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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)

### 2020 ANNUAL RESULTS

The board of directors (the “Board”) of Launch Tech Company Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 prepared in accordance with China Accounting Standards for Business Enterprises:

#### I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

#### CONSOLIDATED BALANCE SHEET

	Note	2020	2019
<b>Current assets:</b>			
Bank balances and cash		<b>396,936,278.13</b>	479,434,623.64
Trading financial asset		–	20,000.00
Bills receivable		<b>45,073,109.36</b>	–
Accounts receivable	4	<b>125,731,287.93</b>	191,886,124.47
Accounts receivable financing		<b>25,009,778.78</b>	33,626,210.19
Prepayments		<b>40,074,512.74</b>	61,689,994.46
Other receivables	5	<b>21,328,217.30</b>	29,026,828.95
Inventories	6	<b>159,383,049.28</b>	167,850,981.97
Other current assets		<b>18,774,729.38</b>	21,476,188.39
Total current assets		<b>832,310,962.90</b>	985,019,952.07

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2020	2019
<b>Non-current assets:</b>			
Long-term equity investment		2,179,780.15	–
Investment in other equity instruments		3,110,736.90	7,946,587.70
Investment Property		63,752,935.43	68,726,930.06
Fixed assets		212,939,923.58	230,878,047.81
Construction in progress		190,604,603.70	154,815,133.82
Right-in-use assets		5,120,957.22	7,766,034.71
Intangible assets		84,223,514.62	167,391,569.66
Goodwill		1,139,412.80	1,139,412.80
Deferred income tax assets		5,136,323.13	5,997,096.39
Other non-current assets		470,155.00	5,000,000.00
		<u>568,678,342.53</u>	<u>649,660,859.43</u>
Total non-current assets			
		<u>568,678,342.53</u>	<u>649,660,859.43</u>
Total assets		<u>1,400,989,305.43</u>	<u>1,634,680,811.50</u>
<b>Current liabilities:</b>			
Short-term borrowings		275,837,641.62	485,396,607.58
Bills payable		132,856,923.79	108,000,000.00
Accounts payable	7	135,088,247.99	140,531,794.10
Contract liabilities		101,318,189.50	66,965,012.27
Employee remuneration payable		10,793,537.87	2,453,446.49
Tax payables		4,271,098.56	5,388,954.37
Other payables		16,652,328.48	21,205,958.12
Non-current liabilities due within one year		2,906,685.82	2,802,016.54
Other current liabilities		53,575,250.29	7,587,655.24
		<u>733,299,903.92</u>	<u>840,331,444.71</u>
Total current liabilities			
		<u>733,299,903.92</u>	<u>840,331,444.71</u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2020	2019
<b>Non-current liabilities:</b>			
Non-current liabilities due within one year		2,605,018.48	5,279,622.40
Deferred income		11,268,142.28	16,253,670.58
Deferred tax liabilities		188,014.06	295,178.70
		<u>14,061,174.82</u>	<u>21,828,471.68</u>
Total non-current liabilities		<u>14,061,174.82</u>	<u>21,828,471.68</u>
Total liabilities		<u>747,361,078.74</u>	<u>862,159,916.39</u>
<b>Shareholders' equity:</b>			
Share capital		432,216,600.00	432,216,600.00
Capital reserve		410,457,153.64	409,992,867.94
Other comprehensive income		-6,603,868.55	-6,847,151.63
Surplus reserve		41,036,682.03	41,036,682.03
Undistributed profit		-224,189,399.81	-103,878,103.23
		<u>653,399,310.14</u>	772,520,895.11
Total owners' equity attributable to parent company		<u>653,399,310.14</u>	772,520,895.11
Minority shareholders' equity		228,916.55	—
		<u>653,628,226.69</u>	<u>772,520,895.11</u>
Total shareholders' equity		<u>653,628,226.69</u>	<u>772,520,895.11</u>
Total liabilities and shareholders' equity		<u><u>1,400,989,305.43</u></u>	<u><u>1,634,680,811.50</u></u>

## CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2020	2019
<b>Operating income</b>	<i>3</i>	<b>1,068,653,993.45</b>	941,709,327.84
Less: Operating costs		<b>590,106,457.78</b>	532,405,019.55
Tax and surcharge		<b>7,985,791.64</b>	8,110,075.46
Selling expenses		<b>133,201,320.58</b>	129,838,861.41
Administrative expenses		<b>68,204,277.96</b>	84,550,885.61
Research and development expenses		<b>269,494,455.76</b>	261,744,203.22
Finance costs		<b>39,182,147.73</b>	24,570,482.49
Add: Other revenue		<b>30,951,712.56</b>	39,020,106.91
Gain on investments		<b>1,746,659.56</b>	5,341.54
Impairment loss on credit		<b>-94,122,214.35</b>	-51,643,339.57
Impairment loss on assets		<b>-25,349,260.52</b>	-22,490,957.50
Gain on disposals of assets		<b>8,386,973.46</b>	-737,196.83
		<hr/>	<hr/>
<b>Operating profit</b>		<b>-117,906,587.29</b>	-135,356,245.35
Add: Non-operating income		<b>1,440,229.84</b>	1,330,373.75
Less: Non-operating expenses		<b>2,828,763.26</b>	1,543,449.59
<b>Total profit</b>		<b>-119,295,120.71</b>	-135,569,321.19
Less: Income tax expenses	<i>9</i>	<b>1,166,175.87</b>	1,362,354.28
		<hr/>	<hr/>
<b>Net profit (loss “-”)</b>		<b>-120,461,296.58</b>	-136,931,675.47
		<hr/>	<hr/>
<b>Profit from continued operation</b>		<b>-120,461,296.58</b>	-136,931,675.47
		<hr/>	<hr/>
Other comprehensive income		<b>243,283.08</b>	-8,429,091.21
		<hr/>	<hr/>
<b>Total comprehensive income</b>		<b>-120,218,013.50</b>	-145,360,766.68
		<hr/>	<hr/>
<b>Earnings per share:</b>			
Basic earnings per share	<i>10</i>	<b>-0.2787</b>	-0.3140

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>2020</b>	2019
<b>Net cash flows from operating activities</b>		<u><b>203,840,464.25</b></u>	<u>126,394,449.08</u>
<b>Net cash flows from investing activities</b>		<u><b>-42,782,820.52</b></u>	<u>-95,189,539.07</u>
<b>Net cash flows from investing activities</b>		<u><b>-249,129,491.72</b></u>	<u>119,163,856.35</u>
<b>Impact on cash by changes in foreign exchange rates</b>		<u><b>-8,745,574.66</b></u>	<u>678,123.90</u>
<b>Net increase in cash and cash equivalents</b>		<b>-96,817,422.65</b>	151,046,890.26
Add: Cash and cash equivalents at beginning of the period		<u><b>470,434,623.64</b></u>	<u>319,387,733.38</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u><b>373,617,200.99</b></u></u>	<u><u>470,434,623.64</u></u>

## CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

2020

<b>Opening balance of current year</b>	<b>772,520,895.11</b>
Comprehensive income	-119,839,096.95
Other	<u>946,428.53</u>
<b>Ending balance for current period</b>	<b><u><u>653,628,226.69</u></u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the audited financial statements (the “Financial Statements”) in 2020.

