ordinary shares of 622,500,000 (2022: 622,500,000 shares) in issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for both 2023 and 2022.

12. Property, plant and equipment

	Buildings	Machinery equipment	Vehicles	Other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
At 1 January 2022	189,327	68,814	150,048	53,885	88,730	26,654	577,458
Additions	146,483	2,999	156,517	11,565	9,018	57,401	383,983
Transfer from construction in progress	—	—	—	6,861	63,018	(69,879)	—
Disposal	—	(380)	(119,731)	(3,883)	—	—	(123,994)
Acquisition of subsidiaries	—	1,877	—	619	55	—	2,551
At 31 December 2022 and 1 January 2023	**335,810**	**73,310**	**186,834**	**69,047**	**160,821**	**14,176**	**839,998**
Additions	**—**	**5,221**	**150,349**	**8,262**	**6,248**	**18,212**	**188,292**
Transfer from construction in progress	**—**	**—**	**—**	**1,945**	**29,651**	**(31,596)**	**—**
Disposals	**(110,784)**	**(7,373)**	**(131,610)**	**(6,787)**	**(10,100)**	**—**	**(266,654)**
At 31 December 2023	**225,026**	**71,158**	**205,573**	**72,467**	**186,620**	**792**	**761,636**
Accumulated depreciation:							
At 1 January 2022	(97,791)	(29,544)	(31,932)	(31,961)	(20,759)	—	(211,987)
Charge for the year	(28,645)	(5,867)	(34,106)	(8,786)	(24,263)	—	(101,667)
Written back on disposals	—	221	31,115	3,740	—	—	35,076
At 31 December 2022 and 1 January 2023	**(126,436)**	**(35,190)**	**(34,923)**	**(37,007)**	**(45,022)**	**—**	**(278,578)**
Charge for the year	**(23,309)**	**(6,085)**	**(41,013)**	**(11,523)**	**(32,301)**	**—**	**(114,231)**
Written back on disposal	**110,784**	**4,840**	**35,369**	**5,500**	**1,504**	**—**	**157,997**
At 31 December 2023	**(38,961)**	**(36,435)**	**(40,567)**	**(43,030)**	**(75,819)**	**—**	**(234,812)**
Net book value:							
At 31 December 2023	**186,065**	**34,723**	**165,006**	**29,437**	**110,801**	**792**	**526,824**
At 31 December 2022	209,374	38,120	151,911	32,040	115,799	14,176	561,420

The net carrying amount of the Group's vehicles held under sale and lease-back arrangements included in the amounts of vehicles of property, plant and equipment was RMB27,068,000 (2022: RMB16,777,000) as at 31 December 2023.

13. Investment properties

	Buildings RMB'000	Land RMB'000	Total RMB'000
Cost:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**53,976**	**40,861**	**94,837**
Accumulated depreciation:			
At 1 January 2022	(19,402)	(9,680)	(29,082)
Charge for the year	(2,551)	(1,068)	(3,619)
At 31 December 2022 and 1 January 2023	**(21,953)**	**(10,748)**	**(32,701)**
Charge for the year	**(2,551)**	**(1,068)**	**(3,619)**
At 31 December 2023	**(24,504)**	**(11,816)**	**(36,320)**
Net book value:			
At 31 December 2023	**29,472**	**29,045**	**58,517**
At 31 December 2022	32,023	30,113	62,136

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

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Within 1 year	**7,473**	7,628
After 1 year but within 5 years	**6,506**	14,167
	13,979	21,795

The fair value of the investment properties, as determined by the directors of the Company with the assistance of external valuer, was estimated to be approximately RMB70,200,000 (2022: RMB73,030,000) as at 31 December 2023.

14. Right-of-use assets

	Prepaid land lease payments RMB'000	Leasehold land and buildings RMB'000	Other equipment RMB'000	Total RMB'000
Costs:				
At 1 January 2022	39,081	473,559	1,151	513,791
Additions	—	65,514	—	65,514
Acquisition of a subsidiary (Note 33)	—	113,126	—	113,126
Disposals	—	(14,300)	—	(14,300)
At 31 December 2022 and 1 January 2023	**39,081**	**637,899**	**1,151**	**678,131**
Additions	**—**	**44,317**	**—**	**44,317**
Disposals	**—**	**(118,693)**	**—**	**(118,693)**
At 31 December 2023	**39,081**	**563,523**	**1,151**	**603,755**
Accumulated depreciation:				
At 1 January 2022	(5,324)	(190,809)	(192)	(196,325)
Charge for the year	(1,232)	(74,169)	(329)	(75,730)
Written back	—	1,102	—	1,102
At 31 December 2022 and 1 January 2023	**(6,556)**	**(263,876)**	**(521)**	**(270,953)**
Charge for the year	**(1,234)**	**(75,124)**	**(329)**	**(76,687)**
Written back	**—**	**115,309**	**—**	**115,309**
At 31 December 2023	**(7,790)**	**(223,691)**	**(850)**	**(232,331)**
Net book value:				
At 31 December 2023	**31,291**	**339,832**	**301**	**371,424**
At 31 December 2022	32,525	374,023	630	407,178

14. Right-of-use assets (continued)

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

Included in the right-of-use assets, there are lease arrangements entered by the Group for offices, stores and warehouses. The lease terms are generally ranged from 2 to 31 years.

