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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 UPDATE CLARIFICATION ON THE ANNUAL RESULTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Launch Tech Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2020 (the “**Unaudited Results Announcement**”), and 29 April 2020 (the “**Audited Results Announcement**”) in relation to the annual results of the Group for the year ended 31 December 2019. Unless otherwise defined, capitalised terms used in this announcement have the same meanings as defined in the Unaudited Results Announcement, Update Announcement and Audited Results Announcement.

CLARIFICATION

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to clarify that when the Company was preparing the Unaudited Results Announcement, we had carried out reasonable enquiries from the auditor of the Company. Since the audit work progress have not been completed, and we have not been notified that whether there are adjustments to the 2019 annual results contained in the Unaudited Results Announcement under the circumstances that the Unaudited results were not yet agreed by the Company’s auditor as required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

In the Audited Results Announcement the Board disclosed the audited results and due to careless clerical mistake, the wordings in the second paragraph of the English version should be “and the annual results for the year 2019 contained in the 2019 Unaudited Annual Results Announcement had no significant differences.”

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Subsequent adjustments have been made to certain line items disclosed in the Unaudited Annual Results of the Group upon the completion of audit of the Audited Annual Results. Shareholders and potential investors of the Company are advised to pay attention to certain differences between the Unaudited Annual Results of the Group and the Audited Annual Results of the Group in this announcement.

Set forth below are the principal details and reasons for the differences in such financial information.

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Changes	Audited 2019 RMB'm	Unaudited 2019 RMB'm
Operating income		–	942	942
Less: Operating costs		–	532	532
Tax and surcharge		–	8	8
Selling expenses		–	130	130
Administrative expenses		–	85	85
Research and development expenses	<i>1</i>	1	262	261
Finance costs	<i>1</i>	(1)	24	25
Add: Other revenue		–	39	39
Gain on investments		–	–	–
Impairment loss on credit	<i>1</i>	(1)	(52)	(51)
Impairment loss on assets		–	(22)	(22)
Gain on disposals of assets		–	(1)	(1)
Operating profit	<i>1</i>	(1)	(135)	(134)
Add: Non-operating income		–	1	1
Less: Non-operating expenses		–	2	2
Total profit	<i>1</i>	(1)	(136)	(135)
Less: Income tax expenses		–	1	1
Net profit	<i>1</i>	(1)	(137)	(136)
Profit from continued operation	<i>1</i>	(1)	(137)	(136)
Net profit attributable to owners of parent company	<i>1</i>	(1)	(137)	(136)

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	Changes	Audited 2019 RMB 'm	Unaudited 2019 RMB 'm
Current assets:				
Bank balances and cash		–	479	479
Trading financial asset		–	–	–
Bills receivable	2	(34)	–	34
Accounts receivable		–	192	192
Accounts receivable financing	2	34	34	–
Prepayments		–	62	62
Other receivables		–	29	29
Inventories		–	168	168
Other current assets		–	21	21
Total current assets		–	985	985
Non-current assets:				
Investment in other equity instruments	3	(40)	8	48
Investment Property		–	68	68
Fixed assets		–	231	231
Construction in progress		–	155	155
Right-in-use assets		–	8	8
Intangible assets	4	19	167	148
Development expenditure		–	–	–
Goodwill		–	1	1
Deferred income tax assets		–	6	6
Other non-current assets		–	5	5
Total non-current assets		(21)	649	670
Total assets		(21)	1,634	1,655

	<i>Note</i>	Changes	Audited 2019 RMB'm	Unaudited 2019 RMB'm
Current liabilities:				
Short-term borrowings		–	485	485
Bills payable		–	108	108
Accounts payable	4	20	141	121
Contract liabilities		–	67	67
Employee remuneration payable		–	2	2
Tax payables		–	5	5
Other payables		–	21	21
Non-current liabilities due within one year		–	3	3
Other current liabilities		–	8	8
Total current liabilities		20	840	820
Non-current liabilities:				
Non-current liabilities due within one year		–	5	5
Deferred income		–	16	16
Deferred tax liabilities		–	–	–
Total non-current liabilities		–	21	21
Total liabilities		20	861	841
Shareholders' equity:				
Share capital		–	432	432
Capital reserve		–	410	410
Less: Treasury share		–	–	–
Other comprehensive income	3	(40)	(7)	33
Surplus reserve		–	41	41
Undistributed profit	1	(1)	(103)	(102)
Total owners' equity attributable to parent company		(41)	773	814
Minority shareholders' equity		–	–	–
Total shareholders' equity		(41)	773	814
Total liabilities and shareholders' equity		(21)	1,634	1,655

Note:

- (1) Being additional recognition of research and development expenses of RMB1.2m causing a further loss for the year amounted to RMB1.2 million; An exchange gain on an accounts receivable written off was reclassified from the impairment loss on credit, which has no impact on loss for the year.
- (2) Being reclassification of Bills receivable to Accounts receivable financing.
- (3) Being adjustment to reflect the fair value of the investment. During the year 2019, a high valuation has been reached for the investment project and so the Company also recorded the fair value of the investment in other equity and credited to other comprehensive income. However, due to the foreseeable deep impact of the Covid-19 outbreak on the industry environment of the investment project, the Directors, with agreement of Company's auditors determined to make the adjustment to reflect the fair value of investment after reviewing of latest valuation.
- (4) A platform tool amounted to RMB20m acquired in late 2019, RMB19m was recognized as intangible and the amount due and payable amounted to RMB20m was recorded as account payable in the current liability, the portion for 2019 which was amounted to RMB1.2m was treated as research and development expenditure in the adjustment in note (1).

By Order of the Board
Launch Tech Company Limited
Liu Chun Ming
Company Secretary

Hong Kong, 21 May 2020

As at the date of this announcement, the Board 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 Mr. Liu Yuan, Ms. Zhang Yan and Mr. Ning Bo as independent non-executive Directors.

** For identification purpose only*