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	<b>1,026,460,172.10</b>	902,369,666.58
Revenue from other operations: rent	<b>42,193,821.35</b>	39,339,661.26
	<b><u>1,068,653,993.45</u></b>	<b><u>942,709,327.84</u></b>

### 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.

	At the period end	At the beginning of the period
Accounts receivables	<b>210,121,914.25</b>	252,688,710.65
Less: provision for bad debts	<b>84,390,626.32</b>	60,802,586.18
<b>Net amount</b>	<b><u>125,731,287.93</u></b>	<b><u>191,886,124.47</u></b>

	At the period end	At the beginning of the period
<b>Ageing</b>		
Within 1 year	<b>113,723,621.55</b>	112,582,219.35
Includes: Within 90 days	<b>101,116,188.74</b>	75,321,853.37
91-180 days	<b>7,587,984.77</b>	6,573,090.68
181-270 days	<b>2,312,731.87</b>	3,345,868.95
271-365 days	<b>2,706,716.17</b>	27,341,406.35
1-2 years	<b>35,387,694.88</b>	83,296,473.51
2-3 years	<b>45,385,412.31</b>	10,596,703.39
3-4 years	<b>1,663,989.59</b>	8,307,698.71
4-5 years	<b>1,813,547.25</b>	7,675,993.84
Over 5 years	<b>12,147,648.67</b>	30,229,621.85
Subtotal	<b><u>210,121,914.25</u></b>	<b><u>252,688,710.65</u></b>
Less: provision for bad debts	<b>84,390,626.32</b>	60,802,586.18
<b>Total</b>	<b><u>125,731,287.93</u></b>	<b><u>191,886,124.47</u></b>



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

Items	Ending balance			Beginning balance		
	Carring balance	Provision	Book value	Carring balance	Provision	Book value
Not past due	83,669,204.31	4,183,460.22	79,485,744.09	57,372,828.38	2,868,641.42	54,504,186.96
overdue	<u>126,452,709.94</u>	<u>80,207,166.10</u>	<u>46,245,543.84</u>	<u>195,315,882.27</u>	<u>57,933,944.76</u>	<u>137,381,937.51</u>
Total	<u><u>210,121,914.25</u></u>	<u><u>84,390,626.32</u></u>	<u><u>125,731,287.93</u></u>	<u><u>252,688,710.65</u></u>	<u><u>60,802,586.18</u></u>	<u><u>191,886,124.47</u></u>

## 5. OTHER RECEIVABLES

Aging	Ending balance	Beginning balance
Within 1 year	<b>16,141,818.42</b>	31,658,965.36
1-2 years	<b>10,757,223.41</b>	6,791,896.63
2-3 years	<b>2,741,167.09</b>	2,374,738.02
3-4 years	<b>946,806.52</b>	4,339,490.77
4-5 years	<b>155,418.00</b>	1,282,693.19
Over 5 years	<b>1,942,508.97</b>	1,799,395.27
Subtotal	<b>32,684,942.41</b>	48,247,179.24
Less: provision for bad debts	<u><b>11,356,725.11</b></u>	<u>19,220,350.29</u>
Total	<u><u><b>21,328,217.30</b></u></u>	<u><u>29,026,828.95</u></u>

## 6. INVENTORIES

Item	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	21,975,766.43	4,632,079.21	17,343,687.22	18,562,052.95	2,537,439.58	16,024,613.37
Work in progress	7,436,948.78	4,239,177.05	3,197,771.73	7,282,773.04	3,202,457.09	4,080,315.95
Finished goods	<u>152,579,503.88</u>	<u>13,737,913.55</u>	<u>138,841,590.33</u>	<u>159,948,960.82</u>	<u>12,202,908.17</u>	<u>147,746,052.65</u>
Total	<u><u>181,992,219.09</u></u>	<u><u>22,609,169.81</u></u>	<u><u>159,383,049.28</u></u>	<u><u>185,793,786.81</u></u>	<u><u>17,942,804.84</u></u>	<u><u>167,850,981.97</u></u>

## 7. ACCOUNTS PAYABLE

Item	Ending balance	Beginning balance
Under 1 year	129,528,458.83	137,094,798.38
1-2 years	3,075,124.95	1,038,836.99
2-3 years	315,484.54	881,483.82
Over 3 years	2,169,179.67	1,516,674.91
Total	<u>135,088,247.99</u>	<u>140,531,794.10</u>