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets	**76,687**	75,730
Interest on lease liabilities (Note 7(a))	**18,650**	20,451
Expense relating to short-term leases	**12,654**	3,764
	107,991	99,945

15. Intangible assets

	Office software RMB'000	**Car dealerships** RMB'000	**Total** RMB'000
Cost:			
At 1 January 2022	30,130	632,537	662,667
Additions	7,061	—	7,061
Acquisition of a subsidiary (Note 33)	—	397,079	397,079
At 31 December 2022 and 1 January 2023	**37,191**	**1,029,616**	**1,066,807**
Additions	**18,543**	**—**	**18,543**
At 31 December 2023	**55,734**	**1,029,616**	**1,085,350**
Accumulated amortisation:			
At 1 January 2022	(17,265)	(120,236)	(137,501)
Charge for the year	(3,050)	(28,806)	(31,856)
At 31 December 2022 and 1 January 2023	**(20,315)**	**(149,042)**	**(169,357)**
Charge for the year	**(4,589)**	**(34,321)**	**(38,910)**
At 31 December 2023	**(24,904)**	**(183,363)**	**(208,267)**
Net book value:			
At 31 December 2023	**30,830**	**846,253**	**877,083**
At 31 December 2022	16,876	880,574	897,450

15. Intangible assets (continued)

Impairment testing of intangible assets — car dealerships and goodwill

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

Goodwill acquired through business combinations has been allocated to the relevant car dealership business (or group of car dealership businesses) from which the goodwill was resulted.

Management regards each individual car dealership business as a separately identifiable cash-generating unit ("CGU").For the purpose of impairment testing, goodwill and intangible assets have been allocated to the respective CGUs with impairment assessment performed as follows:

As at 31 December 2023	**Allocated goodwill RMB'000**	**Related intangible assets — car dealership RMB'000**
Yingzhibao BMW	**168,229**	**376,122**
Foshan JLR	**10,681**	**28,155**
Haidian Porsche	**40,758**	**67,877**
Yizhuang Porsche	**61,793**	**74,565**
Tianjing Porsche	**22,621**	**44,169**
Haidian Benz	**74,543**	**195,588**
	378,625	**786,476**

As at 31 December 2022	Allocated goodwill RMB'000	Related intangible assets — car dealership RMB'000
Yingzhibao BMW	168,229	389,358
Foshan JLR	10,681	29,201
Haidian Porsche	40,758	70,963
Yizhuang Porsche	61,793	77,955
Tianjing Porsche	22,621	46,176
Haidian Benz	74,543	204,477
	378,625	818,130

15. Intangible assets (continued)

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

The recoverable amount of each CGU has been based on value-in-use calculation and these calculations use cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated by using an estimated growth rate of 2% (2022: 3%) which is consistent with the forecasts included in industry reports. Other key assumptions applied in the cash flow projections are shown as follows:

	2023	2022
Yingzhibao BMW		
Pre-tax discount rate	**16.13%**	17.15%
Revenue growth from 1st to 5th year	**3.0%–25.8%**	3.0%–30.0%
Earnings before interest and taxes rate	**1.5%–7.0%**	3.0%–6.0%
Foshan JLR		
Pre-tax discount rate	**15.91%**	16.59%
Revenue growth from 1st to 5th year	**2.9%–11.3%**	3.0%–25.0%
Earnings before interest and taxes rate	**−2.0%–3.4%**	−1.0%–3.0%
Haidian Porsche		
Pre-tax discount rate	**16.85%**	17.44%
Revenue growth from 1st to 5th year	**−9.2%–3.9%**	−0.6%–5.9%
Earnings before interest and taxes rate	**5.1%–7.9%**	6.1%–6.9%
Yizhuang Porsche		
Pre-tax discount rate	**16.66%**	17.47%
Revenue growth from 1st to 5th year	**−7.5%–3.0%**	−1.3%–6.0%
Earnings before interest and taxes rate	**5.4%–8.6%**	7.5%–7.9%
Tianjing Porsche		
Pre-tax discount rate	**16.57%**	17.52%
Revenue growth from 1st to 5th year	**−10.8%–3.3%**	−1.7%–5.8%
Earnings before interest and taxes rate	**2.8%–7.1%**	5.9%–7.5%
Haidian Benz		
Pre-tax discount rate	**16.58%**	17.41%
Revenue growth from 1st to 5th year	**2.7%–7.5%**	1.7%–5.3%
Earnings before interest and taxes rate	**3.2%–6.1%**	4.9%–7.5%

During the years ended 31 December 2023 and 2022, the management of the Group determines that there are no impairments of any of the above CGUs.

The headroom, which is measured by excess of the recoverable amount over the carrying amount of the individual CGUs is set out as follows:

	2023 RMB'000	2022 RMB'000
Yingzhibao BMW	**120,775**	74,295
Foshan JLR	**12,111**	2,407
Haidian Porsche	**265,846**	396,198
Yizhuang Porsche	**355,988**	420,279
Tianjing Porsche	**118,921**	173,514
Haidian Benz	**305,470**	437,029
	1,179,111	1,503,722

15. Intangible assets (continued)

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

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Impact by increasing discount rate	**(253,062)**	(275,067)
Impact by decreasing revenue growth rate	**(152,487)**	(136,984)
Impact by decreasing earnings before interest and taxes rate	**(29,434)**	(33,179)

At 31 December 2023 and 2022, the directors of the Company considered no reasonably possible change in the key assumptions mentioned above would cause the carrying amount of the CGU to exceed its recoverable amount. Therefore, the directors of the Company determined that there was no impairment of its CGU at 31 December 2023 and 2022.

16. Goodwill

	RMB'000
Cost:	
At 1 January 2022	862,427
Goodwill arising from business combination:	
— YZB Auto Service Group Limited (Note 33)	168,229
At 31 December 2022 and 2023	**1,030,656**
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022 and 31 December 2023	**652,031**
Carrying amount:	
At 31 December 2023	**378,625**
At 31 December 2022	378,625

Goodwill is allocated to the Group's CGU of the operation of the car dealership business for impairment testing as set out in Note 15.

