ANNUAL
REPORT
2019

深圳市元征科技股份有限公司
LAUNCH TECH COMPANY LIMITED

年報

創新在改變
Create ñ Change

Contents

Corporate Profile

Launch Tech Company Limited (the "Company"), which was established in 1992, was listed in the Growth Enterprise Market of the Stock Exchange of Hong Kong (the "HKEX") (stock code: 8196) in 2002 and was transferred to the Main Board of the HKEX (stock code: 2488) in 2011. The Company is one of China's earliest high and new technology enterprises that started in the research, development and production of automotive diagnosis, testing, maintenance and tire equipment. For years, with the technical and branch advantages in automotive diagnosis, the Company has been in the leading position in the industry of automotive diagnosis equipment. In 2013, the Company adjusted its development strategies and determined to be transformed into a global core enterprise of Internet of Vehicles, and has currently become the leader of Internet of Vehicles industry.

The Company always insists on the principle of technical innovation and independent research and development, and currently owns the most powerful research and development team with the largest size around the world. Besides the research centers established in Shanghai and Shenzhen, the Company has also set up research and development teams in the U.S., Germany, Japan, Korea and Latin America. After years of accumulation, the Company has had hundreds of patent technologies and obtained hundreds of honors issued by governmental authorities and authoritative industry journals in China, the U.S., Germany and Australia, etc.

In terms of traditional businesses, the Company proposed the concept of "automotive aftermarket" in China as early as 1994, and developed product lines such as automotive diagnosis, inspection and maintenance and lifts on the basis of advanced automotive diagnosis and inspection technologies, developing special equipment for automotive maintenance and repair industry. Among others, the "Electronic Eye" has become a synonym for automotive diagnosis computer with "X431" representing the highest level in the diagnostic technologies of the industry.

In terms of Internet of Vehicles businesses, based on the accumulation of technologies for more than twenty years, the Company has developed Internet of Vehicles chipsets with proprietary intellectual property rights, launched a series of Internet of Vehicles products with the first global remote automotive diagnosis function and become the first enterprise in the world with real Internet of Vehicles technologies. Launch cloud diagnosis eco-chain is leading the development of the Internet of Vehicles industry.

In the PRC market, the Company has 8 branches and several tens of offices, and has developed hundreds of dealers and nearly a hundred of authorized training centers. In overseas, the Company has a subsidiary in Germany and has more than two hundred dealers throughout Europe, America, Australia and Asia.

Innovation lies in changes. Based on the corporate culture of "innovation, quality, efficiency, professionalism and competitiveness" and the people-oriented and constantly-innovating spirit, the Company is marching forward along the road of high technologies.

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 scene 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.

	RMB million
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
Change in profit after tax	(196)

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)
Decrease in cash	151

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 period, 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 borrwing 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 technologies 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 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, coorperate 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 capacity 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.

DIRECTORS

Executive Directors

Mr. Liu Xin, also known as **Louis Liu**, aged 51, executive director and chairman of the Company. Mr. Liu is the founder of the Company and has over 10 years of experience in corporate management, business development, product development and marketing in the computer and automotive diagnostic and testing industries. He is currently the vice chairman of China Automotive Maintenance and Repair Trade Association. He is a graduate of Chengdu Technology University (currently known as Sichuan University) with a bachelor's degree in applied physics. Mr. Liu is mainly responsible for the strategic planning, overall management, establishment of strategic alliances and development of overseas marketing and sales channel. He is concurrently the director of Launch Europe GmbH, Shanghai Launch, Launch Software and Shenzhen Langqu. He is also the legal representative of Shanghai Launch and Shenzhen Langqu. Mr. Liu Xin is the brother of Mr. Liu Jun and Ms. Liu Yong.

Mr. Liu Jun, also known as **Charles Liu**, aged 49, executive director and chief executive officer of the Company. Mr. Liu is the co-founder of the Company and is the brother of Mr. Liu Xin and Ms. Liu Yong. Mr. Liu has over 10 years of experience in corporate management, business development and product development in the automotive diagnostic and testing industry. He is a graduate of Tsinghua University with a bachelor's degree in radio electronics engineering. Mr. Liu had served as the head of the Company's R&D department and led the development of the first generation of Electronic Eye in November 1994, and was honoured as one of the Shenzhen Ten Outstanding Young Technology Experts in 1998. He is currently responsible for the daily operations of the Company, and also supervision of the Company's R&D and finance. He is concurrently the director of Shanghai Launch, Launch Software and Shenzhen Langqu.

Ms. Huang Zhaohuan, aged 55, head of the Company's domestic marketing centre. Ms. Huang is a graduate of Nanchong Teaching University with a bachelor's degree in mathematics. She is currently responsible for the development and management of the Company's domestic sales network, marketing activities and relationships with major clients. She joined the Company in 1996.

Mr. Jiang Shiwen, aged 47, chief information officer of the Company. Mr. Jiang graduated from Dalian University of Technology and Shanghai Jiao Tong University with a master's degree in mathematics and an MBA degree. Prior to joining the Company in 2002, he had respectively worked for several major private and foreign enterprises as an development engineer, in charge of the R&D work relating to large scale management system, e-commerce system and embedded system. Mr. Jiang oversees the construction, implementation and maintenance of the entire IT system of the Company. He has led the Company with success in the planning, design and online operation of a number of large IT networks including ERP, CRM and OA systems. He is concurrently the director of Launch Software.

DIRECTORS (Continued)

Non-executive Director

Mr. Xia Hui, aged 47, graduated from Cheung Kong Graduate School of Business majoring in business administration. He is the executive vice president of Hubei Chamber of Commerce in Shenzhen (湖北深圳商會), the president of Xiangyang Chamber of Commerce in Shenzhen (深圳市襄陽商會), the vice president of Cheung Kong Graduate School of Business Shenzhen Alumni Association (長江商學院深圳校友會) and the 13th CPPCC member of Xiangyang City, Hubei Province, and is recognized as Shenzhen High-tech High-level Professional and Leading Talent (深圳市高新技術高層次專業人才領軍人才). Since 2008, he has founded Shenzhen Zhonglian Guangtong Investment Holdings Co., Ltd.* (深圳中聯廣通投資控股有限公司), Hubei Zhongrun Guangtong Investment Company* (湖北中潤廣通投資公司) and Guangxi Tong Sheng Finance Leasing Co., Ltd.* (廣西通盛融資租賃有限公司) and served as the chairman, general manager and other positions. Mr. Xia is the chairman of Shenzhen Yuanzheng Guangtong Internet Finance Co., Ltd.* (深圳元征廣通互聯網金融有限公司) ("Yuanzheng Guangtong") and indirectly holds all the shares of Yuanzheng Guangtong.

Independent Non-executive Directors

Mr. Liu Yuan, aged 45, director of Kaiqiao (Beijing) Investment Management Company Limited (凱橋(北京)投資管理有限公司). He had served as the head of the Shenzhen Branch and vice president of a governed branch of the Bank of China. Mr. Liu graduated from the Economic Law Department of Zhongnan University of Economics and Law (中南財經政法大學) with degree of Bachelor of Law.

Ms. Zhang Yan, aged 37, PRC certified public accountant. Ms. Zhang graduated from the Accounting Department of School of Business of Zhengzhou University. She served as auditor of Beijing Zhongzhou Guanghua Accounting Firm (北京中洲光華會計師事務所) Henan branch from July 2005 to January 2007; audit project manager of Ascenda Huazheng Zhongzhou (Beijing) CPA Limited (天健華證中洲(北京)會計師事務所) Henan branch from January 2007 to July 2008; audit project manager of (Beijing) Ascenda Certified Public Accountants Limited (天健光華(北京)會計師事務所) Henan branch from July 2008 to December 2009; audit project manager of Ascenda Zhengxin (Beijing) CPA Limited (天健正信會計師事務所) Henan branch from December 2009 to October 2012. Since October 2012, she has been the chief financial officer of Henan Maincare Biotech Co., Ltd* (河南美凱生物科技有限公司).

Mr. Ning Bo, aged 42, graduated from Southwest University of Science and Technology majoring in accounting. Mr. Ning served as a credit manager in the branch of Bank of Communications at Wenjin, Shenzhen, from 2001 to 2002; and manager of auditing department in Shenzhen Commercial Bank (currently renamed as Ping An Bank) from 2002 to 2009. From 2009 to 2014, he worked in Shenzhen Shanghai Pudong Development Bank as the deputy general manager of the first business department and vice president of Xinzhou branch. Since 2014, Mr. Ning has been the general manager of Shenzhen Zhongzheng Hengshi Investment Co., Ltd. (深圳中正恒石投資有限公司).

MEMBERS OF SUPERVISORY COMMITTEE

Supervisory committee in the PRC has similar functions as audit committee, which mainly reviews the financial results of the Company and the decisions made by the Board. Supervisors can represent the interest of shareholders or employees, and independent supervisors are recruited from outside and not related to any of the directors, supervisors, promoters and employees of the Company. Mr. Yang Yi is appointed as a supervisor through the recommendation of the Company's employees. Mr. Lei Zhiwei and Lin Yuan Wen are appointed as independent supervisors.

Mr. Lei Zhiwei, aged 54, graduated from Zhongnan University of Finance and Economics, the Graduate School of the Financial Research Institute of The People's Bank of China and Southwestern University of Finance and Economics with a bachelor's degree, master's degree and Ph.D. in finance, respectively. Since 1990, he has served as the Survey and Statistics Department Head and Office Director of People's Bank of China Shenzhen Branch (中國人民銀行深圳分行調查統計處), the Assistant President of Shenzhen Development Bank Head Office, the Assistant President of China CITIC Bank Head Office, the Vice President of Ping An Bank Head Office, the President and Deputy Secretary of the Party Committee of Huarong Xiangjiang Bank Head Office, the Chairman and Party Committee Secretary of Huarong (HK) International Holdings Limited, the Chairman and Party Committee Secretary of Huarong Qianhai Wealth Management Co., Ltd., the Chairman of Shenzhen Qianhai Juntai Investment Co., Ltd.* (深圳前海均泰投資有限公司), the Chairman of Shenzhen Dongyin Financial Holdings Co., Ltd.* (深圳市東銀金融控股有限公司), and the Chairman and Deputy Secretary of the Party Committee of Hubei Hongtai Financial Investment Holdings Co., Ltd.* (湖北省宏泰金融投資控股有限公司). He has also served as a supervisor of postgraduate students of the Financial Research Institute of The People's Bank of China for nearly ten years. He is currently the chairman of Shenzhen Qianhai Juntai Investment Co., Ltd.* and an authorized representative of Shenzhen Huiying Jiaze Equity Investment Partnership (Limited Partnership)* (深圳匯盈嘉澤股權投資合夥企業(有限合夥)).