## 8. UNDISTRIBUTED PROFITS

	Current year
As at the beginning of the period	-103,878,103.23
Add: net (loss) profit attributable to shareholders of the parent company in the current year	-120,461,296.58
Internal transfer	<u>150,000</u>
As at the end of the period	<u>-224,189,399.81</u>

## 9. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	305,356.13	1,746,883.00
Adjustment of deferred tax	<u>860,819.74</u>	<u>-384,528.72</u>
Total	<u>1,166,175.87</u>	<u>1,362,354.28</u>

	Applicable tax rate
The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe Gmbh	19%
Golo IOV	15%
Xi'an Launch	25%
PJS	15%
Launch International	16.5%
Nanjing Launch	25%
SLH	25%
NJG	25%
Hainan Launch	25%
Launch Italy Gmbh	24%

## 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	<b>-120,461,296.58</b>	-136,931,516.46
Average weighted number of outstanding ordinary share of the parent company	<b>432,216,600.00</b>	436,036,475
Basic earnings (-loss) per share (RMB/share)	<b><u>-0.2787</u></b>	<u>-0.3140</u>

### (2) Diluted earnings (-loss) per share

As there was no ordinary shares with dilutive potential for the year 2020 and 2019, thus no diluted earnings (-loss) per share was presented.

## 11. DIVIDEND

The Board do not recommend distribution of final dividend.

## 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
Launch Italy GmbH	100%	Software and information technology services	EURO50,000.00
Hainan Launch Education Technology Co., Ltd. ("Hainan Launch")	70%	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 2020, the Company pledged properties and buildings and land use rights with original value approximately amounted to 285,000,000 (2019: 285,000,000) for certain bank borrowings.

### 15. CAPITAL COMMITMENTS

As at 31 December 2020, the Company there is no material unsettled capital commitments.

### 16. LEASE COMMITMENTS

As at 31 December 2020, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	5,742,195.17	3,724,483.60
2 to 5 years	<u>7,830,768.30</u>	<u>5,596,230.96</u>
	<u><u>13,572,963.47</u></u>	<u><u>9,320,714.57</u></u>

### 17. POST-BALANCE SHEET EVENTS

In February 2021, the Company, Launch Software and Xi'an Hangyue Chengyi Industrial Co., Ltd. (hereinafter referred to as Xi'an HY) signed an agreement to transfer whole equity of Xi'an Launch held by the Company and Launch Software to Xi'an HY, with a trade consideration of RMB166 million. At the same time, as a precondition, Xi'an HY agreed to repay Xi'an Launch's debt owed to the Company of RMB134 million. As of the date of disclosure of the report, the transaction has not been completed.

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

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the year ended 31 December 2020, the Company's revenue was RMB1,069,000,000, representing an increase of approximately 13.5% from RMB 942,000,000 in the corresponding period last year. Despite the year-over-year decline in revenue in the first half of the year due to the pandemic, revenue rebounded rapidly in the second half of the year as domestic and overseas pandemic was gradually brought under control and demand for orders increase with the online business in full gear. Of which, sales revenue from the e-commerce division increased by approximately 33% to RMB222,000,000 compared to RMB167,000,000 in the same period last year.

For the year ended 31 December 2020, the consolidated gross profit margin increased by 1.3% to approximately 44.8% (2019: approximately 43.5%), mainly attributed to an improvement in our product mix. The proportion of integrated diagnostics equipment which commanded higher margin increased from 63% to 66%, while the proportion of low margin lift products decreased from 26% to 21%.

For the year ended 31 December 2020, the Company's net loss attributable to equity holders of the parent company was RMB120,000,000, compared to net loss of RMB137,000,000 in the same period last year. Despite our revenue increased significantly compared to last year, due to the pandemic and the adverse economic environment, the Company still recorded loss due to factors including additional provisions were made for impairment of financial assets, increased research and development expenses, and foreign exchange losses bought about by the appreciation of RMB.

