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LAUNCH

深圳市元征科技股份有限公司

LAUNCH TECH COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2488)

FURTHER ANNOUNCEMENT AUDITED 2019 ANNUAL RESULT

Reference is made to the announcement of the Company dated 31 March 2020 in connection with the unaudited annual results of the Group for the year ended 31 December 2019 (the “2019 Unaudited Annual Results Announcement”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Unaudited Annual Results Announcement.

AUDITOR’S AGREEMENT ON THE ANNUAL RESULTS FOR THE YEAR 2019

The Board is pleased to announce that the Group’s auditor, has completed and confirmed its audit of the annual results of the Group for the year ended 31 December 2019, and the annual results for the year 2019 contained in the 2019 Unaudited Annual Results Announcement remain unchanged.

Reference is made to the Further Guidance on The Joint Statement In Relation to Results Announcements in Light of the COVID-19 Pandemic released on 16 March 2020 by The Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, the board of directors of the Company (the “Board”) announces that since additional time is required to finalise and arrange bulk-printing of the annual report for the year ended 31 December 2019 after the completion of audit process given the outbreak of COVID-19 in Hong Kong and the relevant quarantine measure, the annual report of the Company for the year ended 31 December 2019 is expected to be issued and despatched to the shareholders of the Company by no later than 15 May 2020.

The board of directors (the “Board”) of Launch Tech Company Limited (the “Company”) hereby announces the audited consolidated result of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019 prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2019 Ending balances	2019 Beginning balances	2018
Current assets:				
Bank balances and cash		479,434,623.64	319,387,733.38	319,387,733.38
Trading financial asset		20,000.00	–	–
Bills receivable		–	41,180,034.20	41,180,034.20
Accounts receivable		191,886,124.47	279,094,337.04	279,094,337.04
Accounts receivable financing		33,626,210.19	–	–
Prepayments		61,689,994.46	58,074,232.18	58,074,232.18
Other receivables	5	29,026,828.95	25,600,061.97	25,600,061.97
Inventories	6	167,850,981.97	149,178,660.08	149,178,660.08
Other current assets		21,476,188.39	18,091,750.94	18,091,750.94
Total current assets		<u>985,019,952.07</u>	<u>890,606,809.79</u>	<u>890,606,809.79</u>
Non-current assets:				
Investment in other equity instruments		7,946,587.70	15,000,000.00	15,000,000.00
Investment Property		68,726,930.06	73,700,924.66	73,700,924.66
Fixed assets		230,878,047.81	244,650,076.60	244,650,076.60
Construction in progress		154,815,133.82	57,364,230.46	57,364,230.46
Right-in-use assets		7,766,034.71	8,599,176.90	–
Intangible assets		167,391,569.66	179,602,645.89	179,602,645.89
Development expenditure		–	23,116,610.57	23,116,610.57
Goodwill		1,139,412.80	1,139,412.80	1,139,412.80
Deferred income tax assets		5,997,096.39	5,612,614.15	5,612,614.15
Other non-current assets		5,000,000.00	52,000,000.00	52,000,000.00
Total non-current assets		<u>649,660,859.43</u>	<u>660,785,692.03</u>	<u>652,186,515.13</u>
Total assets		<u>1,634,680,811.50</u>	<u>1,551,392,501.82</u>	<u>1,542,793,324.92</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2019 Ending balances	2019 Beginning balances	2018
Current liabilities:				
Short-term borrowings		485,396,607.58	285,454,656.00	285,454,656.00
Bills payable		108,000,000.00	50,000,000.00	50,000,000.00
Accounts payable	7	140,531,794.10	112,375,254.30	112,375,254.30
Contract liabilities		66,965,012.27	52,834,338.01	52,834,338.01
Employee remuneration payable		2,453,446.49	3,452,114.55	3,452,114.55
Tax payables		5,388,954.37	23,696,243.30	23,696,243.30
Other payables		21,205,958.12	19,508,163.11	19,508,163.11
Non-current liabilities due within one year		2,802,016.54	2,050,017.26	138,917.09
Other current liabilities		7,587,655.24	5,789,833.96	5,789,833.96
Total current liabilities		840,331,444.71	555,160,620.49	553,249,520.32
Non-current liabilities:				
Non-current liabilities due within one year		5,279,622.40	6,688,076.73	–
Deferred income		16,253,670.58	20,268,680.90	20,268,680.90
Deferred tax liabilities		295,178.70	–	–
Total non-current liabilities		21,828,471.68	26,956,757.63	20,268,680.90
Total liabilities		862,159,916.39	582,117,378.12	573,518,201.22
Shareholders' equity:				
Share capital		432,216,600.00	375,460,000.00	375,460,000.00
Capital reserve		409,992,867.94	562,481,725.91	562,481,725.91
Less: Treasury share		–	80,356,846.06	80,356,846.06
Other comprehensive income		-6,847,151.63	1,581,939.58	1,581,939.58
Surplus reserve		41,036,682.03	41,036,682.03	41,036,682.03
Undistributed profit		-103,878,103.23	69,071,463.23	69,071,463.23
Total owners' equity attributable to parent company		772,520,895.11	969,274,964.69	969,274,964.69
Minority shareholders' equity		–	159.01	159.01
Total shareholders' equity		772,520,895.11	969,275,123.70	969,275,123.70
Total liabilities and shareholders' equity		1,634,680,811.50	1,551,392,501.82	1,542,793,324.92