(Expressed in RMB'000)

17. Interest in subsidiaries

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

	Note	Place and date of incorporation/ establishment of business	Registered/ Issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	**Indirect**	
BetterLife Tianjin Management Group Co., Ltd.* 百得利(天津)企業管理集團有限公司	(i)	PRC/Mainland China 30 August 2007	RMB303,320,000	—	100%	Investment holding, sale and service of motor vehicles
Beijing BetterLife Automobile Import and Export Group Co., Ltd.* 北京百得利汽車進出口集團有限公司	(ii)	PRC/Mainland China 3 September 1998	RMB60,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Trade Co., Ltd.* 北京百得利汽車貿易有限公司	(ii)	PRC/Mainland China 6 February 2004	RMB20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Auto Sales Co., Ltd.* 北京百得利汽車銷售有限公司	(ii)	PRC/Mainland China 14 April 2008	RMB20,000,000	—	100%	Sale and service of motor vehicles
Beijing BetterLife Star Auto Sales Co., Ltd.* 北京百得利之星汽車銷售有限公司	(ii)	PRC/Mainland China 9 January 2008	RMB40,000,000	—	100%	Sale and services of motor vehicles
BetterLife International Motor Co., Limited		Hong Kong 15 July 2010	Hong Kong dollars ("HK$") 10,000	100%	—	Investment holding
Beijing BetterLife International Trade Co., Ltd.* 北京百得利國際商貿有限公司	(ii)	PRC/Mainland China 9 December 2011	RMB80,000,000	—	100%	Sale and service of motor vehicles
Hangzhou BetterLife Auto Co., Ltd.* 杭州百得利汽車有限公司	(ii)	PRC/Mainland China 18 August 2010	RMB50,010,000	—	100%	Sale and service of motor vehicles
Chengdu Baichuanjinbao 成都百川金保汽車銷售服務有限公司	(ii), (iii)	PRC/Mainland China 8 January 2014	RMB33,333,333	—	30%	Sale and service of motor vehicles
Chengdu Baichuanxinbao Auto Sales and Services Co., Ltd.* ("Chengdu Baichuanxinbao") 成都百川新保汽車銷售服務有限公司	(ii)	PRC/Mainland China 30 March 2012	RMB33,333,333	—	70%	Sale and service of motor vehicles
Beijing BetterLife Experimental Technology Development Co., Ltd.* 北京百得利體驗科技發展有限公司	(ii)	PRC/Mainland China 16 August 2018	RMB20,000,000	—	100%	Sale and service of motor vehicles
Qingdao BetterLife Auto Co., Ltd.* 青島百得利汽車有限公司	(ii)	PRC/Mainland China 9 December 2019	RMB10,000,000	—	100%	Sale and service of motor vehicles

(Expressed in RMB'000)

17. Interest in subsidiaries (continued)

	Note	Place and date of incorporation/ establishment of business	Registered/ Issued and fully paid up capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Foshan Baide Laifu Auto Sales and Services Co., Ltd.* ("Foshan Baide Laifu") 佛山柏得來富汽車銷售服務有限公司	(ii), (iv)	PRC/Mainland China 11 September 2020	RMB30,000,000 (2022: RMB15,000,000)	—	95% (2022:90%)	Sale and service of motor vehicles
Shanghai Baide Laifu Auto Co., Ltd.* 上海佰得來富汽車有限公司	(ii)	PRC/Mainland China 1 July 2021	RMB20,000,000	—	100%	Sale and services of motor vehicles
Hainan Liya Holding Co., Ltd.* 海南莉雅控股有限公司	(i)	PRC/Mainland China 31 August 2021	U.S. dollars ("USD") 3,000,000	—	100%	Sale of automobile accessories and advertisement service
Chengdu BetterLife Auto Sales and Services Co., Ltd.* 成都百得利汽車銷售服務有限公司	(ii)	PRC/Mainland China 25 October 2021	RMB5,000,000	—	100%	Sale and service of motor vehicles
Beijing Yingzhibao Automobile Trading Co., Ltd.* 北京盈之寶汽車貿易有限公司	(i), (ii)	PRC/Mainland China 25 January 2022	U.S. dollars ("USD") 10,000,000	—	100%	Sale and service of motor vehicles
Tianjin Laifutai Insurance Agency Co., Ltd.* 天津來福泰保險代理有限公司	(ii)	PRC/Mainland China 14 March 2014	RMB50,000,000	—	100%	Provision of insurance agency service
Beijing Betterlife Used Car Sales Co., Ltd.* 北京百得利二手車銷售有限公司	(ii)	PRC/Mainland China 30 May 2023	RMB50,000,000	—	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 the PRC law.

(iii) According to the articles of association, the Group considers that it controls Chengdu Baichuanjinbao and domination of representation in the board to direct the relevant activities of the company.

(iv) During the year ended 31 December 2023, the Group injected cash to Foshan Baide Laifu, a subsidiary of the Group with an amount of RMB15,000,000. After the contribution, the Group interest in Foshan Baide Laifu increased from 90% to 95%.

17. Interest in subsidiaries (continued)

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

	2023 **RMB'000**	2022 RMB'000
Chengdu Baichuanjinbao		
NCI percentage	**70%**	70%
Current assets	**195,742**	174,287
Non-current assets	**93,460**	90,887
Current liabilities	**(70,939)**	(81,477)
Non-current liabilities	**(22,574)**	(19,839)
Net assets	**195,689**	163,858
Carrying amount of NCI	**120,553**	104,637
Revenue	**1,101,269**	1,200,152
Profit for the year	**31,831**	69,643
Total comprehensive income	**31,831**	69,643
Profit allocated to NCI	**15,916**	34,822
Dividend paid to NCI	**—**	60,000
Cash flows from operating activities	**38,595**	2,243
Cash flows (used in) investing activities	**(13,439)**	(17,285)
Cash flows generated from (used in) financing activities	**3,955**	(87,115)

