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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)

2022 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 2022 prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	2022	2021
Current assets:			
Bank balances and cash		525,484,149.23	415,351,929.70
Trading financial asset		23,576.88	37,808.52
Bills receivable		20,476,742.16	27,764,778.36
Accounts receivable	4	174,544,290.10	172,519,012.10
Accounts receivable financing		3,632,354.00	11,519,813.00
Prepayments		38,341,448.56	56,974,078.27
Other receivables	5	319,531,287.23	24,010,754.40
Inventories	6	243,371,187.54	212,761,497.39
Other current assets		46,496,280.08	20,278,651.37
Total current assets		<u>1,371,901,315.78</u>	<u>941,218,323.11</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2022	2021
Non-current assets:			
Long-term equity investment		4,572,693.85	4,652,625.31
Investment in other equity instruments		5,484,755.45	4,060,969.31
Investment property		53,804,946.17	58,778,940.80
Fixed assets		118,161,168.58	196,880,113.55
Construction in progress		255,028,447.89	219,587,444.62
Right-in-use assets		14,282,181.73	3,084,632.89
Intangible assets		73,367,113.89	100,654,681.18
Goodwill		66,833,829.13	1,139,412.80
Long-term deferred expenditure		497,957.53	–
Deferred income tax assets		12,798.23	4,337,673.52
Other non-current assets		22,774,030.00	21,178,500.00
		<hr/>	<hr/>
Total non-current assets		614,713,152.49	614,354,993.98
		<hr/>	<hr/>
Total assets		1,986,614,468.27	1,555,573,317.09
		<hr/>	<hr/>
Current liabilities:			
Short-term borrowings		237,387,034.63	395,571,616.82
Bills payable		70,125,797.09	–
Accounts payable	7	172,840,518.87	216,985,326.36
Contract liabilities		93,338,001.75	84,132,257.21
Employee remuneration payable		26,709,421.69	22,245,140.50
Tax payables		18,858,696.56	15,789,064.62
Other payables		21,568,146.94	27,735,215.26
Non-current liabilities due within one year		24,514,217.26	3,118,677.41
Other current liabilities		29,665,282.75	35,854,963.81
		<hr/>	<hr/>
Total current liabilities		695,007,117.54	801,432,261.99
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2022	2021
Non-current liabilities:			
Long-term borrowings		202,142,449.30	–
Lease liabilities		9,803,512.17	199,685.48
Deferred income		7,569,761.04	8,164,889.81
Deferred tax liabilities		<u>137,887.27</u>	<u>223,730.87</u>
Total non-current liabilities		<u>219,653,609.78</u>	<u>8,588,306.16</u>
Total liabilities		<u>914,660,727.32</u>	<u>810,020,568.15</u>
Shareholders' equity:			
Share capital		432,216,600.00	432,216,600.00
Capital reserve		411,681,704.56	411,681,704.56
Other comprehensive income		-9,245,749.95	-7,810,218.31
Surplus reserve		41,177,707.16	41,036,682.03
Undistributed profit	8	<u>195,894,562.63</u>	<u>-131,800,935.89</u>
Total owners' equity attributable to parent company		<u>1,071,724,824.40</u>	745,323,832.39
Minority shareholders' equity		<u>228,916.55</u>	<u>228,916.55</u>
Total shareholders' equity		<u>1,071,953,740.95</u>	<u>745,552,748.94</u>
Total liabilities and shareholders' equity		<u><u>1,986,614,468.27</u></u>	<u><u>1,555,573,317.09</u></u>

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2022	2021
Operating income	<i>3</i>	1,177,091,622.65	1,344,814,373.50
Less: Operating costs		743,936,605.72	817,198,942.85
Tax and surcharge		8,909,890.46	9,131,225.36
Selling expenses		115,038,333.91	120,060,016.44
Administrative expenses		94,650,337.75	83,731,077.86
Research and development expenses		187,298,715.59	197,089,016.79
Finance costs		2,834,269.10	20,811,934.63
Add: Other revenue		28,161,895.14	27,657,941.51
Gain on investments		282,341,232.38	251,675.44
Loss on changes in fair value		-14,231.64	-6,963.12
Impairment loss on credit		20,971,221.51	-15,196,516.80
Impairment loss on assets		-5,980,656.55	-7,505,595.22
Gain on disposals of assets		-85,430.44	216,708.03
		<hr/>	<hr/>
Operating profit		349,817,500.52	102,209,409.41
Add: Non-operating income		1,566,817.83	2,355,442.48
Less: Non-operating expenses		8,884,391.94	2,495,919.28
Total profit		342,499,926.41	102,068,932.61
Less: Income tax expenses	<i>9</i>	14,467,302.76	9,680,468.69
		<hr/>	<hr/>
Net profit		328,032,623.65	92,388,463.92
		<hr/>	<hr/>
Profit from continued operation		328,032,623.65	92,388,463.92
		<hr/>	<hr/>
Other comprehensive income		-1,435,531.64	-1,206,349.76
		<hr/>	<hr/>
Total comprehensive income		326,597,092.01	91,182,114.16
		<hr/>	<hr/>
Earnings per share:			
Basic earnings per share	<i>10</i>	0.7590	0.2138