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2019	2018
Operating income	<i>8</i>	941,709,327.84	1,048,538,385.96
Less: Operating costs		532,405,019.55	617,315,936.04
Tax and surcharge		8,110,075.46	12,070,254.15
Selling expenses		129,838,861.41	119,251,144.60
Administrative expenses		84,550,885.61	89,190,406.63
Research and development expenses		261,744,203.22	158,166,763.83
Finance costs		24,570,482.49	16,315,721.99
Add: Other revenue		39,020,106.91	48,775,315.49
Gain on investments		5,341.54	1,730,120.79
Impairment loss on credit		-51,643,339.57	-13,895,762.43
Impairment loss on assets		-22,490,957.50	-10,253,672.51
Gain on disposals of assets		-737,196.83	26,258.78
		<hr/>	<hr/>
Operating profit		-135,356,245.35	62,610,418.84
Add: Non-operating income		1,330,373.75	2,730,768.43
Less: Non-operating expenses		1,543,449.59	2,491,036.72
Total profit		-135,569,321.19	62,850,150.55
Less: Income tax expenses		1,362,354.28	3,764,567.23
		<hr/>	<hr/>
Net profit (loss “-”)		-136,931,675.47	59,085,583.32
		<hr/>	<hr/>
Profit from continued operation		-136,931,675.47	59,085,583.32
		<hr/>	<hr/>
Net profit attributable to owners of parent company		-136,931,516.46	58,907,063.16
Profit or loss attributable to minority shareholders (loss “-”)		-159.01	178,520.16
Other comprehensive income		-8,429,091.21	-406,575.44
		<hr/>	<hr/>
Total comprehensive income		-145,360,766.68	58,679,007.88
		<hr/>	<hr/>
Total comprehensive income attributable to owners of parent company		-145,360,607.67	58,500,487.72
Total comprehensive income attributable to minority shareholders		-159.01	178,520.16
Earnings per share:			
Basic earnings per share		-0.3140	0.1573

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	2019	2018
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		1,010,356,828.59	912,752,023.95
Refund of taxes and levies		45,398,777.35	42,887,667.10
Other cash receipts relating to operating activities		45,314,983.42	57,257,417.84
		<u>1,101,070,589.36</u>	<u>1,012,897,108.89</u>
Sub-total of cash inflows from operating activities		1,101,070,589.36	1,012,897,108.89
Cash paid for goods and services		518,734,685.88	502,299,155.74
Cash paid to and on behalf of employees		229,079,389.45	221,473,800.70
Payments of taxes and levies		65,756,673.39	71,227,543.80
Other cash payments relating to operating activities		161,105,420.62	142,386,653.54
		<u>974,676,169.34</u>	<u>937,387,153.78</u>
Sub-total of cash outflows from operating activities		974,676,169.34	937,387,153.78
Net cash flows from operating activities		126,394,420.02	75,509,955.11
Cash flows from investing activities:			
Cash received from disposals of fixed assets, intangible assets and other long-term assets		96,540.38	60,853.00
Other cash receipts relating to investment activities		50,712,322.40	177,730,120.79
		<u>50,808,862.78</u>	<u>177,790,973.79</u>
Sub-total of cash inflows from investing activities		50,808,862.78	177,790,973.79
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		94,271,420.98	79,032,232.79
Cash paid for investment		1,000,000.00	15,000,000.00
Other cash payments relating to investing activities		50,726,980.87	176,000,000.00
		<u>145,998,401.85</u>	<u>270,032,232.79</u>
Sub-total of cash outflows from investing activities		145,998,401.85	270,032,232.79
Net cash flows from investing activities		-95,189,539.07	-92,241,259.00