17. Interest in subsidiaries (continued)

	2023 RMB'000	2022 RMB'000
Chengdu Baichuanxinbao		
NCI percentage	**30%**	30%
Current assets	**165,549**	179,421
Non-current assets	**96,651**	106,286
Current liabilities	**(35,861)**	(87,545)
Non-current liabilities	**(27,704)**	(24,825)
Net assets	**198,635**	173,337
Carrying amount of NCI	**78,370**	65,720
Revenue	**1,132,614**	1,255,971
Profit for the year	**25,299**	76,888
Total comprehensive income	**25,299**	76,888
Profit allocated to NCI	**12,650**	38,444
Dividend paid to NCI	**—**	60,000
Cash flows from operating activities	**63,940**	23,174
Cash flows generated from (used in) investing activities	**591**	(13,932)
Cash flows used in financing activities	**(44,855)**	(87,942)

18. Inventories

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

	At 31 December	
	2023 RMB'000	2022 RMB'000
Motor vehicles	**740,558**	778,509
Spare parts and accessories	**92,806**	90,895
	833,364	869,404
Less: Provision for inventories	**(32,076)**	(15,630)
	801,288	853,774

Inventories with a carrying amount of RMB35,326,000 (2022: RMB31,766,000) were pledged as security for other borrowings as at 31 December 2023 (Note 24).

Inventories with a carrying amount of RMB107,438,000 (2022: RMB15,911,000) were pledged as security for bills payable as at 31 December 2023 (Note 26).

18. Inventories (continued)

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Carrying amount of inventories sold	**10,027,475**	9,112,884
Write-down of inventories	**16,446**	15,630
	10,043,921	9,128,514

19. Trade receivables

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

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	**54,266**	48,727
3 to 6 months	**277**	7,218
6 months to 1 year	**—**	158
Over 1 year	**1**	3
	54,544	56,106

At 31 December 2021, the gross amount of trade receivable arising from contract with customers amounted to RMB41,113,000.

The Group allows an average credit period of three months to its customers. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis. Since no significant increase in credit risk or default on the debtors. Therefore, there was no significant loss allowance recognised for trade receivables as at 31 December 2023 and 2022.

20. Prepayments, other receivables and other assets

	At 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments	**205,827**	503,934
Other receivables	**160,517**	135,486
Rebate receivables	**227,246**	163,434
Value-added tax recoverable	**29,992**	36,027
	623,582	838,881
Less: Long-term prepayments	**(1,087)**	(3,694)
Impairment allowance of other receivables	**(15,240)**	(15,240)
Current portion	**607,255**	819,947

21. Pledged bank deposits

	Note	At 31 December 2023 RMB'000	2022 RMB'000
Pledged guarantee deposits in respect of:	(i)		
Bills payables		**108,747**	36,557

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

22. Cash in transit

	At 31 December 2023 RMB'000	2022 RMB'000
Cash in transit	**7,268**	11,184

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

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

(a) Cash and cash equivalents comprise:

	At 31 December 2023 RMB'000	2022 RMB'000
Cash at banks and on hand	**858,471**	701,887
Restricted cash	**2,598**	7,032
	861,069	708,919
Less: Restricted cash	**(2,598)**	(7,032)
Cash and cash equivalents in the consolidated cash flow statement	**858,471**	701,887

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

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

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

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Profit before taxation	**133,385**	321,397
Adjustments for:		
Depreciation	**194,537**	181,016
Amortisation of intangible assets	**38,910**	31,856
Finance costs	**47,515**	37,836
Interest income	**(18,171)**	(8,309)
Write-down of inventories to net realisable value	**16,446**	15,630
Gain on sale of property, plant and equipment	**(5,884)**	(23,116)
Investment income from financial assets at fair value through profit or loss	**—**	(1,463)
Equity settled share-based transactions	**7,203**	13,702
Contributions from the controlling shareholder	**—**	3,017
Changes in working capital:		
Decrease/(increase) in inventories	**36,040**	(132,460)
Decrease/(increase) in trade receivables	**1,562**	(14,322)
Decrease in cash in transit	**3,916**	8,595
Decrease/(increase) in restricted cash	**4,434**	(2,123)
Increase in amounts due from related parties	**(14,285)**	(1,229)
Decrease/(increase) in prepayments, other receivables and other assets	**212,692**	(278,858)
Increase in trade and bills payables	**57,611**	142,600
(Decrease)/increase in amounts due to related parties	**(849)**	1,056
Decrease in other payables and accruals	**(41,275)**	(84,961)
Decrease in contract liabilities	**(4,691)**	(71,686)
Net cash generated from operating activities	**669,096**	138,178

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

(c) Reconciliation of liabilities arising from financing activities

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

	Bank loans and other borrowings RMB'000 (Note 24)	Dividends payable RMB'000	Lease liabilities RMB'000 (Note 25)	Pledged bank deposits RMB'000 (Note 21)	Sale and lease back payables RMB'000 (Note 35(c))	Total RMB'000
At 1 January 2023	572,075	–	295,893	(36,557)	9,092	840,503
Changes from financing cash flows:						
Proceeds from loans and borrowings	2,587,297	–	–	–	–	2,587,297
Repayment of loans and borrowings	(2,718,069)	–	–	–	–	(2,718,069)
Capital element of lease rentals paid	–	–	(48,038)	–	–	(48,038)
Interest element of lease rentals paid	–	–	(18,650)	–	–	(18,650)
Proceeds from sale and lease-back transactions	–	–	–	–	26,174	26,174
Payment of sale and lease-back transactions	–	–	–	–	(24,372)	(24,372)
Dividends paid to equity shareholders of the Company	–	(18,675)	–	–	–	(18,675)
Changes in pledged bank deposits	–	–	–	(72,190)	–	(72,190)
Interest paid	(27,936)	–	–	–	–	(27,936)
Total changes from financing cash flows	(158,708)	(18,675)	(66,688)	(72,190)	1,802	(314,459)
Other changes:						
Increase in lease liabilities from entering into new leases during the year	–	–	44,317	–	–	44,317
Decrease in lease liabilities from lease modification	–	–	(3,384)	–	–	(3,384)
Gain on lease modification	–	–	(45)	–	–	(45)
Interest expenses (Note 7(a))	28,078	–	18,650	–	787	47,515
Dividends declared to equity shareholders of the Company	–	18,675	–	–	–	18,675
Total other changes	28,078	18,675	59,538	–	787	107,078
At 31 December 2023	441,445	–	288,743	(108,747)	11,681	633,122