### BUSINESS REVIEW

2020 is an extraordinary year, the new coronavirus (Covid-19) pandemic has blown the world and its impact has become normalized. The continued geopolitical frictions and intensifying international trade disputes have caused critical challenges to the global economic growth. Other than China, the gross domestic product (GDP) of major economies of the world record declines, with high unemployment and severely impacted consumer confidence. This inevitably significantly affected the industry in which the Company operates. According to statistics from IHS Markit, global car sales in 2020 decreased by 15% year-on-year, among which, sales in the major markets including China, the United States and Europe decreased by 5%, 15% and 24.2% year-on-year respectively. Despite of the complex and volatile external environment, as the successful epidemic prevention and control measures taken by the Chinese government has brought the pandemic under control, China's economy has been among the first to stabilise and resumed growth. According to the latest data released by the National Bureau of Statistics, China's GDP in 2020 was RMB101.6 trillion, increased by 2.3% year-on-year, which made China the only major economy to achieve positive growth in the world. The overall stability of China's economy was an important prerequisite for the Group to achieve steady revenue growth this year. In the first half of the year, product delivery slowed and demand for orders weakened due to lockdowns and work suspension. Nevertheless, in the second half of the year, the overall demand rebounded and e-commerce online business continuously strengthened, which boosted the Group's full-year sales revenue in 2020 to increase by 13.5% over the same period last year.

## **Automotive diagnostic equipment segment**

The automotive diagnostic equipment segment recorded a revenue of RMB678,000,000 this year, representing an increase of 20% over the same period last year, and the segment accounted for 66% of the total revenue of the Group. During this year, the sales of new generation high-end Pad V continued to increase with its features primarily on high-end applications including intelligent diagnosis, online programming, and remote diagnosis, as well as its extended functions such as oscilloscopes, sensors, multimeters, battery detection, and endoscopes. SmartLink, our strategic new product and super remote diagnosis equipment, has become the preferred equipment for remote diagnosis of automotive electronics experts in China and other countries. It is compatible with geographical and technical restrictions breakthrough that has achieved a cross service-oriented platform and remote real-time interaction of the protocols. TSGUN, the world's first portable tire pressure detection handheld terminal, integrates the activation, reading, learning and programming functions of the TPMS sensor, and connects directly to the X431 via Bluetooth/Wi-Fi that has effectively expanded into the TPMS-related functions of the comprehensive diagnostic equipment. The calibration tool X-431 ADAS Mobile launched by the Group, the first fully foldable and portable ADAS (advanced driver assistance system), was widely recognized by customers for its convenience, speed and accuracy.

## **Lift segment**

The lift segment recorded a revenue of RMB216,000,000 this year, representing a decrease of 8% over the same period last year, and the segment accounted for 21% of the total revenue of the Group. Lifts were products of the Group with the lowest gross profit margin. Its average gross profit margin was approximately 11% for the year, representing an increase of 5% (2019: approximately 6%). The Group has made continued effort to streamline and optimise the lift business. In the future, the Group will reduce the segment's production capacity further, decrease the types of product and increase the unit price of product, so as to improve the overall gross profit margin of the Group.

## **Diagnostic software business**

The diagnosis software segment recorded a revenue of RMB45,000,000 this year, representing an increase of 41% over the same period last year, and the segment accounted for 4% of the total revenue of the Group. The software store was officially launched virtually on comprehensive diagnosis and DIY diagnosis equipment that facilitated purchase and payment convenience significantly for the end customers. Besides, the successful promotion and application of smart pricing and software granular application models also contributed to the Group's diagnose software business throughout the year, with its software business revenue rising significantly.

## **Big data segment**

The big data platform of the Group collected approximately 183 million vehicle diagnostic reports this year, and total of 650 million maintenance diagnostic reports were accumulated, representing an increase of 39% from the end of last year.

## Patent of core technologies

The Group has received 513 patents granted by the State this year, including 349 invention patents; 2,629 patents were pending in application, including 2,403 invention patents, 235 certified software copyrights; and 339 PCT patents.