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	<i>Note</i>	2019	2018
Cash flows from financing activities			
Cash receipts from borrowings	53	<u>576,308,089.67</u>	<u>493,500,660.00</u>
Sub-total of cash inflows from financing activities		<u>576,308,089.67</u>	<u>493,500,660.00</u>
Cash repayments of borrowings		376,614,601.09	496,787,537.08
Cash payments for interest expenses, distribution of dividend or profits		53,347,033.21	107,803,121.64
Other Cash payments relating to financing activities		<u>27,182,599.02</u>	<u>80,356,846.06</u>
Sub-total of cash outflows from financing activities		<u>457,144,233.32</u>	<u>684,947,504.78</u>
Net cash flows from investing activities		<u>119,163,856.35</u>	<u>-191,446,844.78</u>
Impact on cash by changes in foreign exchange rates		<u>678,123.90</u>	<u>-10,442,836.71</u>
Net increase in cash and cash equivalents		151,046,890.26	-218,620,985.38
Add: Cash and cash equivalents at beginning of the period		<u>319,387,733.38</u>	<u>538,008,718.76</u>
Cash and cash equivalents at end of the period		<u><u>470,434,623.64</u></u>	<u><u>319,387,733.38</u></u>

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

2019

	Attributable to shareholders of the parent company							Total shareholders' equity
	Share capital	Capital reserve	Treasury share	Less:	Surplus reserves	Undistributed profits	Minority interests	
				comprehensive income				
Ending balance of previous year	375,460,000.00	562,481,725.91	80,356,846.06	1,581,939.58	41,036,682.03	69,071,463.23	159.01	969,275,123.70
Opening balance of current year	375,460,000.00	562,481,725.91	80,356,846.06	1,581,939.58	41,036,682.03	69,071,463.23	159.01	969,275,123.70
Changes for current period	56,756,600.00	-152,488,857.97	-80,356,846.06	-8,429,091.21	-	-172,949,566.46	-159.01	-196,754,228.59
comprehensive income	-	-	-	-8,429,091.21	-	-136,931,516.46	-159.01	-145,360,766.68
Issue of share capital	-15,279,500.00	-80,452,757.97	-95,732,257.97	-	-	-	-	-
Other	-	-	15,375,411.91	-	-	-	-	-15,375,411.91
Transfer to reserve	-	-	-	-	-	-	-	-
Distribution to shareholders	-	-	-	-	-	-36,018,050.00	-	-36,018,050.00
Conversion of surplus reserve to Capital	72,036,100.00	-72,036,100.00	-	-	-	-	-	-
Ending balance for current period	<u>432,216,600.00</u>	<u>409,992,867.94</u>	<u>-</u>	<u>-6,847,151.63</u>	<u>41,036,682.03</u>	<u>-103,878,103.23</u>	<u>-</u>	<u>772,520,895.11</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the internally prepared unaudited financial statements (the “Financial Statements”) in 2019.

The financial statements of the Company were prepared according to the transactions and matters actually occurred, and recognitions and measurements were made in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the “Accounting Standards for Enterprises”) on this basis, in conjunction with the provisions of the China Securities Regulatory Commission, “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting” (revised in 2014).

The Company carried out assessment on the going concern for the 12 months’ period after the report date, and did not recognize any matters or situation which leading to material doubt on the continuity of operation. Therefore this financial report is based on recognition and measurement on a going concern basis.

In addition, the Financial Statements have also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting period

The accounting period is from 1 January to 31 December.

(2) Reporting currency

Renminbi was adopted as the reporting currency. The Company’s foreign subsidiaries choose their reporting currencies the basing on the primary economic environment in which they operate and converted into when preparing financial statements.

(3) Method of preparing consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. All subsidiaries are included in the consolidated financial statements.

Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the Company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company as necessary.