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	2022	2021
Net cash flows from operating activities		<u>71,353,803.73</u>	<u>-14,170,133.28</u>
Net cash flows from investing activities		<u>-29,839,492.86</u>	<u>-71,373,345.69</u>
Net cash flows from investing activities		<u>26,070,416.81</u>	<u>125,478,033.68</u>
Impact on cash by changes in foreign exchange rates		<u>6,627,792.28</u>	<u>1,788,174.00</u>
Net increase in cash and cash equivalents		74,212,519.96	41,722,728.71
Add: Cash and cash equivalents at beginning of the period		<u>415,339,929.70</u>	<u>373,617,200.99</u>
Cash and cash equivalents at end of the period		<u>489,552,449.66</u>	<u>415,339,929.70</u>
Restricted bank balances and cash		<u>35,931,699.57</u>	<u>12,000.00</u>
Bank balances and cash		<u>525,484,149.23</u>	<u>415,351,929.70</u>

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

2022

Opening balance of current year	745,552,748.94
Comprehensive income	<u>326,400,992.01</u>
Ending balance for current year	<u><u>1,071,953,740.95</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the unaudited financial statements (the “Financial Statements”) internally prepared in 2022.

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	1,130,001,059.68	1,294,900,916.40
Revenue from other operations: rent	<u>47,090,562.97</u>	<u>49,913,457.10</u>
	<u><u>1,177,091,622.65</u></u>	<u><u>1,344,814,373.50</u></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.

Ageing	At the period end	At the beginning of the period
Within 1 year	178,400,112.72	179,131,804.11
Includes: Within 90 days	170,192,036.90	171,399,443.75
91-180 days	6,414,139.27	7,715,010.52
181-270 days	-	6,482.30
271-365 days	1,793,936.55	10,867.54
1-2 years	12,591,237.25	4,687,596.41
2-3 years	5,225,414.27	30,630,814.81
3-4 years	3,037,977.39	18,580,684.48
4-5 years	2,689,313.22	216,768.50
Over 5 years	<u>424,375.67</u>	<u>13,738,984.40</u>
Subtotal	<u>202,368,430.52</u>	<u>246,986,652.71</u>
Less: provision for bad debts	<u>27,824,140.42</u>	<u>74,467,640.61</u>
Total	<u><u>174,544,290.10</u></u>	<u><u>172,519,012.10</u></u>

Details of the ageing of the carrying amounts of the not-past-due and overdue accounts receivable (from the billing date) are as follows:

Items	Ending balance			Beginning balance		
	Carrying balance	Provision	Book value	Carrying balance	Provision	Book value
Not past due	156,094,252.67	7,804,712.63	148,289,540.04	151,195,920.70	7,559,796.03	143,636,124.67
overdue	<u>46,274,177.85</u>	<u>20,019,427.79</u>	<u>26,254,750.06</u>	<u>95,790,732.01</u>	<u>66,907,844.58</u>	<u>28,882,887.43</u>
Total	<u><u>202,368,430.52</u></u>	<u><u>27,824,140.42</u></u>	<u><u>174,544,290.10</u></u>	<u><u>246,986,652.71</u></u>	<u><u>74,467,640.61</u></u>	<u><u>172,519,012.10</u></u>