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

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

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

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

(d) Total cash outflow for leases

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

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**(12,654)**	(3,764)
Within financing cash flows	**(66,688)**	(67,145)
	(79,342)	(70,909)

24. Interest-bearing bank and other borrowings

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

		At 31 December	
	Notes	2023 RMB'000	2022 RMB'000
Bank loans	(i)		
— unsecured		**387,211**	532,626
Other borrowings	(ii)		
— secured		**54,234**	39,449
Total		**441,445**	572,075

(i) The bank loans carried interest at annual rates ranging from 3.15% to 3.55% as at 31 December 2023 (2022: 3.20% to 3.80%).

(ii) The other borrowings mainly represent loans obtained from the auto finance companies of the respective automobile manufacturers for purchase of motor vehicles, which are secured, interest-bearing with annual rates ranging from 5.07% to 5.69% as at 31 December 2023 (2022: 5.69% to 7.60%).

25. Lease liabilities

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

	2023 RMB'000	2022 RMB'000
Current portion	**31,506**	32,154
After 1 year but within 2 years	**33,228**	35,968
After 2 year but within 5 years	**55,088**	47,214
After 5 years	**168,921**	180,557
Non-current portion	**257,237**	263,739
	288,743	295,893

26. Trade and bills payables

	At 31 December	
	2023 RMB'000	2022 RMB'000
Current		
Trade payables	**113,984**	129,447
Bills payables	**277,771**	204,697
	391,755	334,144

Automobiles normally require full prepayment, except certain suppliers allows a credit period according to respective contract terms. As at the end of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2023 RMB'000	2022 RMB'000
Within 3 months	**385,113**	326,004
Over 3 months but within 6 months	**6,126**	2,849
Over 6 months but within 12 months	**—**	3,294
Over 1 year	**516**	1,997
	391,755	334,144

Bills payables were secured by inventories with a carrying amount of RMB107,438,000 (2022: RMB15,911,000) and pledged bank deposits with a carrying amount of RMB108,747,000 (2022: 36,557,000) as at 31 December 2023.

27. Other payables and accruals

	2023 RMB'000	2022 RMB'000
Other taxes payables	**50,461**	74,088
Payroll payable	**34,877**	42,346
Others	**39,279**	119,038
	124,617	235,472

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

28. Contract liabilities

	2023 RMB'000	2022 RMB'000
Advance from customers	**126,130**	151,030
Deferred revenue	**186,792**	166,583
	312,922	317,613
Portion classified as current liabilities	**(155,674)**	(183,562)
Non-current portion	**157,248**	134,051

As at 1 January 2022, contract liabilities amounted to RMB388,858,000.

The contract liabilities primarily consist of (i) advances from customers for purchasing new automobiles; and (ii) deferred revenue, which mainly represents the unused gift cards or prepaid repair and maintenance services.

29. Equity settled share-based transactions

Pursuant to the share option scheme ("Share Option Scheme") effective on 17 June 2021, 9,800,000 share options of the Company were approved for granting to core employees of the Group on 1 September 2021 (the "Grant Date"). The exercise price of the share option granted is HK$8.264 per share, as determined based on the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the offer date.

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

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

29. Equity settled share-based transactions (continued)

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

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

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

	At 31 December 2023		At 31 December 2022	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$8.264**	**8,800**	HK$8.264	8,800
Outstanding at the end of the year	**HK$8.264**	**8,800**	HK$8.264	8,800
Exercisable at the end of the year	**HK$8.264**	**4,400**	HK$8.264	2,200

No share options were exercised during both years. As at 31 December 2023, the weighted average remaining contractual life for the share options granted was 7.67 years (2022: 8.67 years).

(c) Key assumptions of share options

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

	1 September 2021
Dividend yield (%)	—
Expected volatility (%)	49.35
Risk-free interest rate (%)	1.01
Expected life of options (year)	10.00

Total share option expenses of RMB7,203,000 (2022: RMB13,702,000) were recognised as personnel expenses during the year ended 31 December 2023.

30. Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred revenue RMB'000	Impairment of assets RMB'000	Charge of right-of-use assets RMB'000	Lease liabilities RMB'000	Future benefits of tax losses RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Depreciation allowances in excess of the related depreciation RMB'000	Total RMB'000
At 1 January 2022	19,711	4,113	(7,148)	8,053	16,286	(132,289)	(1,533)	(92,807)
Credited to profit or loss	3,379	678	(27,344)	28,025	2,101	14,714	1,312	22,865
Business combination	—	—	—	—	—	(99,560)	—	(99,560)
At 31 December 2022 and 1 January 2023	23,090	4,791	(34,492)	36,078	18,387	(217,135)	(221)	(169,502)
Credited to profit or loss	883	2,480	(4,813)	5,606	(4,442)	8,433	3,603	11,750
At 31 December 2023	**23,973**	**7,271**	**(39,305)**	**41,684**	**13,945**	**(208,702)**	**3,382**	**(157,752)**

(ii) Reconciliation to the consolidated statement of financial position

	2023 RMB'000	2022 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**35,491**	34,693
Net deferred tax liability recognised in the consolidated statement of financial position	**(193,243)**	(204,195)
	(157,752)	(169,502)

(b) Deferred liabilities not recognised

The PRC Corporate Income Tax Law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. The Group has not recognised deferred tax liabilities as at 31 December 2023 in respect of undistributed earnings of RMB1,873,603,000 (2022: RMB1,833,727,000) as the Company controls the dividend policy of the subsidiaries and it has determined that these profit will not be distributed in the foreseeable future.