When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

3. REVENUE

Revenue from main operations includes the net value of the received and receivable for the sales of different types of vehicle maintenance equipment, and provision of internet upgrade service as follows:

	Current year	Previous year
Revenue from main operations	902,369,666.58	1,007,493,813.06
Revenue from other operations: rent	39,339,661.26	41,044,572.90
	<u>942,709,327.84</u>	<u>1,048,538,385.96</u>

4. ACCOUNTS RECEIVABLE

The Company basically used credit terms when dealing with customers and normally offered credit period from 30 days to 210 days. Should a customer possessed long and good records or in case of being a major customer, or under the circumstances that the Company would like to maintain prolong operational relationship, and then a different credit period might be considered. During the year 2019, the Group write off accounts receivable amounted to 43,927,592.26.

	At the period end	At the beginning of the period
Accounts receivables	252,688,710.65	349,590,294.60
Less: provision for bad debts	<u>60,802,586.18</u>	<u>70,495,957.56</u>
Net amount	<u>191,886,124.47</u>	<u>279,094,337.04</u>

Ageing	At the period end	At the beginning of the period
Within 1 year	112,582,219.35	214,609,434.17
Includes: Within 90 days	75,321,853.37	141,904,040.68
91-180 days	6,573,090.68	32,378,930.26
181-270 days	3,345,868.95	23,541,122.11
271-365 days	27,341,406.35	16,785,341.12
1-2 years	83,296,473.51	59,055,532.46
2-3 years	10,596,703.39	18,698,568.84
3-4 years	8,307,698.71	11,229,981.67
4-5 years	7,675,993.84	16,807,032.02
Over 5 years	30,229,621.85	29,189,745.44
Subtotal	<u>252,688,710.65</u>	<u>349,590,294.60</u>
Less: provision for bad debts	<u>60,802,586.18</u>	<u>70,495,957.56</u>
Total	<u>191,886,124.47</u>	<u>279,094,337.04</u>

The aging of the not-past-due and overdue accounts receivable are as follows:

Items	Ending balance			Beginning balance		
	Carrying balance	Provision	Book value	Carrying balance	Provision	Book value
Not past due	57,372,828.38	2,868,641.42	54,504,186.96	172,787,103.42	8,639,355.17	164,147,748.25
overdue	<u>195,315,882.27</u>	<u>57,933,944.76</u>	<u>137,381,937.51</u>	176,803,191.18	61,856,602.39	114,946,588.79
Total	<u><u>252,688,710.65</u></u>	<u><u>60,802,586.18</u></u>	<u><u>191,886,124.47</u></u>	<u>349,590,294.60</u>	<u>70,495,957.56</u>	<u>279,094,337.04</u>

5. OTHER RECEIVABLES

Aging	Ending balance	Beginning balance
Within 1 year	31,658,965.36	23,300,483.62
1-2 years	6,791,896.63	1,096,455.27
2-3 years	2,374,738.02	668,870.50
3-4 years	4,339,490.77	2,217,998.78
4-5 years	1,282,693.19	56,879.26
Over 5 years	1,799,395.27	8,713,833.50
Subtotal	48,247,179.24	36,054,520.93
Less: provision for bad debts	<u>19,220,350.29</u>	10,454,458.96
Total	<u><u>29,026,828.95</u></u>	<u>25,600,061.97</u>

During the year 2019, the Group write off other receivables amounted to 8,519,707.76.

6. INVENTORIES

Item	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	18,562,052.95	2,537,439.58	16,024,613.37	21,219,149.76	-	21,219,149.76
Work in progress	7,282,773.04	3,202,457.09	4,080,315.95	6,044,824.42	-	6,044,824.42
Finished goods	<u>159,948,960.82</u>	<u>12,202,908.17</u>	<u>147,746,052.65</u>	121,914,685.90	-	121,914,685.90
Total	<u><u>185,793,786.81</u></u>	<u><u>17,942,804.84</u></u>	<u><u>167,850,981.97</u></u>	<u>149,178,660.08</u>	-	<u>149,178,660.08</u>

7. ACCOUNTS PAYABLE

Item	Ending balance	Beginning balance
Under 1 year	137,094,798.38	108,368,613.05
1-2 years	1,038,836.99	1,935,885.28
2-3 years	881,483.82	909,953.49
Over 3 years	1,516,674.91	1,160,802.48
Total	<u>140,531,794.10</u>	<u>112,375,254.30</u>

8. UNDISTRIBUTED PROFITS

	Current year
As at the beginning of the period	69,071,463.23
Add: net (loss) profit attributable to shareholders of the parent company in the current year	-136,931,562.94
Less: transfer to surplus reserves	-
Less: distribution to shareholders	36,018,050.00
As at the end of the period	<u>-103,878,103.23</u>

9. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	1,746,883.00	4,983,344.87
Adjustment of deferred tax	-384,528.72	-1,218,777.64
Total	<u>1,362,354.28</u>	<u>3,764,567.23</u>

	Applicable tax rate for current year and previous year
The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe GmbH	19%
Golo IOV	15%
Xi'an Launch	25%
PJS	25%
Launch International	16.5%
Nanjing Launch	25%
SLH	25%
NJG	25%

10. EARNINGS PER SHARE (-LOSS)

(1) Basic earnings (-loss) per share

Basic earnings (-loss) per share is calculated by dividing the consolidated net profit (-loss) for holder of ordinary share of the parent company by average weighted number of outstanding ordinary share of the parent company.

Items	Current year	Previous year
Consolidated net profit (-loss) for holder of ordinary share of the parent company	-136,931,516.46	58,907,063.16
Average weighted number of outstanding ordinary share of the parent company	436,036,475	374,419,500
Basic earnings (-loss) per share (RMB/share)	<u>-0.3140</u>	<u>0.1573</u>

(2) Diluted earnings (-loss) per share

As there was no ordinary shares with dilutive potential for the year 2019 and 2018, thus no diluted earnings (-loss) per share was presented.

11. DIVIDEND

The Board recommended that not to distribute final dividend. 2018 final dividend was cash dividend of 36,018,000 (tax inclusive) and additional shares of 2 capitalisation shares for each 10 shares to all shareholders.

Interim dividend amounted to 93,865,000 was paid in 2018.

12. SUBSIDIARIES

Name of the corporation	Shareholding	Business nature	Registered capital
Shanghai Launch Mechanical Equipment Co., Ltd. ("Shanghai Launch")	100%	Manufacturing of equipment and machines for maintenance of automobiles	USD18,000,000
Launch Software Development Co., Ltd. ("Launch Software")	100%	Software development	RMB40,000,000
Launch Europe GmbH	100%	Sales of LAUNCH products	EURO25,564.59
Xi'an Launch Software Technology Co., Ltd. ("Xi'an Launch")	100%	Software development	RMB100,000,000
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. ("Golo Internet")	100%	Automotive warranty equipment industry	RMB10,000,000
Shenzhen PengJuShu Information Technology Co., Ltd. ("PJS")	100%	Technology development	RMB2,000,000
Launch Tech International Co., Ltd. ("Launch International")	100%	Automotive warranty equipment industry	HKD50,000
Nanjing Launch Intelligent Technology Co., Ltd. ("Nanjing Launch")	100%	Technology development	RMB50,000,000
Shenzhen Shunlihang Auto Techonology Sharing Co., Ltd. ("SLH")	100%	Technology research and development	RMB1,000,000
Nanjing Golo Big Data Technology Co., Ltd. ("NJG")	100%	Software and information technology services	RMB10,000,000

13. CONTINGENT LIABILITY

At the end of the reporting period, the Company did not have any significant contingent liability.

14. PLEDGE OF ASSETS

As at 31 December 2019, the Company pledged properties and buildings and land use rights with original value approximately amounted to 285,000,000 (2018: 303,000,000) for certain bank borrowings.

15. CAPITAL COMMITMENTS

As at 31 December 2019, the Company there is no material unsettled capital commitments.

16. LEASE COMMITMENTS

As at 31 December 2019, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	3,724,483.60	4,842,429.60
2 to 5 years	<u>5,596,230.96</u>	<u>7,575,200.13</u>
	<u><u>9,320,714.57</u></u>	<u><u>12,417,629.73</u></u>

17. POST-BALANCE SHEET EVENTS

Since the infectious epidemic of new coronavirus (“New Covid Outbreak”) has erupted across the country since January 2020, the Company has actively responded to and strictly implemented the regulations and requirements of the Party and the national governments at all levels for the prevention and control of virus. To achieve the correctness of epidemic prevention and production, the Company and its subsidiaries (branches) have started to resume work successively since 10 February, supporting the national war epidemic in multiple aspects from supply guarantee, brand channels, social responsibility, internal management, etc..

The Company expects that the new covid epidemic situation and its prevention and control measures will have a temporary impact on the Company’s production and operations. The degree of impact depends on the progress and duration of the epidemic prevention and control and the implementation of prevention and control policies in various regions.