Mr. Yang Yi, aged 47, graduated with market marketing specialty from the Liaoning Anshan Ministry of Metallurgy Management Institute in 1995. He Joined the Company in 2006, and was responsible for the branch office and department supervisory work, and now he is the department head of automobile diagnosis division, being responsible for research and development and market supervisory works. Before joining the Company Mr. Yang worked in Vtech Group as the department head of China market division.

Mr. Lin Yuan Wen, aged 43, graduated from Zhongnan University of Finance and Economics, bachelor's degree in International Economics and Trade, master's degree in finance, respectively. Since 2000, he has served as from manager to then the President of Shenzhen Central Branch of Agricultural Bank of China. From 2016, he worked as the general manager of Shenzhen Qianhai Juntai Investment Co., Ltd.* (深圳前海均泰投資有限公司) and currently also worked as the managing president of Shenzhen Oriental Ginza Financial Holding Co., Ltd.*(深圳市東銀金融控股有限公司).

SENIOR MANAGEMENT

Mr. Guo Feng, aged 45, deputy general manager of the Company. Mr. Guo graduated from Xian Electronic Technology University majoring in Communication Engineering. He had been responsible for the R&D and implementation of automatic control system of large building projects. He joined the Company in 1999 and had served as general manager at different departments including the R&D engineering and operations, and successfully led the R&D and improvement of a series of products including engine analyzer with comprehensive functions.

Mr. Zhang Wei, aged 48, chief technology officer of the Company. Mr. Zhang graduated from Tsinghua University and Chinese Academy of sciences with an MS degree. Prior to joining in the Company in 2008, he had worked as a high school teacher, chief representative in China of a foreign-invested enterprise, deputy general manager and chief technology officer of a major private enterprise, in charge of research and development projects. Mr. Zhang is now responsible for formulating the strategies and implementing research for the next generation products. He is a key executor of the Company's technology strategies.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Liu Chunming, aged 44, financial controller and company secretary of the Company. Mr. Liu is a qualified accountant and obtained a bachelor's degree (Honours) in accountancy from the City University of Hong Kong in 1997. He is a fellow member of the Association of Chartered Certified Accountants, and prior to joining the Company in 2002, he had worked in an international audit firm for few years.

COMPLIANCE OFFICER

Mr. Liu Jun, executive director, compliance officer and authorised representative of the Company. Mr. Liu advises on and assisting the Board in implementing procedures to ensure that the Company complies with the Listing Rules and other relevant laws and regulations applicable to the Company and responding efficiently to all inquiries directed to the Company by the Stock Exchange.

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Set out below are the principles of corporate governance as adopted by the Company during the reporting year.

DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create values for shareholders.

The Chief Executive Officer is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

THE BOARD

As of 31 December 2019, there were eight members on the Board, including the Chairman, three Executive Directors, one Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs").

Save for Mr. Liu Xin and Mr. Liu Jun are brothers, there is no financial business, family or other material relationship among the members of the Board.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other directors and confirmed their independences to the Group pursuant to Rule 3.13 of the Listing Rules.

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance shareholders' value. Daily operational decisions are delegated to the Executive Directors. The Board met a total of 9 times during the year. The NED and INEDs may take independent professional advice at the Company's expense in carrying out their functions.

The Company appointed each of the NEDs during the Annual General Meeting or by the Board for new appointment during the year. The term of each of these appointments shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

THE BOARD (Continued)

Responsibilities of the Board

The Board reviews the performance of the operating divisions with reference to their respective agreed budgets and business objectives on a regular basis and also exercises a number of reserved powers which include:

– convening shareholders' meetings and reporting on their work at such meetings;

– implementing resolutions passed at shareholders' meetings;

– formulating the Company's business plans and investment proposals;

– preparing the Company's annual financial budget and final accounts;

– formulating proposals for profit distribution and for setting off of accumulated losses of the Company;

– formulating proposals for increase or reduction in registered capital and the issuance of debt securities of the Company;

– formulating proposals for merger, demerger, or dissolution of the Company;

– formulating the internal management structure of the Company;

– appointing or dismissing the chief executive officer of the Company and appointing or dismissing the deputy general manager, financial controller and other senior management at the recommendation of the chief executive officer and determination of matters relating to their remuneration;

– formulating the basic management system of the Company;

– formulating proposals for amendments to the articles of association; and

– carrying out other powers conferred by shareholders' meetings.

According to Code A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company is negotiating with the relevant insurance agents about the liability insurance for the Directors and will arrange such insurance cover in due course.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for all Directors in the form of seminar and provision of training materials on corporate governance, regulatory development and other relevant topics.

DELEGATION BY THE BOARD

The management, consisting of Executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including circumstances where management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

BOARD COMMITTEES

The Board has established three committees and has delegated various responsibilities to the committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). All the Board Committees perform their distinct roles in accordance with their respective terms of reference which are available to shareholders on the Company's website. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee was established by the Company, with written terms of reference in compliance with the requirements as set out in Appendix 14 of the Listing Rules. The principal duties of the committee are the review and supervision of the Company's reporting process and internal control. The members of the Audit Committee are as follows:

Name	Position in the Audit Committee	Position in the Board
Ms. Zhang Yan	Chairman	Independent Non-executive Director
Mr. Liu Yuan	member	Independent Non-executive Director
Mr. Ning Bo	member	Independent Non-executive Director

The Audit Committee is required to assist the Board to fulfill its responsibilities related to external financial reporting, associated announcements and system of internal control. During the year, the Audit Committee reviewed the interim and annual reports. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considered necessary.

The Audit Committee is also responsible for the development, implementation and monitoring of the Groups' policy on external audit. The Audit Committee recommended the appointment and reappointment of the external auditors.

REMUNERATION COMMITTEE

The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. The Remuneration Committee comprises one Executive Director, namely, Mr. Liu Jun and two independent non-executive Directors, namely Mr. Ning Bo and Mr. Liu Yuan. Mr. Liu Yuan has been appointed as the chairman of the Remuneration Committee. No meeting was held by the Remuneration Committee during the year ended 31 December 2019.

NOMINATION COMMITTEE

The principal duties of the Nomination Committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. The Nomination Committee comprises one Executive Director, namely, Mr. Liu Xin and two Independent Non-executive Directors, namely Mr. Ning Bo and Mr. Liu Yuan. Mr. Ning Bo has been appointed as the chairman of the Nomination Committee. No meeting was held by the Nomination Committee during the year ended 31 December 2019.

MEETINGS ATTENDANCE

	Board	Audit Committee
Number of Meetings	8	2
Executive Directors		
Mr. Liu Xin	8	N/A
Mr. Liu Jun	8	N/A
Mr. Jiang Shiwen	9	N/A
Ms. Huang Zhaohuan	8	N/A
Non-executive Director		
Mr. Xia Hui	4	N/A
Independent Non-executive Directors		
Mr. Liu Yuan	5	2
Mr. Ning Bo	7	2
Ms. Zhang Yan	7	2

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Board, supported by the finance department, is responsible for the preparation of the financial statements of the Company and the Group. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. Management would provide such explanation and information to the Board as will enable the Board to make an informal assessment of the financial and other information put before the Board for approval.

As at 31 December 2019, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

The working scope and reporting responsibilities of Da Hua Certified Public Accountants (Special General Partnership), the Company's external auditor, are set out on the "Auditor's Report" in this annual report.

External auditor's remuneration

For the year ended 31 December 2019, the remunerations paid or payable to the external auditor in respect of its audit services and nonaudit services are approximately RMB760,000 and RMB0, respectively.

Internal control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorized use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

The internal control are reviewed and assessed on an on-going basis by the Executive Directors, and will be further reviewed and assessed at least once each year by the Board.

COMPANY SECRETARY AND SHAREHOLDERS' RIGHTS

Company Secretary

All Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters. Any Director, who wishes to do so in the furtherance of his or her duties, may seek independent professional advice through the chairman at the Company's expense. The availability of professional advice extends to the Audit, Remuneration and other Committees.

Minutes of Board meetings are taken by the company secretary or the secretary to the Board and, together with any supporting Board papers, are available to all Board members. Board meetings are structured to encourage open and frank discussions to ensure the Non-executive Directors provide effective enquiries to each Executive Director. When necessary, the Independent Non-executive Directors meet privately to discuss matters which are relevant to their specific responsibility.

Shareholders' rights

Shareholders seeking to convene an extraordinary general meeting of shareholders or a class meeting of shareholders shall proceed in accordance with the following procedure:

(1) Two or more shareholders holding more than one-tenth (including 10%) of the voting shares at the meeting proposed to be held may, by signing one written request or several counterparts of same stating the subject matter of the meeting, require the Board of Directors to convene an extraordinary general meeting of shareholders or a class meeting of shareholders. Upon receipt of the foregoing written request(s), the Board of Directors shall proceed to do so as soon as possible accordingly. The foregoing number of voting shares referred to shall be calculated as at the date of the delivery of the written request(s);

(2) If the Board of Directors fails to issue a notice of convening such a meeting within thirty days from the date of the receipt of the foregoing written request(s), the shareholders who have made the request may themselves convene such a meeting in a procedure as far as possible same as that of such meetings to be convened by the Board of Directors, within four months from the date of receipt of such request(s) by the Board.

Where the Company convenes the general meeting of shareholders, the written notice shall be given, forty-five days in advance, to inform all shareholders whose names appear in the share register of the matters proposed to be considered at the meeting and the date and venue of the meeting. Any shareholder intending to attend the general meeting of shareholders shall serve the Company, twenty days before the date of the meeting, with the written reply stating his intention to attend the meeting.

Notice of general meeting of shareholders shall not be given more than 60 days before the date of the meeting. When calculating the period of giving the notice, it shall not include the date of the meeting and the date of sending the notice.

COMPANY SECRETARY AND SHAREHOLDERS' RIGHTS (Continued)

In respect of the annual general meeting convened by the Company, the shareholders holding more than five percent (including 5%) of the total voting shares of the Company are entitled to propose to the Company any new resolutions in writing, provided such resolution shall be submitted to the Company at least seven days before convening the annual general meeting. The Company shall include, in the agenda of such meeting, those proposed matters which are within the terms of reference of the general meeting.

Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

Enquiries to the Board

Enquiries may be put to the Board through the Company's Principal Place of Business in Shenzhen and Hong Kong or through email, address please refer to "Corporate Information" section.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The management believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations in order to ensure all shareholders equal access to information. In addition, the Company has taken measures to ensure effective shareholders' communication and transparency, including:

- maintained contacts with shareholders and investors through various channels such as meetings, telephone and emails;
- regularly update the Company's news and developments through the investor relations section of the Company's website;
- arranged on-site visits to the Group's projects for investors and research analysts.