30. Deferred tax assets and liabilities (continued)

(c) Deferred assets not recognised

In accordance with the accounting policy set out in Note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses and deductible temporary differences of RMB225,464,000 (2022: RMB333,549,000) in total as it is not probable that future taxable profits against which the losses and temporary differences can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses in the PRC are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose.

31. Capital, reserves and dividends

(a) Movements in component of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	The Company						
	Share capital	Share premium	Capital reserve	Share option reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	5,180	600,515	36,253	5,299	(10,468)	(18,523)	618,256
Profit (loss) and total comprehensive income for the year	—	—	—	—	54,335	(25,724)	28,611
Dividends approved in respect of the previous year (Note 31(b)(i))	—	(136,950)	—	—	—	—	(136,950)
Equity settled share-based transactions	—	—	—	13,702	—	—	13,702
Balance at 31 December 2022 and 1 January 2023	5,180	463,565	36,253	19,001	43,867	(44,247)	523,619
Profit (loss) and total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,101**	**(11,921)**	**(9,820)**
Dividends approved in respect of the previous year (Note 31(b)(i))	**–**	**(18,675)**	**–**	**–**	**–**	**–**	**(18,675)**
Equity settled share-based transactions	**–**	**–**	**–**	**7,203**	**–**	**–**	**7,203**
Balance at 31 December 2023	**5,180**	**444,890**	**36,253**	**26,204**	**45,968**	**(56,168)**	**502,327**

31. Capital, reserves and dividends (continued)

(b) Dividends

(i) Dividends payable recognised as distribution during the year:

	2023 RMB'000	2022 RMB'000
Final dividend of RMB3 cents per ordinary share (2022: RMB22 cents per ordinary share)	**18,675**	136,950

Such dividend was approved to distribute from share premium of the Company.

(ii) Proposed dividends:

	2023 RMB'000	2022 RMB'000
RMB3 cents per ordinary share final dividend proposed after the end of the Reporting Period (2022: RMB3 cents per ordinary share)	**18,675**	18,675

The final dividend proposed after the end of the Reporting Period is subject to approval by the shareholders in the forthcoming general meeting.

(iii) *Other dividends*

During the year ended 31 December 2022, certain subsidiaries of the Group declared and paid dividends of RMB120,000,000 in cash to non-controlling shareholders (2023:nil).

31. Capital, reserves and dividends (continued)

(c) Share capital

	At 31 December 2023		At 31 December 2022	
	Number of shares (thousand)	Amount HK$('000)	Number of shares (thousand)	Amount HK$('000)
Ordinary shares, authorised:				
Ordinary shares of HK$0.01 each	**622,500**	**6,225**	622,500	6,225
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**622,500**	**6,225**	622,500	6,225
RMB equivalent ('000)		**5,180**		5,180

(d) Nature and purpose of reserves

(i) Capital reserve

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

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China.

(iii) Share option reserve

The share option reserve of the Group represents the fair value of equity settled share-based transactions granted to employees in accordance with the Company's Share Option Scheme.

(e) Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

31. Capital, reserves and dividends (continued)

(e) Capital risk management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, lease liabilities, financial liabilities included in other payables and accruals and amounts due to related parties, less cash and cash equivalents and cash in transit. Capital includes equity attributable to equity shareholders of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2023 RMB'000**	2022 RMB'000
Interest-bearing bank and other borrowings	24	**441,445**	572,075
Trade and bills payables	26	**391,755**	334,144
Lease liabilities	25	**288,743**	295,893
Other payables and accruals	27	**124,617**	235,472
Financial liabilities included in amounts due to related parties		**11,751**	9,092
Less: Cash and cash equivalents	23	**(858,471)**	(701,887)
Cash in transit	22	**(7,268)**	(11,184)
Net debt		**392,572**	733,605
Equity attributable to equity shareholders of the Company		**2,693,401**	2,660,613
Capital and net debt		**3,085,973**	3,394,218
Gearing ratio		**12.7%**	21.6%

32. Financial risk management and fair value of financial instruments

Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
At amortised cost	**1,427,501**	1,105,511
Financial liabilities		
At amortised cost	**1,258,311**	1,446,676

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

32. Financial risk management and fair value of financial instruments (continued)

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash and cash equivalents, restricted cash, pledged bank deposits, trade receivables and other receivables.

The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and pledged bank deposits is limited because the counterparties are banks and financial institutions with high credit rating for which the Group considers to have low credit risk.

Trade receivables

Credit risk in respect of trade receivables is limited since credit sales are offered in rare cases subject to high level management's approval. Trade receivables balances mainly represent receivables from individual customers, who obtain mortgages from their financial institutions and used the drawn-down mortgage principal to settle the Group's trade receivables within one month when the mortgages were granted by their financial institutions, indemnity receivables due from insurance companies and warranty receivables from automobile manufacturers. For the receivables from insurance companies and automobile manufacturers, risk of default is considered low, as these are companies with good credit rating. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Based on historical loss ratios, The Group assessed that there is no significant loss allowance recognised in accordance with IFRS 9 for trade receivables as at 31 December 2023 and 2022. 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.

Other receivables

Credit risk in respect of other receivables is limited since the counterparties are of good reputation and their receivables are settled on a regular basis.

The Group measures loss allowances for other receivables at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

No significant concentration risks for trade receivables and other receivables as they are widely spread in different sections and region. There are no other customers who represent more than 5% of the total trade receivable balance as at the end of the reporting periods.