5. OTHER RECEIVABLES

Aging	Ending balance	Beginning balance
Within 1 year	339,165,784.70	25,432,010.51
1-2 years	7,537,562.02	5,718,079.06
2-3 years	4,028,280.96	7,816,227.21
3-4 years	4,267,430.23	2,265,615.06
4-5 years	2,137,775.00	448,178.39
Over 5 years	945,820.11	1,970,941.97
Subtotal	358,082,653.02	43,651,052.20
Less: provision for bad debts	<u>38,551,365.79</u>	<u>19,640,297.80</u>
Total	<u><u>319,531,287.23</u></u>	<u><u>24,010,754.40</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	28,073,682.52	4,029,669.82	24,044,012.70	28,072,382.16	2,627,475.27	25,444,906.89
Work in progress	5,785,125.40	–	5,785,125.40	1,344,180.34	–	1,344,180.34
Finished Goods	168,299,625.02	9,182,961.85	159,116,663.17	128,003,800.79	7,190,577.73	120,813,223.06
Consigned processing materials	53,077,382.76	1,755,914.23	51,321,468.53	64,058,683.71	562,567.26	63,496,116.45
In-house WIP	<u>3,673,209.69</u>	<u>569,291.95</u>	<u>3,103,917.74</u>	<u>2,165,506.78</u>	<u>502,436.13</u>	<u>1,663,070.65</u>
Total	<u><u>258,909,025.39</u></u>	<u><u>15,537,837.85</u></u>	<u><u>243,371,187.54</u></u>	<u><u>223,644,553.78</u></u>	<u><u>10,883,056.39</u></u>	<u><u>212,761,497.39</u></u>

7. ACCOUNTS PAYABLE

Item	Ending balance	Beginning balance
Under 1 year	142,077,618.62	211,721,706.66
1-2 years	29,608,812.24	681,859.87
2-3 years	215,557.72	2,236,207.15
Over 3 years	938,530.29	2,345,552.68
Total	<u>172,840,518.87</u>	<u>216,985,326.36</u>

8. UNDISTRIBUTED PROFITS

	Current year
As at the beginning of the period	-131,800,935.89
Add: net (loss) profit attributable to shareholders of the parent company in the current year	328,032,623.65
Less: others	<u>337,125.13</u>
As at the end of the period	<u>195,894,562.63</u>

9. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	10,138,622.87	8,881,819.08
Adjustment of deferred tax	<u>4,328,679.89</u>	<u>798,649.61</u>
Total	<u>14,467,302.76</u>	<u>9,680,468.69</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	25%
Launch International	16.5%
Nanjing Launch	25%
Launch Future	25%
NJG	25%
Hainan Launch	25%
Launch Italy Gmbh	24%
SYXLH	25%
SYKLC	25%
Foshan Yi Da	25%
Launch Information	25%
Yisheng New Technology	25%
Launch NA	21%
Launch Tech (USA)	21%

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	328,032,623.65	92,388,463.92
Average weighted number of outstanding ordinary share of the parent company	432,216,600.00	432,216,600.00
Basic earnings (-loss) per share (RMB/share)	<u>0.7590</u>	<u>0.2138</u>

(2) Diluted earnings (-loss) per share

As there was no ordinary shares with dilutive potential for the year 2022 and 2021, 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 IOV")	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 Launch Future Auto Techonology Co., Ltd. ("Launch Future" previously known as "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
Foshan Yi Da Vehicle Data Technology Co., Ltd. ("Foshan Yi Da")	60%	Software and information technology services	RMB3,000,000
Shenzhen Launch Information Technology Development Co., Ltd. ("Launch Information")	100%	Software and information technology services	RMB5,000,000
Shenzhen Yuan Xiang Li Heng Technology Co., Ltd. ("SYXLH")	100%	Software and information technology services	RMB1,000,000
Shenzhen Yi Kong Li Chu Software Development Co., Ltd. ("SYKLC")	100%	Software and information technology services	RMB10,000,000
Shanghai Launch Yisheng New Energy Technology Co., Ltd. ("Yisheng New Energy")	100%	Software and information technology services	RMB100,000,000
LAUNCH NORTH AMERICAN CORP ADD ("LAUNCH NA")	100%	Sales and services of auto diagnostic products	USD10,000
LAUNCH TECH (USA)	100%	Sales and services of auto diagnostic products	USD1,300,000

13. CONTINGENT LIABILITY

As at 31 December 2022, the Group has patent disputes with three companies that are scheduled for trial and it is expected that these cases may be scheduled for trial in the first half of 2023 involving an amount of approximately RMB20 million.

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

14. PLEDGE OF ASSETS

As at 31 December 2022, the Group pledged properties and buildings and land use rights with original value approximately amounted to approximately 264,000,000 (2021: 285,000,000) for certain bank borrowings.