Through the above measures, the Company endeavours to communicate with the investment community and provide them with the latest development of the Group and the automotive after market.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS (Continued)

Information disclosure

The Company discloses information in compliance with the Listing Rules, and publishes periodic reports and announcements to the public in accordance with the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling shareholders, investors as well as the public to make rational and informed decisions.

Constitutional documents

During the Relevant Period, there are certain changes in the Company's constitutional documents and the latest version has been uploaded to the Company's and HKEx's website.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company has also made specific enquiry of all Directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year.

DIRECTORS' AND INDEPENDENT AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external independent auditor to the shareholders are set out in the Audit Report.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

The Group believes that sound environmental, social and governance ("ESG") performance is vital to sustainable development of our business and community. The Group is committed, to achieving not only strong financial results, but also enhancement of environmental protection, social responsibility and effective corporate governance.

The Board is responsible for the Group's ESG strategy and reporting. The Group established an ESG working team to engage cross department management and staff to identify relevant ESG issues and so evaluate the materiality to the Group's business as well as stakeholders, through operations review and internal discussions. Disclosures relating to the material ESG issues identified have been included in this ESG Report pursuant to the requirements of Appendix 27 of the Listing Rules (the "ESG Guide").

A. ENVIRONMENTAL

The Group established environmental policies and passed measurable environmental objectives to employees. We, through training, education and communication, proactively encouraged them to protect the environment with our ultimate goal that all employees' adoption of environmentally-responsible behavior in both their workplace and daily lives.

The Group always keeps itself up-to-date on developments in local legislation and standards for environmental protection and is committed to achieving a level of environmental performance that goes beyond compliance. During the Reporting Period, the Group did not experience any cases of non-compliance relating to environmental laws and regulations in our operation places.

A1 Emissions

The Group's major carbon dioxide emissions is from energy usage. The Group has developed various energy-saving initiatives to reduce the carbon footprint. Waste generated from the Group's business activities mainly consists of paper (e.g. office paper) during the Reporting Period. No substantial hazardous waste was produced by the Group during the Reporting Period. The Group has launched a number of waste management programs, including:

- Recycling of glass, cardboard, paper materials, metal, printing cartridges and batteries, with collection facilities placed across the properties;
- to encourage staff to reduce paper consumption by double-sided printing and reusing papers printed on one side; and
- Proactively encourage recycling of old and outdated products for use in R&D department.

A2 Use of Resources

With the vision of helping to protect the planet and of incorporating environmental sustainability into our business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to reduce the use of resources. The Group also closely monitors the utilization of resources and reports this aspect of performance to senior management. Appropriate remedial actions for efficiency enhancement in the use of resources are taken, whenever necessary.

To achieve higher energy efficiency, the Group implemented the following key initiatives:

– Blinds for windows to reduce solar heat in air-conditioned areas and hence the strength of air-conditioning could be reduced;

– to switch off lights and air-conditioning in the work stations where not in use; and

– energy saving lights used in most parts of the Group's properties.

A2.1 Annual Usage of Electricity in 2019 is 3,800,000 KWH

A2.2 Annual Usage of water in 2019 is about 3 thousand tons

A2.3 Management regularly review and continuously improve energy efficiency plan and perform useful evaluation with reference to Key Performance Indicator ("KPI").

A2.4 The Group did not have any problem in the source of usable water. During the year, water consumed by the Group was not material; nevertheless, we actively promotes water efficient practices.

A2.5 The total packing material used in 2019 was 420 tons representing 0.425kg of packing materials used for every RMB 1,000 sales of products. The Group will actively review, and under the condition that not affecting the safety and protection level of large equipment products in the logistic process, reduce the use of packing materials, including adopt electronic user's manual, and select light-weighted materials and recycle friendly materials and adopt other measures so as to reduce the harmful impact by the packing materials.

A3 The environment and natural resources Air quality

In order to aid to improve air quality, the Group aims to reduce air emissions generated from its properties by green initiatives.

A3.1 The Group's operation does not bring significant harmful impact on environment and natural resources; however we do control the number of vehicles of the Group, the management of logistic and goods delivery and is committed to encourage our staff to take public transportation, for the purpose of reduction of car pollutants' impact on the environment by vehicles.

B. SOCIAL

B1 Employment Labour practices

To ensure the ability of operation under professional and ethical labour practices, the Group has developed and clearly communicated to all employees clear work procedures with robust control mechanisms. Certain policies to govern employees' affairs such as payroll, attendance and termination are clearly set out in staff appointment letters in compliance with relevant labour laws in the PRC. Overseas offices are in compliance with the relevant labour laws and regulations in the place of operations respectively.

The Group also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Group's remuneration policy with reference to relevant market standards.

B1.1 Total workforce by gender, employment type, age group and geographical region

As at 31 December 2019, number of employees of the Group is 1,049, including:

	No. of employees
By gender:	
Male	753
Female	296
	1,049
By functions:	
Administrative	238
Selling and distribution	213
Production	121
R&D	477
	1,049
By age group:	
Under 30	261
31-50	712
51 or above	76
	1,049
By geographical:	
Domestic	1,025
Overseas	24
	1,049

B1.2 Employee turnover rate by gender, age group and geographical region

The Group has certain adjustment on the operation including streamline the production with 28 staff reduced and reduction of R&D staff and marketing staff are 152 & 165 people respectively. On the other hand, administrative staff increased by 69.

B2 Health and safety

The Group has established a set of policies which is focused on maintaining a healthy and safety working environment, and which includes the following requirements:

- The facilities operated by employees should meet safety and health standards;

- Expertise advice should be obtained to identify health and safety risk in the operations and the corresponding mitigating actions that should be taken; and

- relevant information and training should be provided to employees in respect of risks to their health and safety which may arise out of their work.

The Group did not violate any health and safety laws and regulations of the place of operations, where applicable, during the Reporting Period.

B2.1 there is zero fatality in 2019.

B2.2 Lost days due to work injury

In 2019, 5 injured workers with average of 33 days of injury holidays approved is reported and these workers have been well recovered after receiving appropriate medical treatment and having adequate rest.

B2.3 Occupational health and safety measures

The Group has established a mechanism for monitoring occupational health and safety, as well as procedures for dealing with related risks. The Group engages employees in the determination of appropriate occupational health and safety precautionary measures. Accident reporting and investigation procedures have also been adopted for the follow-up of any health and safety incidents.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures.

B3 Development and training Employee development and training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group.

Various employee training programs and seminars are offered to employees including in the areas of production, finance, technology, rules and regulations, supervisory and managerial skills, as well as various technical training courses relating to their respective job duties.

B3.1 and 3.2 Employee Training

	No. of employees	Training Hours Completed	Average Training Hours Completed
Gender			
Male	753	43,957	58.38
Female	296	16,631	56.19
Total	1,049	60,588	57.76
Functions			
Administrative	238	2,891	12.15
Selling and distribution	213	5,589	26.24
Production	121	11,024	91.11
R&D	477	41,084	86.13
Total	1,049	60,588	57.76
Age group			
Below 30	261	27,927	107
31-50	712	32,148	45.15
51 or above	76	513	6.75
Total	1,049	60,588	57.76
Geographical			
Domestic	1,025	60,106	58.64
Overseas	24	482	20.08
Total	1,049	60,588	57.76

B4 Labour standards

The Group strictly follows the “Special protection provisions for underage workers” and Labour Contract Law of the PRC”, prohibits the use of child and forced labour in the Group, and is totally committed to creating a work environment which respects human rights. During suppliers selection procedures, we also consider the factors above as critical assessment criterions.

B4.1 Regular Inspection

In addition to having well-established recruitment processes requiring background checks on candidates and formalized reporting procedures to address any exceptions found, the Group also performs regular reviews and inspections to detect the existence of any child or forced labour in the operations.

B4.2 Contingency Measures

When irregular situation discovered, immediate cessation, internal investigation and follow-up review of existing policies and improvement of prevention mechanism will be implemented.

B5 Supply chain management

The Group has a complete set of supplier eligibility and supplier process management, and all candidate suppliers are required during the supplier selection process. Qualification assessment and material assessment of the factors including dual confirmations, before being added to the group supplier list. Supplier qualification assessment is according to supplier qualification, certification of Supplier quality system, suppliers’ equipment/technical capacity/production process control, supplier delivery response speed, suppliers’ costing, the compliance of the supplier’s environment, labor and social environmental laws and the protection of intellectual property rights, and also sample inspection and evaluation, are performed and considered in order to get a comprehensive selection of suitable suppliers.

Supplier process management is mainly supplier performance management, from supplier process quality, supplier delivery, cost, supplier customer service response system, supplier process control, change management, after-sales service, supplier social responsibility for regular occasional supplier assessment, problem tracking and supplier consultation.

The Group strictly used a material procurement authorization system: for material procurement amounted below 100 thousand, it has to be approved by the responsible person and financial manager of respective units; For amount over 100 thousand but below 300 thousand has to be approved by the headquarters of the financial manager, or supply chain director; For the amount over 300 thousand CEO's approval is required.

B5.1 Number of suppliers by region

The Group currently has a total of about 300 suppliers, more than 95% of suppliers are local suppliers which are easily for us to assess and monitor and also have more stability in supply and logistic cost.

B5.2 Usual Practice in engaging Suppliers

All suppliers are managed in accordance with the above management methods and are regularly reviewed by management to improve performance.

B6 Product responsibility

The Group aims to achieve the highest possible standard with all the products sold and services provided. The Group has established relevant policies which cover products and service quality guarantee, safety, fair advertising and after-sale service in order to ensure relevant measures comply with the laws and regulations.

B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons

In 2018 no material products sold or shipped subject to recalls for safety and health reasons was reported.

B6.2 Complaints and response

The Group stepping at the front of the industry's technology, on the same time pays high attention to the quality and safety of products and services. The Group set up relevant quality and safety inspection policies for different products and services, communicate and confirm the orders and working plan with customer before the orders and project starts and actively coordinate the process of the logistics and project with customers. In 2019, the Group did not have any significant complaints or requests to withdraw the order or terminate project due to poor quality and safety problem. If a complaint should arise, the Company will immediately assess the complaint and conduct an internal investigation into the matter to identify the source of the issue. The Group has close connection with customers. If the customers do not satisfy the quality and the safety of our products and services, the Group arranges sufficient channels and staffs for customers to communicate and provide the solutions to the problems as soon as possible.