The Company will continue to pay close attention to the development of the new covid epidemic, and evaluate and actively respond to its impact on the Company’s financial status and operating results. As of the date of this report, no significant adverse effects have been discovered.

The Group does not have other material matters that should be disclosed under the Post-balance sheet events.

II. MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, global economic growth has slowed down with the continuous escalation of US-China trade disputes and geopolitical frictions, leading to pessimistic domestic and foreign demand conditions. According to the latest data released by the National Bureau of Statistics, China's gross domestic product (GDP) in 2019 increased by 6.1% year-on-year; the growth rate dropped by 0.5 percentage point from 2018, a new low in 29 years. The increasing political and economic uncertainties have led to a decline in consumer confidence and have affected the demand for passenger cars during the year. In the domestic market, according to the latest data released by the China Association of Automobile Manufacturers, the sales volume of passenger cars in 2019 were 21.444 million units, representing a year-on-year decrease of 9.6%. Despite a rebound in infrastructure investment, the elimination of National III cars, the rapid development of new energy logistics vehicles, and the tightening of regulations, the sales volume of commercial cars were slightly higher than that of passenger cars; the sales volume of commercial cars were approximately 4.324 million units, which decreased by 1.1% year-on-year nevertheless. In the global market, according to the statistical data from Global Auto Database, the global sales volume of cars in 2019 were approximately 90.32 million units, representing a year-on-year decrease of 3%. It shows that the overall weakened new car sales market.

The automotive diagnostic equipment market was affected by the downturn in the traditional automotive market; the demand of which slowed down in 2019. The main products of the Group's automotive diagnostic equipment are mostly applicable to passenger cars. Due to the negative growth of passenger cars in 2019, the sales volume has decreased. For the new energy vehicle sector where the sales performance was relatively better in 2019, as the Group just began to enter the relevant applications in the second half of the year, no revenue was generated during the year. In overseas markets, due to the escalation of the US-China trade war, the Group's products sold in the United States have been included in the scope of tariff increases in the second half of 2019; the procurement costs of the US dealers and uncertainty in decision making have increased. Affected by the above factors, the Group's operating income and gross profit in 2019 decreased by 10% and 5%, respectively. Other overseas markets except the US market are steadily rising, with operating income for the year increased by 10% year-on-year. Benefiting from the initial effectiveness of the Group's strategy of striving to optimize its product portfolio and increase the proportion of high-end products, the overall gross profit margin for the year increased by 2.3 percentage points to 43.5%. As the Company is in the transformation phase in terms of product structure, business model and competitive strategy, there are various new research and development projects under the research stage, which led to a significant increase in research and development expenses, and increases in one-off impairment losses on credit and assets, thereby resulting in substantial losses.

In the face of severe market challenges in 2019, the Company actively implemented a series of reform measures. For instance, the Company accelerated the development for new products and further enriched the product portfolio; we continuously upgraded products and optimized products to fulfill different demands for scheme application; we also continued to accumulate diagnostic reports with the use of the big data and blockchain technology, and gradually consolidated the transformation of the Internet of Vehicles and the blockchain vehicle business based on the automobile electronics and 5G communication technologies. The details are set out below:

- (i) Automotive diagnostic equipment segment: the Group launched a revolutionary, strategic, new product SmartLink this year; SmartLink is compatible with multi-brand and multi-mode diagnostic equipment and integrates high-quality technician resources to implement remote online diagnosis, creating a service-oriented platform and ecosystem. Pad V, a new generation of comprehensive automotive diagnostic device, was fully launched in overseas and domestic high-end markets. The market penetration of the portable devices HTT and AIT in vehicle management institutes, environmental inspection departments, used car trading platforms and auto insurance companies continued to increase. ADAS Pro, a new product for the automotive ADAS (advanced driver assistance system) market, has gradually established its popularity and a good reputation in overseas markets.
- (ii) Automotive maintenance equipment segment: X931, a high-end non-contact laser 4 wheel aligner, continued to sell well in overseas markets and is actively expanding into the US market. The CAT series, automatic transmission cleaners and petrol filters, and the CNC series, cleaning and inspection devices for fuel jet pump, have further been improved in terms of the specifications, and recorded a new record in terms of sales in overseas market, establishing the Company's position as the supplier of high-end products.
- (iii) The Internet of Vehicles equipment segment: the segment covers the customer needs of the pre-market and aftermarket in the automobile industry. In the automotive pre-market, the Group used the leading diagnostic technology to provide the domestic original equipment manufacturers with the TBOX-based solutions of the Internet of Vehicles; during the year, the Group conducted cooperation projects with some domestic original equipment manufacturers. In the automotive aftermarket, with the use of the OBD data acquisition solutions, we provided equipment and data for the enterprises using the Internet of Vehicles to meet the needs of the enterprises using the Internet of Vehicles in terms of fleet management, UBI, environmental monitoring, maintenance and repair, and vehicle monitoring. During the year, the Group has established cooperative relationships with some of the domestic governmental authorities, environmental protection organisations and e-hailing companies; the prospect of this segment is promising.