15. CAPITAL COMMITMENTS

As at 31 December 2022, the Company does not have material capital commitments that have not been disclosed.

16. LEASE COMMITMENTS

As at 31 December 2022, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	5,477,786.76	3,242,111.19
2 to 5 years	<u>10,388,672.20</u>	<u>201,576.00</u>
	<u><u>15,866,458.96</u></u>	<u><u>3,443,687.19</u></u>

17. POST-BALANCE SHEET EVENTS

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

II. MANAGEMENT DISCUSSION AND ANALYSIS

2022 Review

In 2022, negative effects such as slower economic growth and weaker consumer performance gradually manifested under unexpected shocks such as repeated epidemics in China and abroad, persistent overseas inflation and geopolitical factors. In the automotive industry, although global vehicle sales reached 26.275 million units, the sales growth rate has dropped sharply by 1.7 percentage points to 2.1% over the last year.

As a result, the Group's operating income for 2022 decreased over the same period last year. However, the Group still proved strong resilience in overseas markets and software business, with the software business in particular achieving growth against the trend.

Financial

For 2022, the operating income of the Group amounted to approximately RMB1,177 million, representing a decrease of 12.47% over the same period last year. Net profit was approximately RMB328 million, representing a significant increase of 255.06% over the same period last year.

The decrease in operating income was mainly due to 1) a shortage of lifts and other products supply due to the epidemic shutdown in the first half of the year; and 2) product streamlining which led to temporary pressure on the performance of the overseas e-commerce channel. The substantial increase in net profit was mainly due to the disposal of Shanghai Launch Mechanical Equipment Co., Ltd. by the Group, which generated a net profit of approximately RMB281 million during the Reporting Period.

In 2022, the smart pricing algorithm delivered positive outcomes for the software business. Revenue from this business amounted to approximately RMB85 million, an increase of 50.48% over the same period last year.

In 2022, the Group's overseas business was impacted by geopolitical factors, particularly in Europe. We responded ontime by hiring additional overseas sales staff and increasing our promotional efforts. Revenue from overseas business for the year amounted to approximately RMB495 million, representing a slight increase of 2.07% over the same period last year.

Customers

The Group's core strengths are based on its millions of end-users of automotive diagnosis and the nearly 3.2 billion vehicles connected through these customers. During 2022, there were over 1.08 million active terminals-usage, over 800,000 monthly active terminals-usage and over 250,000 daily active terminals-usage of the Group's diagnostic equipment, generating an average of nearly 800,000 diagnostic reports daily and the cumulative number of diagnostic reports has exceeded 1 billion.

With “customer service” as the starting point, the Group has strengthened product innovation, optimized product structure and improved service quality. Questionnaire surveys show that the Group’s product quality satisfaction and service satisfaction levels remain at over 85 points.

Internal operations

In terms of smart operations, leveraging on its brand recognition and the millions of customers and guided by the development direction of “intelligence”, the Group developed smart operations for business development through smart pricing, smart marketing, smart customer systems and more:

- 1) **Software Operations:** The Group has adopted smart pricing instead of fixed quotes, and made accurate pricing and push based on the customer characteristics to achieve “one price for one person”. Customers have shown greater willingness to pay for diagnostic software, with the number of customers paying for diagnostic software significantly increasing by 80.82% and the number of customers paying for software upgrades increasing by 29.48%.
- 2) **Smart customer systems:** Based on the algorithmic pushing of sales services, the Group launched the “Launch CICP” APP in the second quarter of the year has accelerated sales conversion. By the end of 2022, the Group had accumulated over 33,000 registered customers on its APP and over 3,000 monthly orders. It is expected that the related data will continue to grow at a healthy pace.
- 3) **Remote Diagnostic Products Operation:** The Group's diagnostic penetration rate continued to increase, with over 380,000 orders issued on the remote diagnostic platform throughout the year, representing an increase of 25.23% year-on-year. More and more car repairers are choosing to solve difficult problems online via the platform, car inspection and repair is no longer restricted by location, diagnostic equipment, vehicle type and fault type.

In terms of new products, the Group established a sales and service system for new energy vehicles. Following the launch of the X-431 EV MAX intelligent diagnostic equipment for new energy vehicles in the middle of the year, we mass-produced and shipped a series of new energy diagnostic products in the fourth quarter; new energy vehicle maintenance workshops have been launched in some regions on a trial basis.