32. Financial risk management and fair value of financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's policy is to regularly monitor current and expected liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2023					At 31 December 2022				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand RMB'000	**More than 1 year but less than 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**	**Balance sheet carrying amount RMB'000**	Within 1 year or on demand RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Balance sheet carrying amount RMB'000
Interest-bearing bank and other borrowings	**447,642**	**–**	**–**	**447,642**	**441,445**	579,904	—	—	579,904	572,075
Lease liabilities	**49,845**	**144,910**	**249,588**	**444,343**	**288,743**	51,054	166,458	246,562	464,074	295,893
Financial liabilities included in amounts due to related parties	**12,063**	**–**	**–**	**12,063**	**11,751**	9,377	—	—	9,377	9,092
Other payables and accruals	**124,617**	**–**	**–**	**124,617**	**124,617**	235,472	—	—	235,472	235,472
Trade and bills payables	**391,755**	**–**	**–**	**391,755**	**391,755**	334,144	—	—	334,144	334,144
Total liquidity exposure other than the financial guarantees issued	**1,025,922**	**144,910**	**249,588**	**1,420,420**	**1,258,311**	1,209,951	166,458	246,562	1,622,971	1,446,676

32. Financial risk management and fair value of financial instruments (continued)

(c) Interest rate risk

(i) Interest rate profile

Cash at bank, pledged bank deposits, restricted cash, interest-bearing borrowings and sales and lease-back payables due to a related party are the major types of the Group's financial instruments subject to interest rate risk. Cash at bank and restricted cash are with floating or fixed interest rates ranging from 0.01% to 1.90% per annum as at 31 December 2023 (2022: 0.01% to 1.90%). Pledged bank deposits are placed to satisfy conditions for issuance of commercial bills and bank loans granted to the Group, with fixed interest rates are 0.2% per annum as at 31 December 2023 (2022: 0.25% to 1.95%).

The Group's interest-bearing borrowings and interest rates as at 31 December 2023 and 2022 are as follows:

	Interest rate	At 31 December 2023 RMB'000
Fixed rate — borrowings	3.15%–5.69%	212,645
Variable rate — borrowings	3.00%–3.75%	228,800
		441,445

	Interest rate	At 31 December 2022 RMB'000
Fixed rate — borrowings	3.20%–7.60%	297,618
Variable rate — borrowings	3.60%–5.00%	274,457
		572,075

The variable rates borrowings are subject to interest at Hong Kong Interbank Offered Rate or China Loan Prime Rate plus a spread.

Details of interest rates for sale and lease-back transactions is set out in note 35(c).

(ii) Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates prevailing at 31 December 2023, with all other variables held constant, would decrease/increase the Group's profit after tax and retained earnings by approximately RMB1,716,000 (2022: RMB2,058,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of next reporting period.

32. Financial risk management and fair value of financial instruments (continued)

(d) Foreign currency risk

The Group's exposure to currency risk is not significant. The currency used for daily transaction is mainly RMB, which is consistent with the functional currency of the operations to which the transactions relate.

33. Acquisition of a subsidiary

Acquisition of YZB Auto Services Group Limited

In April 2022, the Group entered into an agreement with YZB Investment Holding Limited and YZB Auto Services Group Limited, pursuant to which the Group agreed to acquire 100% equity interest in YZB Auto Services Group Limited and its subsidiaries for the purpose of acquisition of a 4S dealership store Beijing Yingzhibao Automobile Trading Co., Ltd. ("北京盈之寶汽車貿易有限公司"). The transaction was completed on 1 June 2022 with a total consideration of USD80,000,000 (RMB equivalents: 533,208,000).

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

	Pre-acquisition carrying amount RMB'000	**Fair value adjustment** RMB'000	**Recognised value on acquisition** RMB'000
Car dealerships (Note 15)	—	397,079	397,079
Cash and cash equivalents	66,831	—	66,831
Inventories	94,084	—	94,084
Prepayments, other receivables and other assets	12,349	—	12,349
Property, plant and equipment	914	963	1,877
Trade payables	(64,098)	—	(64,098)
Other payables and accruals	(43,633)	—	(43,633)
Deferred tax liabilities	—	(99,510)	(99,510)
Net identified assets	66,447	298,532	364,979
Percentage attributable to the Group			100%
Net identified assets attributable to the Group			364,979
Goodwill on acquisition (Note 16)			168,229
Total consideration, in cash			533,208
Analysis of the net cash flow in respect of the acquisition			
Cash consideration			533,208
Less: cash acquired			(66,831)
Consideration payables			(83,575)
Net cash outflow in acquisition			382,802

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

33. Acquisition of a subsidiary (continued)

Acquisition of YZB Auto Services Group Limited (continued)

The revenue and profit that YZB Auto Services Group Limited contributed to the Group from acquisition date to 31 December 2022 are RMB550,023,000 and RMB1,035,000, respectively. The consideration payable included in other payable of RMB83,575,000 is settled during the year ended 31 December 2023 and the balance is included in other payable as at 31 December 2022.

34. Commitments

Capital commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 **RMB'000**	2022 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**3,482**	14,544

35. Material related party transactions

During the year ended 31 December 2023, the directors are of the view that the following individual/ companies are related parties of the Group:

	Relationship
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 Chou International Trading 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

35. Material related party transactions (continued)

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties for the year ended 31 December 2023 and 2022:

	2023 RMB'000	2022 RMB'000
Lease payments:		
Oule (Hangzhou) Automobile Technology Co., Ltd.	2,371	2,371
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	22,564	20,426
Beijing Zhoushi Xingye International Trading Co., Ltd.	1,254	1,254
Tianjin Zhoushi International Trade Co., Ltd.	4,569	4,569
Sichuan Chuanwu Automobile Import and Export Trade Corporation	—	—
Chengdu Riyue Industrial Development Co., Ltd.	1,277	1,089
	32,035	29,709
Commission income from:		
eCapital (China) Leasing Co., Ltd.	1,156	1,245
Sales of motor vehicles:		
eCapital (China) Leasing Co., Ltd.	85,206	87,110
Vehicle repair and maintenance income from:		
eCapital (China) Leasing Co., Ltd.	13	174
Purchase of services and goods from:		
Beijing Xiaobo Technology Co., Ltd.	7,703	7,590
Chengdu Riyue Industrial Development Co., Ltd.	12	—
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	15,486	15,298
Tianjin Chou International Trading Co., Ltd.	387	319
	23,588	23,207
Interest expense on sale and lease-back transactions:		
eCapital (China) Leasing Co., Ltd.	787	944