- (iv) Data and service segment: a complete solution has been formulated for the automotive diagnostic equipment and the terminal equipment and the Big Data platform of the Internet of Vehicles, providing data services for insurance, second-hand vehicle transactions and the enterprises using the Internet of Vehicles. A total of approximately 192 million vehicle diagnostic reports were collected this year, representing a year-on-year increase of 74.5%. As of 31 December 2019, a total of 470 million maintenance diagnostic reports were accumulated, representing an increase of 70% over the end of the previous year.
- (v) Blockchain business segment: the Group started to operate the blockchain business in 2017. The Group has been committed to the technological development for the infrastructure of blockchain, data processing, application for vehicles, etc.; in this regard, the Group successfully established a super vehicle chain, the Launch Chain, and set up a new ecosystem for the blockchain vehicle business. As of 31 December 2019, the Group has applied for a total of 325 blockchain-related patents, ranking sixth in the world. Among them, 59 are for infrastructure, 75 for data processing and 191 for vehicles and its related application.
- (vi) Patent progress of core technologies: as of 31 December 2019, the Group has received 408 granted by the State, including 272 invention patents; 2,038 out of 2,243 patents under the current application are invention patents; 175 certified software copyrights obtained and 328 PCT patents has been applied.

Major Financial Data for the profit changes

In 2019, the gross profit decreased as a result of fall in sales, the selling expenses increased, which was mainly due to a substantial increase in subsidies for advertising expense to U.S. distributors, the research and development expenses also increased significantly, which was mainly due to the addition of a large number of R & D projects at research stage arising from the adjustment of R & D strategy, Interest expense increased due to the increase of borrowings, government subsidy for VAT refunds decreased, with relatively large impairment on assets and credit, the loss after tax for the year was approximately 137,000,000, with a change of approximately 196,000,000 compared with last year.

	<i>RMB million</i>
Decrease in gross profit	(22)
Increase in Selling expenses	(11)
Increase in R&D expenses	(103)
Increase in Interest expense	(9)
Other income – Decrease in Government subsidies and miscellaneous	(10)
Impairment on assets and credit	(50)
Others	9
	<hr/>
Change in profit after tax	<u><u>(196)</u></u>

Principal Sources and Usage of Fund

RMB million

Inflow from Operations	126
Acquisition of fixed assets and investment in R&D	(94)
Increase in Loans	200
Repurchase of shares	(15)
Dividend paid	(36)
Interest paid	(23)
Others	(7)
	<hr/>
Decrease in cash	151
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Total net cash inflow for the year was of 151,000,000 and the year ended balances of cash and cash equivalents was 470,000,000.

Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to 862,000,000, interests attributable to shareholders amounted to 773,000,000. Total assets amounted to 1,635,000,000. As at the end of the year, the Company's gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 1.12 (2018: 0.5). Resulting from the increased borrowing level and share repurchase, the gearing ratio reveals a raise, still reach our satisfactory gearing ratio level.

Customers and suppliers

Total revenue from the top five customers of the Company was approximately 209,000,000 (2018: 224,000,000), accounting for approximately 23% (2018: 21%) of total revenue for the year. The largest customer accounted for approximately 7% (2018: 7%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately 200,000,000 (2018: 225,000,000), accounting for approximately 37% (2018: 39%) of the total purchases for the year. The largest supplier accounted for approximately 17% (2018: 24%) of the total purchases for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the share capital of listed issuer) had any interest in any of the customers or the suppliers disclosed above.