B6.3 Intellectual property rights

The routine work of the Group always involves customers, suppliers and our own intellectual property rights ("IPR"), therefore protection of IPR is an extremely important mission to the Group. The Group adds protective clauses to the contracts entered into with customers and suppliers to safeguard the IPR. The Group's relevant department also reviews every operational contract to ensure that the contract safeguard the IPR of each other. Furthermore, The Group also requests technical specialists of product development and production to sign strict confidentiality agreements to avoid leakage of confidential information. The Group also complies with relevant legislation of data privacy. Any infringement of the Group's IPR discovered on the market might report to the relevant legal authorities and if necessary might seek indemnity from counter parties through appropriate legal channels.

B6.4 Quality assurance process and recall procedures

Prior to dispatch, products in the warehouse will be subject to strict quality inspection. For equipment received under the trade in sales arrangements, immediately safety checks will be performed to prevent any threat to plant safety. The Group has guidelines to improve the recycling rate of recycled products and prioritize the usage of recycled products in R&D areas as part of the R & D materials, and for those parts that cannot be used, staff will be disposed of in accordance with the Group's Waste Disposal Guidelines to reduce unnecessary waste.

B6.5 Consumer data protection and privacy policies

The Group strictly stipulates that employees comply with the established Consumer Data Protection and Privacy Policy and strictly limit the confidentiality of all customers only can be accessed by employees who are responsible for the project work of the relevant clients.

B7 Anti-corruption and money laundering

The Group has in place a number of policies addressing anti-corruption (such as acceptance of gifts, and conflicts of interest and money laundering), which provide guidance to employees in these areas. In the employment contract, the Group included requirement for employees to strictly maintain business ethics standards to avoid any corruption and bribery. Any conflicts of interests is required to be reported to the Group's management in a timely manner. Employees who participate in the business operations and represent the professional image of the Company are forbidden to use business opportunities or privilege to acquire personal interest or benefit.

B7.1 Legal cases

During the Reporting Period, no legal case regarding corruption was brought against the Group or its employees. Also, there were no cases of non-compliance with laws and regulations on anti-money laundering in the places of operations.

B7.2 Preventive Measures

In addition, the Group has established prevention system by setting up communication channels for faults and anti-corruption reporting. The whistle-blowing system can handle any breach of laws and regulations.

Relevant articles on anti-corruption and anti-money laundering are provided to employees for their study and reference in order to raise their awareness of the code of conduct as well as related procedures and guidelines.

B8 Community investment

As a corporate citizen, we promote the social contribution of the Group's members to the local community where we operate. We emphasize via training and education to raise the sense of social responsibility among employees and encourage them to make better contributions to our community during and after work. We would like to increase social investment to create a more favorable environment for our communities and businesses.

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is engaged in the provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries. The principal activities of its subsidiaries are set out in the notes to the financial statements.

RESULTS AND APPROPRIATIONS

Details of the results of the Group and appropriations of the Company for the year are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity respectively and the accompanying notes to the financial statements; at the period end, the distributable profit (loss) was amounted to approximately RMB104 million.

The Directors do not recommend the payment of a final dividend.

BUSINESS REVIEW AND PROSPECTS

A review of the financial performance and business of the Group during the year 2019 and a discussion on the Group's future business development are set out in the sections headed and "Management Discussion and Analysis" of this report.

SHARE CAPITAL

Movements in share capital are set out in the notes to the financial statements.

FIXED ASSETS

Details of the movements in the fixed assets of the Group and the Company during the year are set out in notes to the financial statements.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Liu Xin *(Chairman) (reappointed on 26 June 2019)*
Mr. Liu Jun *(Chief Executive Officer) (reappointed on 26 June 2019)*
Mr. Jiang Shiwen
Ms. Huang Zhao Huan

DIRECTORS AND SUPERVISORS (Continued)

Non-executive director:
Mr. Xia Hui

Independent Non-executive Directors:
Mr. Liu Yuan *(reappointed on 26 June 2019)*
Ms. Zhang Yan
Mr. Ning Bo

Supervisors:
Mr. Sun Zhongwen
Mr. Du Xuan *(resigned on 26 June 2019)*
Mr. Yang Yi
Mr. Lei Zhiwei
Mr. Liu Yuan Wen *(appointed on 26 June 2019)*

All Directors and Supervisors have entered into service contracts with the Company, for a term of three years.

In accordance with the provisions of the Company's Articles of Association, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the Company's Articles of Association and the PRC Company Law, the term of office of supervisors shall also be three years and renewable upon re-appointment or re-election.

None of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(a) Interests and short positions of Directors, chief executives and supervisors of the Company in the share capital of the Company and its associated corporations

As at 31 December 2019, the Directors, chief executives and supervisors of the Company have the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to the Model Code For Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

(a) **Interests and short positions of Directors, chief executives and supervisors of the Company in the share capital of the Company and its associated corporations (Continued)**

Long positions in Shares

Domestic Shares

Name of Director	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Mr. Liu Xin	Beneficiary owner	79,200,000	31.23%	17.58%
	Interest in a controlled company	59,318,400	23.39% (Note 1)	13.17%
	Interest in a controlled company	11,938,200	4.71% (Note 2)	2.65%
	Interest in a controlled company	35,160,000	13.87% (Note 3)	7.80%
Mr. Liu Jun	Interest in a controlled company	59,318,400	23.39% (Note 4)	13.17%

Notes:

(1) Mr. Liu Xin holds 60.00% interest in 深圳市浪曲科技開發有限公司 ("Shenzhen Langqu") which holds approximately 23.39% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Xin in the Company duplicates with that held by Mr. Liu Jun in the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen Langqu, Mr. Liu Xin is deemed, under Part XV of the SFO, to be interested in approximately 23.39% interest in the issued domestic shares of the Company apart from his personal interest of 40.00% interest in the issued domestic shares of the Company.

(2) Mr. Liu Xin holds 40.00% interest in 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") which holds approximately 4.71% interest in the issued domestic shares of the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen De Shi Yu, Mr. Liu Xin is deemed, under the Part XV of the SFO, to be interested in 4.71% interest in the issued domestic shares of the Company apart from his personal interest of 40.00% interest in the issued domestic shares of the Company.

(3) Shenzhen Yuan Zhong Cheng You Consultancy Limited Partnership (Limited Partnership)* (深圳市元眾成有諮詢有限合夥(有限合夥)) ("Shenzhen Yuan Zhong") is a limited partnership established in PRC and controlled by Mr. Liu Xin for for holding 35,160,000 Domestic Shares. The general partner of Shenzhen Yuan Zhong is Mr. Liu Xin and the limited partner of Shenzhen Yuan Zhong is Shenzhen Gu Lu Yun Intelligent Technology Co., Ltd.* (深圳市軲轆雲智能科技有限公司), which is a PRC limited company wholly owned by Mr. Liu Xin.

(4) Mr. Liu Jun holds 40.00% interest in Shenzhen Langqu which holds approximately 23.39% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Jun in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Jun's holding more than one-third interest in Shenzhen Langqu which holds approximately 23.39% interest in the issued domestic shares of the Company, Mr. Liu Jun is deemed, under Part XV of the SFO, to be interested in approximately 23.39% interest in the issued domestic shares of the Company.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

(a) **Interests and short positions of Directors, chief executives and supervisors of the Company in the share capital of the Company and its associated corporations (Continued)**

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executives or supervisors of the Company has any personal, family, corporate or other interests or short positions in any shares, debentures or underlying shares of the Company or any of its associated corporations as defined in the SFO.

(b) **Persons and substantial shareholders who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as known to the Directors, as at 31 December 2019, the following (not being a Director or supervisor of the Company) have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions of 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in shares and underlying shares in the Company

(i) Domestic Shares

Name	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Nil				

(ii) H Shares

Name	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued H Shares domestic shares	Approximate percentage of the Company's total issued shares
Nil				

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

MAJOR CLIENTS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest clients was approximately 23% (2018: 21%) of the Group's total turnover and the Group's largest client accounted for approximately 7% (2018: 7%) of the Group's turnover.

During the year, the aggregate purchases attributable to the Group's five largest suppliers was approximately 37% (2018: 39%) of the Group's total purchases and the Group's largest supplier accounted for approximately 17% (2018: 24%) of the Group's total purchases.

None of the Directors, or Supervisors, their associates or any shareholder of the Company (which to the knowledge of the Directors and Supervisors own more than 5% of the Company's issued share capital) had any interest in any of the five largest clients or suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules during the Relevant Period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had 1,025 and 24 employees based in the PRC and overseas respectively. For the year ended 31 December 2019, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB200 million. The Group remunerates employees by their performance and experience. Emolument or remuneration may include salary, overtime allowance, bonus and various subsidies.

The emolument of the Directors are determined, having regard to the Company's operating results, individual Directors' performance and comparable market trends.

EMPLOYEES AND REMUNERATION (Continued)

It has adopted a share option scheme whereby employees of the Group may be granted options to acquire shares. The Group also offers staff benefits such as professional training programs enhance staffs' skills, knowledge and sense of belonging.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company has also made specific enquiry of all Directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined in the Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

INDEPENDENT AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, Da Hua Certified Public Accountants (Special General Partnership).

The accounts for the years 2018 and 2017 of the Group were audited by Da Hua Certified Public Accountants (Special General Partnership).

CLOSURE OF REGISTER

Annual general meeting and relevant information will be announced in the circular of meeting.

By order of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
27 April 2020

DaHuaShenZi (2020) no.003678

To all shareholders of Launch Tech Company Limited:

1. OPINION

We have audited the Financial Statements of Launch Tech Company Limited ("Launch Tech"), which comprise its and consolidated balance sheets as at 31 December 2019, and its and consolidated income statements, its and consolidated cash flow statements, its and consolidated statements of change in equity for the year then ended, and notes to the financial statements.

In our opinion, the attached Financial Statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises, give a true and fair view of Launch Tech's and consolidated financial position as at 31 December 2019, and of its and consolidated financial performance and cash flows for the year then ended 2019.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Launch Tech in accordance with the China Standards on Auditing's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

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

We determine that the provision for impairment of "Intangible assets – Proprietary technologies" is a key audit matters that need to be communicated in the audit report which are:

3. KEY AUDIT MATTERS (CONTINUED)

1. Description of the matter

As stated in Note VI (16), As of December 31, 2019, Launch Tech owned "Intangible assets – Proprietary technologies" with a book value of 7,652,500. Launch Tech's Management in accordance with the lower of the book value and recoverable amount of these "Intangible assets – Proprietary technologies" to evaluate its recoverability and make provision for impairment on some "Intangible assets – Proprietary technologies" amounted to 47,587,800. Current year's provision for impairment, of 4,548,100. Since the estimation of the recoverable amount was relied on significant Management judgment, we is determined "Intangible assets – Proprietary technologies" as a key audit matter.