(b) Rental services

Based on IFRS 16, the minimum amount of rent payable by the Group to related parties under the terms of the arrangement in connection with its use of land use rights and buildings had resulted in recognition of a lease liability with the balance of RMB47,361,000 (2022: RMB26,926,000) and a right-of-use asset with the balance of RMB56,793,000 (2022: RMB40,283,000) as at 31 December 2023. In addition, the Group recorded depreciation of right-of-use asset of RMB26,463,000 (2022: RMB25,934,000) and interest expense of RMB1,606,000 (2022: RMB3,652,000) in its consolidated statement of profit or loss for the year ended 31 December 2023.

35. Material related party transactions (continued)

(c) Other transactions with related parties

(i) During the year ended 31 December 2023, the Group sold its motor vehicles to eCapital (China) Leasing Co., Ltd., which were leased back for use by the Group, and lease term is normally within one year. The proceeds from the sale and lease-back transactions amounted to approximately RMB26,161,000 for the year ended 31 December 2023 (2022: RMB17,438,000). Lease payments of the sale and lease-back transactions amounted to approximately RMB24,372,000 for the year ended 31 December 2023 (2022: RMB16,910,000). The annual interest rates of the sale and lease-back transactions ranged from 5.99% to 14.00% (2022: 5.99% to 14.00%). In addition, rental fees of utilising the license plates owned by eCapital (China) Leasing Co., Ltd. amounting to approximately RMB1,260,000 for the year ended 31 December 2023 (2022: RMB1,066,000), were incurred.

As at 31 December 2023, sale and lease-back liabilities with eCapital (China) Leasing Co., Ltd. were RMB11,681,000 (2022: RMB9,092,000) and included in amounts due to related parties.

(ii) During 2023, the Group sold its motor vehicles to certain customers and then the customers carried out mortgage arrangements with eCapital (China) Leasing Co., Ltd. The proceeds from sales of motor vehicles of RMB27,954,000 (2022: RMB26,515,000) were then paid by eCapital (China) Leasing Co., Ltd. on behalf of these customers.

(d) Balances with related parties

	2023 RMB'000	2022 RMB'000
Amounts due from related parties:		
eCapital (China) Leasing Co., Ltd.	**8,220**	3,882
Chengdu Riyue Industrial Development Co. Ltd.	**33**	—
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**15,097**	5,183
	23,350	9,065
Amounts due to related parties:		
eCapital (China) Leasing Co., Ltd.	**11,936**	10,205
Beijing Zhoushi Xingye Enterprise Management Co., Ltd.	**18**	—
Beijing Xiaobo Technology Co., Ltd.	**—**	9
	11,954	10,214

(e) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	**8,190**	8,765
Contributions to defined contribution retirement plans	**301**	271
Equity settled share-based transactions	**7,203**	13,702
Total compensation paid to key management personnel	**15,694**	22,738

36. Statement of financial position of the company

	2023 RMB'000	2022 RMB'000
Non-current assets		
Interest in subsidiaries	**610,649**	516,818
Amounts due from subsidiaries	**44,129**	47,288
	654,778	564,046
Current assets		
Cash and cash equivalents	**17,482**	98,403
Current liabilities		
Amounts due to a subsidiary	**169,933**	138,830
Net current liabilities	**(152,451)**	(40,427)
Total assets less current liabilities	**502,327**	523,619
NET ASSETS	**502,327**	523,619
Equity		
Share capital	**5,180**	5,180
Reserves	**497,147**	518,439
TOTAL EQUITY	**502,327**	523,619

37. Immediate and ultimate controlling party

As at 31 December 2023, the directors of the Company consider the immediate holding company of the Company is Chou Dynasty Holding Co., Ltd., and the ultimate controlling shareholder of the Company is Mr. Chou Patrick Hsiao-Po.

FIVE YEARS SUMMARY

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

	Year Ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023 RMB'000**
REVENUE	8,178,781	8,533,130	9,962,870	10,081,729	**10,728,460**
Cost of sales	(7,413,761)	(7,687,415)	(8,797,056)	(9,204,186)	**(10,150,026)**
Gross profit	765,020	845,715	1,165,814	877,543	**578,434**
Other income and gains	140,271	168,481	220,324	256,080	**410,736**
Selling and distribution expenses	(365,623)	(360,536)	(418,052)	(513,212)	**(565,162)**
Administrative expenses	(153,222)	(192,394)	(221,149)	(261,178)	**(243,108)**
Finance costs	(56,242)	(41,054)	(19,609)	(37,836)	**(47,515)**
Profit before tax	330,204	420,212	727,328	321,397	**133,385**
Income tax expense	(105,316)	(113,721)	(166,643)	(78,554)	**(49,002)**
Profit for the year	224,888	306,491	560,685	242,843	**84,383**
Attributable to:					
Owners of the parent	159,857	234,984	456,030	171,528	**56,813**
Non-controlling interests	65,031	71,507	104,655	71,315	**27,570**
Assets and liabilities					
TOTAL ASSETS	3,285,571	3,040,633	4,159,100	4,840,748	**4,712,572**
TOTAL LIABILITIES	1,801,507	1,346,447	1,351,464	2,007,996	**1,819,404**
Total equity	1,484,064	1,694,186	2,807,636	2,832,752	**2,893,168**
Attributable to:					
Owners of the Company	1,293,254	1,528,017	2,586,812	2,660,613	**2,693,401**
Non-controlling interests	190,810	166,169	220,824	172,139	**199,767**
	1,484,064	1,694,186	2,807,636	2,832,752	**2,893,168**

百得利控股有限公司
BetterLife Holding Limited