In terms of efficiency, the Group focused its resources on benchmark product development and innovation by streamlining SKUs. The number of diagnostic product packages decreased by 46.15% at the end of 2022. At the same time, in order to reduce costs and increase efficiency, the machine products of the Group are produced by a high-quality external partner.

Learning and Growth

In 2022, the Group's investment in R&D continued to maintain a high proportion of approximately 15% of the current operating income. The continued emphasis on R&D has brought significant results for the Group. The Group obtained 183 state-authorized patents in 2022, including 173 invention patents and 1 PCT patent; and 14 new software copyrights were registered. The continued emphasis on R&D has brought significant results for the Group.

The Group has good talent stability, with more than 26% of its employees having more than 10 years of service.

Major Financial Data for the profit changes

In 2022, despite the reduction in gross profit because of the pressure on sales, exchange gain for the year increased due to the fluctuation of the exchange rate of the US dollar. The relatively large impairment in assets and credit under the reoccurrence of COVID-19 epidemic situation from the past few years has slightly stabilised this year. Benefiting from the disposal of a Shanghai subsidiary, the change in profit after tax for the year was approximately RMB236,000,000 compared with last year.

	<i>RMB million</i>
Decrease in gross profit	(94)
Profit from the disposal of a Shanghai subsidiary	281
Decrease in financial costs was mainly due to lower exchange losses	18
Decrease in impairment on assets and credit	38
Others	(7)
	<hr/>
Increase in profit after tax	<u><u>236</u></u>

Principal Sources and Usage of Fund

RMB million

Inflow from operation	71
Partial consideration received for the disposal of a subsidiary	44
Acquisition of fixed assets and investment in R&D	(62)
Investment payments	(15)
Increase in loans	55
Interest paid	(23)
Others	4
	<hr/>
Change in cash	<u>74</u>

Total net cash inflow for the year was of RMB74,000,000 and the period ended balances of cash and cash equivalents was RMB525,000,000.

Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to RMB915,000,000, interests attributable to shareholders amounted to RMB1,072,000,000. Total assets amounted to RMB1,987,000,000. As at the end of the period, the gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 0.85 (2021: 1.09). The overall gearing ratio improved from last year, reaching our satisfactory gearing ratio level.

Customers and suppliers

Total revenue from the top five customers of the Company was approximately RMB284,000,000 (2021: RMB357,000,000), accounting for approximately 25% (2021: 27%) of total revenue for the year. The largest customer accounted for approximately 8% (2021: 9%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately RMB215,000,000 (2021: RMB264,000,000), accounting for approximately 33% (2021: 32%) of the total purchases for the year. The largest supplier accounted for approximately 11% (2021: 14%) 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.

Outlook and future strategy

The transformation trend of electrification, intelligence and networking of automobiles is intertwined with the severe situation of slowing down the growth of total vehicle ownership, and automotive diagnostic business is facing new opportunities and challenges. The competition of the automotive diagnosis business will no longer be limited to a single hardware device, but rather a comprehensive competition between hardware, software and operational standards. Building on the accumulation of millions of end-users and smart operations with big data algorithms, the Group is building a strong competitive differentiator and are confident that we will be able to increase our revenue scale and profitability in the medium to long term.

The Group will:

1. in respect of finances, strengthen overseas business expansion and achieve rapid growth in overall sales revenue and profit;
2. in respect of customers, use smart operations to increase the number of active terminals and increase the payment conversion rate; establish global multi-regional operations centres to enhance customer service;
3. in respect of internal operation, strengthen the level of self-learning and optimisation of the operating system; accelerate the building of a new energy vehicle sales and service system to speed up city penetration; improve the efficiency of the supply chain;
4. in respect of learning and growth, optimise the motivation system for all employees.

III. NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, North American Corp other than the establishment of three new subsidiaries which are Yisheng New Technology, Launch North American Corp, and Launch Tech (USA) through acquisition and investment, as well as disposal of Shanghai Launch, a subsidiary, 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 2021 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 2022 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 2022.

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) 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 March 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Xin (Chairman), Ms. Huang Zhao Huan, Mr. Jiang Shiwen and Mr. Liu Guozhu as executive Directors, Mr. Peng Jian as non-executive Director, and Mr. Lin Lichao and Mr. Bin Zhichao and Ms. Zhang Yanxiao as independent non-executive Directors.

* *for identification only*