2. Audit response

(1) Understand, evaluate and test the internal control system and implementation of Intangible Assets Impairment of the Launch Tech to determine whether the internal control system related to impairment of intangible assets is compliant and effective;

(2) Compare the impairment provision for intangible assets of the current year and the previous year, analyze the historical and forecast sales and economic benefits data, and assess the necessity of accruals for impairment of intangible assets;

(3) During the audit, we obtained the economic benefits and the expected future economic data information of the proprietary technology of Launch Tech, and evaluated the assumptions on the future economic benefits used by the Launch Tech's Management;

(4) Evaluate whether the method used for impairment testing of intangible assets meets the requirements of the enterprise accounting standards and recalculate;

(5) Evaluate the appropriateness of the financial statement disclosure of the impairment of the intangible assets of the Launch Tech.

Based on the audit evidence obtained, we have obtained the audit conclusion that Launch Tech's presentation and disclosure of the provision for impairment on proprietary technologies intangible assets are appropriate.

4. OTHER INFORMATION

The management of Launch Tech are responsible for the other information. The other information comprises the information included in the 2019 annual report, but does not include the Financial Statements and our auditor's report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management of Launch Tech are responsible for the preparation of the Financial Statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and to enable such internal control to be fairly reflected, designed, exercised and maintained as the Management determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Launch Tech's management are responsible for assessing the Launch Tech's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Launch Tech or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Launch Tech's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

V. Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Launch Tech in order to express opinions on the financial statements. We are responsible for guiding, supervising and executing the audits of the Group and we take full responsibility for the audit opinions.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Da Hua Certified Public Accountants (Special General Partnership)
Chinese Certified Public Accountant (Project partner):

Chinese Certified Public Accountant:

Beijing, China
27 April 2020

Consolidated Balance Sheet

2019 *(Expressed in Renminbi)*

	Note VI	2019 Ending balances	2019 Beginning balances	2018
Current assets:				
Bank balances and cash	1	479,434,623.64	319,387,733.38	319,387,733.38
Trading financial asset	2	20,000.00	–	–
Bills receivable	3	–	41,180,034.20	41,180,034.20
Accounts receivable	4	191,886,124.47	279,094,337.04	279,094,337.04
Accounts receivable financing	5	33,626,210.19	–	–
Prepayments	6	61,698,994.46	58,074,232.18	58,074,232.18
Other receivables	7	29,026,828.95	25,600,061.97	25,600,061.97
Inventories	8	167,850,981.97	149,178,660.08	149,178,660.08
Other current assets	9	21,476,188.39	18,091,750.94	18,091,750.94
Total current assets		985,019,952.07	890,606,809.79	890,606,809.79
Non-current assets:				
Investment in other equity instruments	11	7,946,587.70	15,000,000.00	15,000,000.00
Investment Property	12	68,726,930.06	73,700,924.66	73,700,924.66
Fixed assets	13	230,878,047.81	244,650,076.60	244,650,076.60
Construction in progress	14	154,815,133.82	57,364,230.46	57,364,230.46
Right-in-use assets	15	7,766,034.71	8,599,176.90	–
Intangible assets	16	167,391,569.66	179,602,645.89	179,602,645.89
Development expenditure	17	–	23,116,610.57	23,116,610.57
Goodwill	18	1,139,412.80	1,139,412.80	1,139,412.80
Deferred income tax assets	19	5,997,096.39	5,612,614.15	5,612,614.15
Other non-current assets	20	5,000,000.00	52,000,000.00	52,000,000.00
Total non-current assets		649,660,859.43	660,785,692.03	652,186,515.13
Total assets		1,634,680,811.50	1,551,392,501.82	1,542,793,324.92

2019 (Expressed in Renminbi)

	Note VI	2019 Ending balances	2019 Beginning balances	2018
Current liabilities:				
Short-term borrowings	21	485,396,607.58	285,454,656.00	285,454,656.00
Bills payable	22	108,000,000.00	50,000,000.00	50,000,000.00
Accounts payable	23	140,531,794.10	112,375,254.30	112,375,254.30
Contract liabilities	24	66,965,012.27	52,834,338.01	52,834,338.01
Employee remuneration payable	25	2,453,446.49	3,452,114.55	3,452,114.55
Tax payables	26	5,388,954.37	23,696,243.30	23,696,243.30
Other payables	27	21,205,958.12	19,508,163.11	19,508,163.11
Non-current liabilities due within one year	28	2,802,016.54	2,050,017.26	138,917.09
Other current liabilities	29	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	31	5,279,622.40	6,688,076.73	–
Deferred income	32	16,253,670.58	20,268,680.90	20,268,680.90
Deferred tax liabilities	19	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	33	432,216,600.00	375,460,000.00	375,460,000.00
Capital reserve	34	409,992,867.94	562,481,725.91	562,481,725.91
Less: Treasury share	35	–	80,356,846.06	80,356,846.06
Other comprehensive income	36	-6,847,151.63	1,581,939.58	1,581,939.58
Surplus reserve	37	41,036,682.03	41,036,682.03	41,036,682.03
Undistributed profit	38	-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

The attached notes are an integral part of these financial statements

Balance Sheet

2019 *(Expressed in Renminbi)*

	Note XVI	2019 Ending balances	2019 Beginning balances	2018年
Current assets:				
Bank balances and cash		440,370,580.55	276,301,293.23	276,301,293.23
Trading financial asset		10,000.00	–	–
Bills receivable	1	–	41,180,034.20	41,180,034.20
Accounts receivable		199,504,572.82	266,274,802.96	266,274,802.96
Accounts receivable financing		33,626,210.19	–	–
Prepayments		60,333,993.77	48,644,467.56	48,644,467.56
Other receivables	2	378,759,145.19	388,048,585.00	388,048,585.00
Inventories		124,544,354.31	120,913,739.29	120,913,739.29
Other current assets		6,136,659.31	11,672,276.62	11,672,276.62
Total current assets		1,243,285,516.14	1,153,035,198.86	1,153,035,198.86
Non-current assets:				
Investment in other equity instruments	3	239,675,576.68	203,555,576.68	203,555,576.68
Long-term equity investments		5,765,872.89	15,000,000.00	15,000,000.00
Investment Property		68,726,930.06	73,700,924.66	73,700,924.66
Fixed assets		136,033,117.55	142,193,870.59	142,193,870.59
Right-in-use assets		7,766,034.71	8,599,176.90	–
Intangible assets		81,665,090.23	98,597,849.48	98,597,849.48
Development expenditure		–	14,748,418.06	14,748,418.06
Total non-current assets		539,632,622.12	556,395,816.37	547,796,639.47
Total assets		1,782,918,138.26	1,709,431,015.23	1,700,831,838.33

2019 (Expressed in Renminbi)

	Note XVI	2019 Ending balances	2019 Beginning balances	2018年
Current liabilities:				
Short-term borrowings		475,988,300.00	285,454,656.00	285,454,656.00
Bills payable		108,000,000.00	50,000,000.00	50,000,000.00
Accounts payable		326,264,949.08	334,224,688.75	334,224,688.75
Contract liabilities		63,620,492.82	48,089,030.50	48,089,030.50
Employee benefits payables		26,309.87	–	–
Tax payables		2,138,886.08	2,100,861.15	2,100,861.15
Other payables		18,865,201.15	17,789,715.38	17,789,715.38
Non-current liabilities due within one year		2,802,016.54	1,911,100.17	–
Other current liabilities		7,452,435.26	6,655,113.06	6,655,113.06
Total current liabilities		1,005,158,590.80	746,225,165.01	744,314,064.84
Non-current liabilities:				
Lease liabilities		5,279,622.40	6,688,076.73	–
Deferred income		16,253,670.58	20,268,680.90	20,268,680.90
Total non-current liabilities		21,533,292.98	26,956,757.63	20,268,680.90
Total liabilities		1,026,691,883.78	773,181,922.64	764,582,745.74
Shareholders' equity:				
Share capital		432,216,600.00	375,460,000.00	375,460,000.00
Capital reserve		410,141,660.73	562,630,518.70	562,630,518.70
Less: Treasury share		–	80,356,846.06	80,356,846.06
Other comprehensive income		-9,084,127.11	–	–
Surplus reserve		41,036,682.03	41,036,682.03	41,036,682.03
Undistributed profits		-118,084,561.17	37,478,737.92	37,478,737.92
Total shareholders' equity		756,226,254.48	936,249,092.59	936,249,092.59
Total liabilities and shareholders' equity		1,782,918,138.26	1,709,431,015.23	1,700,831,838.33

The attached notes are an integral part of these financial statements.

Consolidated Income Statement

2019 *(Expressed in Renminbi)*

	Note VI	2019	2018
Operating income	39	941,709,327.84	1,048,538,385.96
Less: Operating costs	39	532,405,019.55	617,315,936.04
Tax and surcharge	40	8,110,075.46	12,070,254.15
Selling expenses	41	129,838,861.41	119,251,144.60
Administrative expenses	42	84,550,885.61	89,190,406.63
Research and development expenses	43	261,744,203.22	158,166,763.83
Finance costs	44	24,570,482.49	16,315,721.99
Add: Other revenue	45	39,020,106.91	48,775,315.49
Gain on investments	46	5,341.54	1,730,120.79
Impairment loss on credit	47	-51,643,339.57	-13,895,762.43
Impairment loss on assets	48	-22,490,957.50	-10,253,672.51
Gain on disposals of assets	49	-737,196.83	26,258.78
Operating profit		-135,356,245.35	62,610,418.84
Add: Non-operating income	50	1,330,373.75	2,730,768.43
Less: Non-operating expenses	51	1,543,449.59	2,491,036.72
Total profit		-135,569,321.19	62,850,150.55
Less: Income tax expenses	52	1,362,354.28	3,764,567.23
Net profit (loss "–")		-136,931,675.47	59,085,583.32
Profit from continued operation		-136,931,675.47	59,085,583.32
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
Total comprehensive income		-145,360,766.68	58,679,007.88
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

2019 (Expressed in Renminbi)

	Note XVI	2019	2018
Total operating income	4	864,066,175.21	935,345,887.33
Less: Operating costs	4	697,330,370.70	835,556,916.32
Tax and surcharge		2,788,467.45	3,852,895.53
Selling expenses		93,460,110.08	85,949,226.75
Administrative expenses		75,583,998.46	76,145,189.15
Research and development expenses		177,798,665.96	82,859,650.86
Finance costs		18,623,138.90	15,826,688.20
Add: Other revenue		12,843,412.00	10,020,628.53
Add: Investment income	5	179,125,341.53	279,830,120.79
Impairment loss on credit		-87,404,905.71	12,269,560.03
Impairment loss on assets		-21,258,117.80	3,572,805.36
Gain on disposals of assets		-48,952.34	26,258.78
Operating profit		-118,261,798.66	109,189,963.23
Add: Non-operating income		246,623.13	2,388,661.52
Less: Non-operating expenditure		1,530,073.56	2,062,655.47
Total profit		-119,545,249.09	109,515,969.28
Less: Income tax expenses		–	–
Net profit		-119,545,249.09	109,515,969.28
Profit from continued operation		-119,545,249.09	109,515,969.28
Other comprehensive income after tax		-9,084,127.11	–
Total comprehensive income		-128,629,376.20	109,515,969.28