## Major Financial Data for the profit changes

In 2020, even the gross profit increased as a result of rise in sales, the administrative and selling expenses decreased as a result of tight control implemented, the research and development expenses also increased, which was mainly due to the addition of R & D projects at research stage, Exchange loss increased due to the fluctuation of the exchange rate of US dollar, with relatively large impairment on assets and credit under the adverse impact of covid-19 epidemic situation, the loss after tax for the year revealed a decrease of approximately 17,000,000 compared with last year.

	<i>RMB million</i>
Increase in gross profit	69
Decrease in Administrative and Selling expenses	13
Increase in R&D expenses	(8)
Increase in Finance cost mainly the Exchange loss	(15)
Impairment on assets and credit	(45)
Others	3
	<hr/>
Increase in profit after tax	<u>17</u>

## Principal Sources and Usage of Fund

	<i>RMB million</i>
Inflow from Operations	204
Acquisition of fixed assets and investment in R&D	(45)
Decrease in Loans	(210)
Interest paid	(20)
Deposit on bills	(14)
Exchange loss	(9)
Others	(3)
	<hr/>
Decrease in cash	<u>(97)</u>

Total net cash outflow for the year was of 97,000,000 and the year ended balances of cash and cash equivalents was 374,000,000.

## **Capital Structure**

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to 747,000,000, interests attributable to shareholders amounted to 654,000,000. Total assets amounted to 1,401,000,000. As at the end of the year, the Company's gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 1.14 (2019: 1.12). The overall gearing ratio is similar with last year, still reaching our satisfactory gearing ratio level.

## **Customers and suppliers**

Total revenue from the top five customers of the Company was approximately 252,000,000 (2019: 209,000,000), accounting for approximately 25% (2019: 23%) of total revenue for the year. The largest customer accounted for approximately 7% (2019: 7%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately 205,000,000 (2019: 200,000,000), accounting for approximately 37% (2019: 37%) of the total purchases for the year. The largest supplier accounted for approximately 17% (2019: 17%) 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**

The year 2020 has come to an end in the midst of the pandemic and tremendous changes. Looking forward to 2021, the pandemic in most parts of the world is still beyond control, which remains a complicated and critical challenge to the global economy and enterprises will continue to face heavy pressure. Especially since the end of last year, due to the intensifying trade conflict between the PRC and the US, the global semiconductor shortage has brought severe challenges and tests to the Group's order delivery. In such challenging external environment, the Group will watch closely the industrial news, focus on the market demand, adjust the strategy in time, actively explore the business strategy under the normalization of epidemic prevention and control, and make every effort to ensure the supply of products while grasp the opportunities arising from technological innovation, turning it into a business transformation opportunity and implementing our development strategy so as to achieve sustainable and stable development for the Company.

The Group will:

- i. establish an open and integrated automotive big data platform with car diagnostic equipment being core equipment. We will utilize big data, artificial intelligence, blockchain, 5G and other new technologies to explore innovative business models, build an automotive service ecosystem with partners for the development of automotive data business.



- ii. plan actively for new energy business, expedite the nurturing and growth of new businesses with a focus on new growth areas.
- iii. continue to expand its global business, increase the proportion of overseas market revenue and market share.
- iv. maintain a high proportion of R&D investment, integrate internal and external resources, develop new technologies and new products and enhance core competitive advantages.

### **III. NOTES TO OTHER MATERIAL EVENTS**

#### **1. Scope of consolidation**

During the reporting period, other than the establishment of two new subsidiaries which are Hainan Launch and Launch Italy GmbH, there was no other significant change in respect of the scope of consolidation.

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

The 2020 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 2020 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 2020.

## 5. Share capital

- (1) During the reporting period, there is no change in the share capital.
- (2) During the reporting period, 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](http://www.cnlaunch.com)) and the Stock Exchange ([www.hkexnews.hk](http://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  
31 March 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. Peng Jian as non-executive Director, and Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo as independent non-executive Directors.*

\* *for identification only*