PROSPECTS AND FUTURE STRATEGIES

Despite the passing of the tough times in 2019, the Company believes that the macroeconomy in 2020 will remain challenging. In particular, the novel coronavirus pneumonia outbreak all over the world at the beginning of the year will bring myriads of uncertainties to global economic growth. However, the Company still firmly believes that the 5G, big data and blockchain technology are one of the major directions for global technology and economic development. As the 5G technology significantly improves the data transmission speed, online real-time remote diagnosis, online operations and other applications and services in the Internet of Vehicles are expected to enter the outbreak period, which facilitates the upgrade of the Company's business model from the traditional equipment sales model to the composite function services model. With more and more data sample, the Internet of Vehicles is getting richer, the value of big data will become prominent. As China promotes blockchain technology as a national strategy, the application based on blockchain technology will be widely used in the Internet of Vehicles industry. The Group will closely monitor the development of the industry, explore innovative service models, and focus on the deployment of business transformation, so as to grasp the significant opportunities brought by technological innovation and industrial reform.

- (i) By surrounding the core strategy of “Two entrances, one platform”, the automotive diagnosis and Internet of Vehicles will be used as the entrances to establish an open and unified automobile Big Data platform. With the application of new technologies such as big data, artificial intelligence, blockchain and 5G, the Company will explore innovative business models, cooperate with partners in creating an automobile service ecology and develop automotive data business;
- (ii) Continuous invest in research and development to improve core competitiveness.
 - adhere to the innovative-driven development, invest in research and development continuously to enhance the research and development capability and conduct functional upgrade in accordance with the industry policies and market demands in a timely manner to maintain the advantage of core products' leading position in the market.
 - achieve Five-zations, namely “internetization, intellectualization, ecologization, platformization and blockchainization”, by installing the new generation of vehicle diagnostic and Internet of Vehicles devices which equipped with online cloud service and cloud processing capability so as to upload massive car operating data continuously and carry out comprehensive vehicle market services, including environmental protection, energy conservation and emission reduction, operation and management of vehicles, vehicle repair with high-end cloud enablement service, condition analysis on second-hand vehicle and precise matching of vehicle insurance claims.

(iii) Actively expand new business sector to create new growth points

- with a series of measures including the newly established software mall, optimized software sales and intelligence pricing on software upgrade and software granulation, software income will be comprehensively improved worldwide, in particular in overseas market.
- the comprehensively integration of diagnostic products and remote diagnostics platform creates an integrated super diagnostic high-end solution and innovate the user experience.
- by accelerating the penetration in comprehensive functional industry customers such as government authorities, vehicle operating organization, automobile training and education institutions, second-hand car trading platform and insurance companies, constantly trying the realization of data and empowering the industry customers, the Company will promote the continued growth of revenue in industry diagnostics business.

III. NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, there was no significant change in respect of the scope of consolidation.

2. Audit of financial statements for the reporting period by the audit committee

The 2019 audited financial statements is reviewed and confirmed by the audit committee of the Board of the Company.

3. Code on Corporate Governance Practices

During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited. Details of implementation of the Code on Corporate Governance Practices will be set out on the Corporate Governance Report in 2019 Annual Report.

4. Model Code for securities transactions by directors and supervisors

During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by directors and supervisors on terms no less exacting than the standards set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 12 months ended 31 December 2019.

5. Share capital

(1) During the reporting period, there is a change in the share capital as follow:

Beginning	375,460,000
Share repurchase and domestic cancellation procedures is completed	(15,279,500)
Issue of Capitalisation shares	72,036,100
Ending	432,216,600

At 21 June 2018 and 26 June 2019, a resolution about to consider and approve the authorisation to the directors of the Company to proceed the repurchase of H shares have been passed in the AGM, H shareholders meeting and domestic shareholders meeting; The total face value of the H share repurchase will not exceed 10% of the issued H share capital at the approval date of such resolution. Up to 31 December 2019, the Company has repurchased 15,279,000 issued H share.

A total of 72,036,100 shares were issued on 23 July 2019 in accordance with a resolution on issue of capitalisation shares by way of capitalisation of capital reserve passed at the annual general meeting on 29 June 2019.

- (2) During the reporting period, other than mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- (3) During the reporting period, the Company had no share options granted under the share option scheme.

IV. ANNUAL REPORT

This announcement is set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Annual report will be dispatched to shareholders and will be published on the aforesaid websites in due course.

By Order of the Board
Launch Tech Company Limited*
Liu Xin
Chairman

Shenzhen, the PRC
29 April 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Xin (Chairman), Mr. Liu Jun, Ms. Huang Zhao Huan and Mr. Jiang Shiwen as executive Directors, Mr. Xia Hui as non-executive Director, and Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo as independent non-executive Directors.

* for identification only