The attached notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

2019 *(Expressed in Renminbi)*

	Note VI	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	53	45,315,012.48	57,257,417.84
Sub-total of cash inflows from operating activities		1,101,070,618.42	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	53	161,105,420.62	142,386,653.54
Sub-total of cash outflows from operating activities		974,676,169.34	937,387,153.78
Net cash flows from operating activities		126,394,449.08	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	53	50,712,322.40	177,730,120.79
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	53	50,726,980.87	176,000,000.00
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

2019 (Expressed in Renminbi)

	Note VI	2019	2018
Cash flows from financing activities			
Cash receipts from borrowings		576,308,089.67	493,500,660.00
Sub-total of cash inflows from financing activities		576,308,089.67	493,500,660.00
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	53	27,182,599.02	80,356,846.06
Sub-total of cash outflows from financing activities		457,144,233.32	684,947,504.78
Net cash flows from financing activities		119,163,856.35	-191,446,844.78
Impact on cash by changes in foreign exchange rates		678,123.90	-10,442,836.71
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		319,387,733.38	538,008,718.76
Cash and cash equivalents at end of the period		470,434,623.64	319,387,733.38

The attached notes are an integral part of these financial statements.

Cash Flow Statement

2019 *(Expressed in Renminbi)*

	Note XVI	2019	2018
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		971,921,947.57	949,025,692.90
Refund of taxes and levies		40,107,297.38	38,004,947.03
Other cash receipts relating to operating activities		11,605,892.77	15,092,875.18
Sub-total of cash inflows from operating activities		1,023,635,137.72	1,002,123,515.11
Cash paid for goods and services		595,715,706.98	710,180,771.48
Cash paid to and on behalf of employees		144,773,586.90	128,708,344.63
Payments of taxes and levies		11,135,780.15	22,284,181.86
Other cash payments relating to operating activities		180,246,262.00	159,974,565.00
Sub-total of cash outflows from operating activities		931,871,336.03	1,021,147,862.97
Net cash flows from operating activities		91,763,801.69	-19,024,347.86
Cash flows from investing activities:			
Cash received from investment income		–	44,100,000.00
Cash received from disposals of fixed assets, intangible assets and other long-term asset		21,262.50	60,853.00
Other cash receipts relating to investing activities		50,712,322.40	177,730,120.79
Sub-total of cash inflows from investing activities		50,733,584.90	221,890,973.79
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		10,632,012.44	43,082,043.97
Cash paid for acquisition of subsidiary and other operating unit		–	15,000,000.00
Other cash payments relating to investing activities		37,000,000.00	1,000,000.00
Cash paid for investments		50,716,980.87	176,000,000.00
Sub-total of cash outflows from investing activities		98,348,993.31	235,082,043.97
Net cash flows from investing activities		-47,615,408.41	-13,191,070.18

2019 (Expressed in Renminbi)

	Note XVI	2019	2018
Cash flows from financing activities			
Cash received from borrowings		567,009,328.00	493,500,660.00
Sub-total of cash inflows from financing activities		567,009,328.00	493,500,660.00
Cash repayments of borrowings		376,475,684.00	496,251,204.00
Cash payments for interest expenses, distribution of dividend or profits		52,714,215.45	107,518,580.58
Other cash repayments relating to financing activities		27,182,599.02	80,356,846.06
Sub-total of cash outflows from financing activities		456,372,498.47	684,126,630.64
Net cash flows from financing activities		110,636,829.53	-190,625,970.64
Impact or cash by changes in foreign exchange rates		284,035.45	-11,679,681.93
Net increase in cash and cash equivalents		155,069,258.26	-234,521,070.61
Add: Cash and cash equivalents at beginning of the period		276,301,293.23	510,822,363.84
Cash and cash equivalents at end of the period		431,370,551.49	276,301,293.23

The attached notes are an integral part of these financial statements.

Consolidated Statement of Movement on Equity

2019 *(Expressed in Renminbi)*

	2019							
	Attributable to shareholders of the parent company							
	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
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	–	–	–	–	–	0.00
Ending balance for current period	432,216,600.00	409,992,867.94	–	-6,847,151.63	41,036,682.03	-103,878,103.23	–	772,520,895.11

The attached notes are an integral part of these financial statements.

2019 (Expressed in Renminbi)

2018

	Attributable to shareholders of the parent company							
	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Ending balance of previous year	375,460,000.00	562,481,725.91	–	1,988,515.02	30,085,085.10	114,980,997.00	-178,361.15	1,084,817,961.88
Opening balance of current year	375,460,000.00	562,481,725.91	–	1,988,515.02	30,085,085.10	114,980,997.00	-178,361.15	1,084,817,961.88
Changes for current period	–	–	80,356,846.06	-406,575.44	10,951,596.93	-45,909,533.77	178,520.16	-115,542,838.18
Comprehensive income	–	–	–	-406,575.44	–	58,907,063.16	178,520.16	58,679,007.88
Reduction of share capital	–	–	80,356,846.06	–	–	–	–	-80,356,846.06
Transfer to reserve	–	–	–	–	10,951,596.93	-10,951,596.93	–	-93,865,000.00
Distribution to shareholders	–	–	–	–	–	-93,865,000.00	–	-93,865,000.00
Ending balance for current period	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

The attached notes are an integral part of these financial statements.

Statement of Movement on Equity

2019 *(Expressed in Renminbi)*

	2019						
	Share capital	Capital reserve	Less: Treasury share	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Ending balance of previous year	375,460,000.00	562,630,518.70	80,356,846.06	–	41,036,682.03	37,478,737.92	1,016,605,938.65
Opening balance of current year	375,460,000.00	562,630,518.70	80,356,846.06	–	41,036,682.03	37,478,737.92	1,016,605,938.65
Changes for current period ("–" decrease)	56,756,600.00	-152,488,857.97	-80,356,846.06	-9,084,127.11	–	-155,563,299.09	-260,379,684.17
Total comprehensive income	–	–	–	-9,084,127.11	–	-119,545,249.09	-128,629,376.20
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	432,216,600.00	410,141,660.73	–	-9,084,127.11	41,036,682.03	-118,084,561.17	756,226,254.48

The attached notes are an integral part of these financial statements.

2019 (Expressed in Renminbi)

	2018					
	Share capital	Capital reserve	Less: Treasury share	Surplus reserve	Undistributed profits	Total shareholders' equity
Ending balance of previous year	375,460,000.00	562,481,725.91	–	30,085,085.10	32,779,365.57	1,000,954,969.37
Opening balance of current year	375,460,000.00	562,481,725.91	–	30,085,085.10	32,779,365.57	1,000,954,969.37
Changes for current period	–	–	80,356,846.06	10,951,596.93	4,699,372.35	-64,705,876.78
Total comprehensive income	–	–	–	–	109,515,969.28	109,515,969.28
Reduction of share capital	–	–	80,356,846.06	–	–	-80,356,846.06
Transfer to reserve	–	–	–	10,951,596.93	-10,951,596.93	–
Distribution to shareholders	–	–	–	–	-93,865,000.00	-93,865,000.00
Ending balance for current period	375,460,000.00	562,481,725.91	80,356,846.06	41,036,682.03	37,478,737.92	936,249,092.59

The attached notes are an integral part of these financial statements.

I. GENERAL INFORMATION OF THE COMPANY

(I) Place of registration, type of organization and address of headquarter

Launch Tech Company Limited (hereinafter referred to as the "Company") is a joint-stock limited liability company converted from Shenzhen Launch Computer Company Limited in April 2001 pursuant to the "Reply on Consenting to the Establishment of Launch Tech Company Limited by Way of Promotion" (Shen Fu Gu [2001] No. 16 issued by the People's Government of Shenzhen, Guangdong Province, and Shenzhen Dahua Tiancheng Certified Public Accountants verified the capital of the promoters and issued the Capital Verification Report Shen Hua (2001) Yan Zi No. 050 on 13 April 2001. On 1 June 2001, the Company received the Business License for Legal Person Enterprises (registration No.: 4403012020436) issued by the Administration of Shenzhen for Industry and Commerce after turned into a joint stock company, and the name was changed to Launch Tech Company Limited with a registered capital of RMB33 million.

In 2002, pursuant to the "Reply on Consenting to the Issuance of Overseas Listed Foreign Shares of Launch Tech Company Limited" (Zheng Jian Zi (2002) No. 13) of China Securities Regulatory Commission ("CSRC"), the Company issued 110 million foreign shares (H shares) of RMB0.10 each listing on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited, with registered capital increasing to RMB44 million, which was verified by Huazheng Certified Public Accountants Co., Ltd. with Capital Verification Report (Hua Zheng Yan Zi Bao Zi (2002) No. 328) issued on 23 December 2002.

In 2003, pursuant to the "Reply on Consenting to the Additional Issuance of Overseas Listed Foreign Shares of Launch Tech Company Limited" (Zheng Jian Guo He Zi (2003) No. 33 of CSRC), an addition of 80 million foreign shares (H shares) of RMB0.10 each were offered and listed on the GEM of the Stock Exchange of Hong Kong Limited, with registered capital increasing to RMB52 million, which was verified by Shenzhen Dahua Tiancheng Certified Public Accountants with Capital Verification Report (Shen Hua (2003) Yan Zi No. 063).

On 4 November 2004, Shenzhen Deshiyu Investment Co., Ltd. signed the Equity Transfer Agreement with China Special Situations Holdings (1) (BVI) Limited, China Special Situations Holdings (2) (BVI) Limited, Crosby China Chips Holdings (1) (BVI) Limited, respectively, pursuant to which, Shenzhen Deshiyu transferred 277,200.00 shares, 2,000,000.00 shares and 1,646,700.00 shares respectively to the above mentioned companies. On 18 January 2005, the Ministry of Commerce issued the "Reply of the Ministry of Commerce on Approving the Change of Launch Tech Company Limited into A Foreign Invested Joint Stock Company "(Shang Zi Pi (2005) No. 63) approving the equity transfer and change of the Company into a foreign invested joint stock company, and issued the Certificate for Approval of Establishment of A Foreign Invested Enterprises (Shang Wai Zi Zi Shen Zi (2005) No. 0003). The equity transfer was also approved by Shenzhen Bureau of Trade and Industry with the "Reply on Approving the Change of Launch Tech Company Limited into A Foreign Invested Joint Stock Company" (Shen Zi Gong Zi Fu (2005) No. 0058).

I. GENERAL INFORMATION OF THE COMPANY (Continued)

(I) Place of registration, type of organization and address of headquarter (Continued)

In 2006, pursuant to the "Reply on Consenting to the Additional Issuance of Overseas Listed Foreign Shares of Launch Tech Company Limited" (Zheng Jian Guo He Zi (2005) No.33 of CSRC), additional 38 million foreign shares (H shares) of RMB0.10 each were issued and issued on the GEM of the Stock Exchange of Hong Kong Limited, with registered capital increasing to RMB55.8 million, which was verified by Zhongtian Huazheng CPA Co., Ltd. with Capital Verification Report (Zhong Tian Hua Zheng (Jing) Yan Zi (2006) No. 3001) issued on 17 January 2006.

On 11 December 2007, pursuant to the "Reply on Consenting to the Additional Issuance of Overseas Listed Foreign Shares of Launch Tech Company Limited" (Zheng Jian Guo He Zi (2007) No.24 of CSRC), additional 45.6 million foreign shares (H shares) of RMB0.10 each were issued and listed on the GEM of the Stock Exchange of Hong Kong Limited with registered capital increasing to RMB60.36 million, which was verified by Zhonglian CPA Co., Ltd Shenzhen Branch with Capital Verification Report (Zhong Lian Shen Suo Yan Zi (2008) No. 029).

Pursuant to the "Reply on Consenting to the Transfer of Listing of Launch Tech Company Limited to the Main Board of the HKEX" dated 6 January 2011 (CSRC Approval (2011) No. 15 of CSRC) and the approval of the Hong Kong Stock Exchange, share consolidation of the Company was completed on 21 March 2011 and the nominal value per share was consolidated from RMB0.10 to RMB1.00, with total number of shares of the Company changing from 603.6 million shares to 60.36 million shares. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 28 March 2011 with stock code HK2488.

Pursuant to the resolution for shares conversion from capital reserve approved in the Annual General meeting held on 16 June 2014(H shareholders annual general meeting and domestic shareholders annual general meeting), converted 40 additional shares for each 10 existing shares, the Company's total number of shares changed from 60.36 million to 301.8 million.

Pursuant to the "Reply on Consenting to the Additional Issuance of Overseas Listed Foreign Shares of Launch Tech Company Limited" dated 6 January 2015 (CSRC Approval (2015) No. 1863 of CSRC) and the approval of the Hong Kong Stock Exchange, additional 27.36 million foreign shares (H shares) were issued and listed on the main board of Stock Exchange of Hong Kong Limited with total number of the Company's shares increasing from 301.8 million to 329.16 million, which was verified by Shenzhen Yongming CPA Co., Ltd with Capital Verification Report (Shen Yong Yan Zi (2016) No. 003).

On August 1, 2017, according to the resolution of the shareholders' meeting, the Company issued capital of 46.30 million domestic shares. As verified by Shenzhen Yongming Certified Public Accountants Co., Ltd., with Capital Verification Report ShenYongYanZi [2017] 072 the total number of shares of the Company was changed from 329,160,000 shares to 375,460,000 shares.

I. GENERAL INFORMATION OF THE COMPANY (Continued)

(I) Place of registration, type of organization and address of headquarter (Continued)

On 21 June 2018, the Company's annual general meeting, H shareholders meeting and domestic shareholders meeting passed resolutions considering and approving the general mandate granted to the Company's board of directors to repurchase the Company's H shares: which is to repurchase the total value of H shares not exceeding 10% of the total value of issued H shares of the Company on the date that passed the special resolution. Since 30 November 2018, the Company has successively repurchased the outstanding shares and As of 14 March 2019, the company has repurchased a total of 152.795 million shares. As of 21 March 2019, all the repurchased shares have been cancelled, and the total number of shares in the company has been changed from 376,546,000 shares to 360,180,500 shares.

A general meeting of shareholders was held on 26 June 2019, and passed a resolution: to convert capital reserve into share capital by increasing the share capital by 2 for every 10 shares. The number of share capital increase was 72,361,000 shares. The share conversion was completed in August 2019, and the Company's share capital was changed from 360,180,500 shares to 432,126,600 shares.

Uniform Social Credit Code: 914403002794827320.

Registered address of the Company: No. 4012 North of Wuhe Road, Bangtian Street, Longgang District, Shenzhen.

Principal place of business of the Company: Launch Industrial Park, North of Wuhe Road, Banxuegang, Longgang District, Shenzhen.

Legal representative: Liu Xin.

(II) Business nature and major activities of the Company

General operations: research, development, production, sale and rental of automotive diagnostic, testing, repair and maintenance equipment and relevant software; research, development, production, sale and rental of automotive electronic products; provision of network information service (excluding commodities subject to exclusive operation, control, and franchising, and restricted items); operation of import and export business as specified in Grading Certificate for Self-operated Import and Export Business (Shen Mao Deng Ji Zheng Zi No. 17).

(III) Approval of the financial statements

These financial statements were approved by the Board of Directors on 27 April 2020.

2019 (Expressed in Renminbi)

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

During the period, 11 entities were consolidated in the consolidated financial statements, which were:

Name of Subsidiary	Type of Subsidiary	Grade	Shareholding Percentage (%)	Percentage of Voting Rights (%)
Shanghai Launch Mechanical Equipment Co., Ltd. ("Shanghai Launch")	Wholly-owned subsidiary	One	100.00	100.00
Launch Software Development Co., Ltd. ("Launch Software")	Wholly-owned subsidiary	One	100.00	100.00
Xi' an Launch Software Technology Co., Ltd. ("Xi' an Launch")	Wholly-owned subsidiary	One	100.00	100.00
Launch Europe GmbH	Wholly-owned subsidiary	One	100.00	100.00
Shenzhen Haishiwei Heath Technology Co., Ltd. ("Shenzhen Haishiwei")	Wholly-owned subsidiary	One	100.00	100.00
Shenzhen Golo Auto-repair Co., Ltd. ("Golo Repair")	Wholly-owned subsidiary	One	100.00	100.00
Shenzhen PengJuShu Information Technology Co., Ltd. ("PJS")	Controlling subsidiary	One	100.00	100.00
Launch Tech International Co., Ltd. ("Launch International")	Wholly-owned subsidiary	One	100.00	100.00
Nanjing Launch Intelligent Technology Co., Ltd. ("Nanjing Launch")	Wholly-owned subsidiary	One	100.00	100.00
Shenzhen Shunlihang Auto Techonology Sharing Co., Ltd. ("SLH")	Wholly-owned subsidiary	One	100.00	100.00
Nangjing Golo Big Data Technology Company Limited ("NJG")	Wholly-owned subsidiary	One	100.00	100.00

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

There was 1 addition and 1 reduction of entities included in the consolidated financial statements during the period as follows:

Inclusion of new subsidiaries, special subject, control through entrusted or leased operation, in to the scope of consolidation in this period

Name	Reasons
NJG	Establishment

2. **Subsidiary not included in the scope of consolidation in this period**

Name	Reasons
Peng Au Da	Company Cancellation

The details of changes in the entities that were included in the consolidated financial statements during the period were set out in “Note VII, CHANGE IN THE SCOPE OF CONSOLIDATION”.

III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of preparation of the financial statements

The financial statements of the Company were prepared on the going concern basis 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).

In addition, these financial statements are also in compliance with the disclosure requirements of the Companies Ordinance in Hong Kong and the applicable disclosure rules of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(II) Going concern

Pursuant to the Company's assessment on the continuing operation viability of the Company within 12 months since the end of the reporting period, and there are no matters or events that may raise any material doubts on the continuing operation viability of the Company was discovered, and thus this financial statements were prepared under going concern basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Statement of compliance

The financial statements prepared by the Company meet the requirements of the enterprise accounting standards; exactly and completely reflect the financial status, operation result, and cash flow, etc. of the Company.

(II) Accounting period

The accounting year of the Company is from January 1 each year to December 31 of the same year in western calendar.

(III) Functional currency

Renminbi is the functional currency. The overseas subsidiaries use the currency in the main economic environment in which they operate as the recording currency. When preparing the financial statements, they are converted into RMB.

The overseas subsidiary uses the currency of the main economic environment where they operate as the recording currency, and that currency is converted into RMB in the preparation of this financial statements.

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control

1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, regard multiple transactions as a package transaction for accounting treatment:

1) these transactions were entered into at the same time or after considering the effects of each other;

2) only when regarding these transactions as a whole, can it achieve a complete business result;

3) the occurrence of one transaction depends on the occurrence of at least one other transaction;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control (Continued)

1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall in the following one or more situations, regard multiple transactions as a package transaction for accounting treatment: (Continued)

4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

2. Business combinations involving entities under common control

For assets and liabilities acquired under business combinations, the assets, liabilities (including the value of goodwill on acquisition) on the date of combination is included in the consolidated financial statements using the book values. If there is any difference between the book values of net assets acquired and the consideration(or the total amount of face value of issued shares), share premium in capital reserve is adjusted If the share premium in capital reserve is insufficient, the retained earnings are adjusted.

If there is any contingent consideration required to be recognized as estimated obligations or assets, capital reserve (capital or share premium) is adjusted by the difference between the amount of such estimated obligations or assets and the amount of settlement of subsequent contingent consideration; where the capital reserve is insufficient, the retained earnings are adjusted.

For business combination finally realized through several transactions, in case of a package transaction, those transactions are accounted as one transaction to acquire the control; in case of no package transaction, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the book value before the combination and the book value of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient, the retained earnings are adjusted. For the equity investment held before the date of combination, the other comprehensive income measured and recognized under the equity method or financial instrument recognition and measurement standards are not accounted until the accounting treatment for the disposal of relevant assets or liabilities of the investee is adopted the same for the disposal of such equity investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, is not accounted, until disposal of such investment is transferred to current profit and losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control (Continued)

3. Business combinations involving entities not under common control

The acquisition date refers to the date on which the Company actually obtained control over the acquired party, that is, the date when the acquired party's net assets or the control of production and business decisions were transferred to the Company. At the same time when the following conditions are met, the Company generally believes that the transfer of control rights has been achieved:

1. A business merger contract or agreement has been approved by the company's internal authority.

2. Business merger matters need to be approved by the relevant national competent authority, and approval has been obtained.

3. The necessary procedures for the transfer of property rights have been completed.

4. The Company has paid most of the combined price and has the ability and plan to pay the remaining amount.

5. The Company has actually controlled the financial and operating policies of the acquired party and enjoyed corresponding benefits and assumed corresponding risks.

On the date of acquisition, when there is any difference between the fair values and book values of the assets provided and liabilities incurred or borne by the Company as combination considerations, such differences shall be charged to profit and loss for the period.

Goodwill is recognized when the combination cost paid by the Company is higher than the share of the fair value of the net tangible assets in the acquiree obtained through the combination. When the combination cost paid is lower than the fair value of the share of the fair value of the net tangible assets in the acquiree obtained through the combination, such difference after review shall be recognized in profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IV) Accounting treatments of business combinations involving entities under common control and entities not under common control (Continued)

3. Business combinations involving entities not under common control (Continued)

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a package transaction, should be accounted with all transactions as the one to acquire the control; in case of non-package transaction, should be accounted under equity method: the equity investment held before the date of combination, the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; due to the other comprehensive income accounted and recognized under equity method, the equity investment held before the date of acquisition is accounted on the same basis as used for disposal of relevant assets or liabilities of the investee when disposal of such investment. Where the equity investment held before the date of combination is accounted according to the recognition and measurement criteria for financial instruments, the sum of the fair value of such equity investment on the date of combination and the new investment cost are accounted as the initial investment cost on the date of combination. The difference between the fair value of the original equity and its book value and the accumulative changes originally included in the other comprehensive income are transferred to current investment income on the date of combination.

4. Relevant expenses in relation to combination

All direct fees for audit, legal and assessment occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity, shall be directly charged to equity.

(V) Preparation of consolidated financial statements

1. Scope of Consolidation

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. All subsidiaries (including individual entities controlled by the parent company) are included in the consolidated financial statements.

2. Procedures

The consolidated financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When the Company prepared consolidated financial statements, considered the whole business group as a single accounting entity. Pursuant to recognition, measurements and requirement of relevant accounting standards, basing on the consistent accounting policies, reflected the business group’s financial positions, business results and cashflows.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Preparation of consolidated financial statements (Continued)

2. Procedures (Continued)

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 on the consolidated balance sheets, consolidated incomes statements, consolidated cash flow statements and consolidated statements of changes in shareholders' equity due to internal transactions between the Company and its subsidiaries and among the subsidiaries shall be offset. For the consolidated financial statements, when there is divergence in the recognition of a single transaction by the Company and its subsidiaries, the Company's position shall be taken up for adjustment on such transaction.

The owners' equity, the minority interest on net profit or loss for the period and comprehensive income should be separately disclosed under owners' equity in the consolidated balance sheet, and net profit and comprehensive income in the consolidated income statement.

When loss for the period attributable to minority shareholders of a subsidiary exceeds the initial share of owners' equity in the subsidiary owned by such minority shareholders, the excess amount shall still be deducted against shareholders' equity.

For subsidiaries due to business combination involving entities under common control, their assets, liabilities (includes goodwill acquired), using on the book value of the ultimate controller's financial statement as basis to adjust their own financial statements.

Where as for For subsidiaries due to business combination involving entities not under common control, using the fair value on the acquisition as basis to adjust their own financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Preparation of consolidated financial statements (Continued)

2. Procedures (Continued)

(1) Addition of subsidiary or business

During the reporting period, initial amount in the consolidated balance sheets are adjusted for the addition of new subsidiaries and businesses due to business combinations involving entities under common control. The income, expenses and profits of the subsidiaries from the beginning of the consolidation to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and the businesses from the beginning of the consolidation to the end of the reporting period are included in the consolidated cash flow statements. At the same time adjust those relevant items of comparison of financial statements, considering the reporting entity exists since the date of establishment of control.

For exercising control over investee under common control due to the addition of investment, shall consider those entities consolidated since the date of control began and adjust the existing conditions. Between the later of the date of those equity held originally or the date of both parties under common control to combination date, those identifiable profit or loss, other comprehensive income and other change in net assets, shall be separately charged to initial amount of the comparative statements or the profit and loss of the period.

During the reporting period, initial amount in the consolidated balance sheets are not adjusted for the addition of new subsidiaries and businesses due to business combinations involving entities not under common control. The income, expenses and profits of such subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statements.

For exercising control over investee not under common control due to addition of investment, those equity held before acquisition date is subject to re-measurement using fair value. Differences between fair value and book value is charged to investment income for the period. For movement in owners' equity other than other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits, equity held before acquisition date which was measured under equity method; and relevant other comprehensive income and movement in other owners' equity were changed to the profit or loss of the financial period of the acquisition date, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Preparation of consolidated financial statements (Continued)

2. Procedures (Continued)

(2) Disposal of subsidiary or business

1) General treatments

During the reporting period, for disposal of subsidiaries and businesses by the Company, the income, expenses and profits of the subsidiaries from the beginning of the period to the date of disposal are included in the consolidated income statements, and the cash flows of the subsidiaries and businesses from the beginning of the period to the date of disposal are included in the consolidated cash flow statements.

When the Company loses control on its former subsidiary due to partial disposal of equity investment or otherwise, the remaining invested equity after disposal is re-measured based on the fair value at the date when control was lost. The difference between the sum of consideration received from disposal of equity and the fair value of the remaining equity, and the share of net assets calculated on an continual basis starting from the date of acquisition based on the former holding ratio, shall be recognized as the investment gain for the period when control was lost. Other comprehensive income and ex-dividend profit or loss, other comprehensive income and distributable profits associated with equity investment in the former subsidiary shall be transferred to investment gain upon the loss of control, but except other comprehensive income occurred due to movement of net assets and liabilities under the remeasurement of defined benefit plan by the investor.

2) Piecemeal disposal of subsidiary

Through piecemeal disposals of equity of subsidiary until loss of control, normally those transactions would be accounted as a package of transactions if those arrangements and conditions and economic impacts of disposal transactions fullfiled one or more of the following situations:

A. Such transactions are occurred together or made under considerations of mutual impacts;

B. A complete business consequence could only be made under such series of transactions;

C. The occurance of a transaction is dependent on occurance of at least one transaction;

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Preparation of consolidated financial statements (Continued)

2. Procedures (Continued)

(2) Disposal of subsidiary or business (Continued)

2) Piecemeal disposal of subsidiary (Continued)

D. One transaction itself is not economical itself, but when considered together with other transactions would become economical.

Transactions for partly disposal of subsidiary until losing control which is considered as a package of transactions, the Company treats this as one transaction under accounting treatment; however the difference between each transaction proceeds and the net asset value of that disposal, is firstly treated as other comprehensive and then charged together to profit or loss for the period until the control of subsidiary lost.

Transactions for partly disposal of subsidiary until losing control which is not considered as a package of transactions, before lossing control, treat it as the same as transactions for not lossing control and treat as general disposal under accounting treatment when the control of subsidiary lost.

(3) Acquisition of minority interest of subsidiary

When there is a difference between Company acquired minority interests as long term equity investment and basing on the new shareholding ratio owned the subsidiary under continuing calculation from the acquisition date (or combination date), the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, charge to the retained profits.

(4) Partly disposal of subsidiary without losing control

Under the situation the difference between the proceeds from disposal of subsidiary without lossing control and the attributable net assets value of the subsidiary continuously calculated from the acquisition date or combination date, the difference would be adjusted to the share premium of capital reserve in the consolidated balance sheet. If the share premium is insufficient, charge to the retained profits.

(VI) Accounting treatment of joint venture arrangement and joint operations

1. Classification of joint venture arrangements

The Company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Accounting treatment of joint venture arrangement and joint operations (Continued)

1. Classification of joint venture arrangements (Continued)

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

(1) its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.

(3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.

2. Accounting method for joint operation

The Company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant accounting standards for business enterprises:

(1) assets it solely holds and its share of jointly-held assets based on its percentage;

(2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;

(3) incomes from sale of output enjoyed by it from the joint operation;

(4) incomes from sale of output from the joint operation based on its percentage; and

(5) separate costs and costs for the joint operation based on its percentage.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Accounting treatment of joint venture arrangement and joint operations (Continued)

2. Accounting method for joint operation (Continued)

When the Company invests or sells assets and others in or to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the Company shall recognize such loss in full.

When the Company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognized before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to the Accounting Standards for Business Enterprises No.8 – Assets Impairment and other provisions, the Company shall recognize its part of such loss based on its percentage.

If the Company has no joint control over a joint operation enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principle; or it shall do the same in accordance with relevant accounting standards for business enterprises.

(VII) Determination criteria for cash and cash equivalents

In preparing cash flow statements, the Company's cash on hand and deposits that can be readily utilized for payment are recognized as cash. Investments that satisfy four conditions, namely short duration (normally means maturity within three months from the purchase date), high liquidity, readily convertible into known amount of cash and minimal risk of value change, are recognized as cash equivalents.

(VIII) Foreign currency businesses and translation of foreign currency statements

1. Foreign currency businesses

Foreign currency business transaction are recognized at the beginning and translated into Renminbi using the spot exchange rate prevailing on the date when transaction occurred.

Balance of monetary items in foreign currency are translated using the spot exchange rate prevailing on the balance sheet date, and the exchange differences arising therefrom are recognized in profit or loss for the period, except for special foreign currency loans related to acquisition and construction of assets that satisfy capitalization requirements, whose exchange differences are accounted for using principles on capitalization of loan expenses. Non-monetary items in foreign currency measured at historical cost are translated using the spot exchange rate prevailing on the date when transaction occurred and its functional currency shall remain unchanged.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VIII) Foreign currency businesses and translation of foreign currency statements (Continued)

1. Foreign currency businesses (Continued)

Non-monetary items in foreign currency carried at fair value are translated using the spot exchange rate prevailing on the date when such fair value was determined, and any exchange difference arising therefrom is recognized in profit or loss for the period. In case of non-monetary items in foreign currency available for sales, the exchange difference arising therefrom is included in the other comprehensive income.

2. Translation of foreign currency statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rate prevailing at the balance sheet date. Items in the owners' equity, except for "undistributed profits", are translated using the spot exchange rate prevailing at the time of occurrence. Items of income and expenses in the income statement are translated using the spot exchange rate prevailing at the date of transaction. The foreign currency translation difference arisen as a result of the above currency translation is included in the other comprehensive income.

When disposing of an overseas operation, the foreign currency translation difference for items under the other comprehensive income in the balance sheet that are related to such overseas operation are transferred from the other comprehensive income to profit or loss for the period; when disposing of partial overseas equity investment or due to other reasons causing decrease in holding ratio of overseas operation but not losing control, the foreign currency translation difference attributable for disposed is transferred to minority interests but not profit or loss for the period. In occasion disposal of equity interest in foreign associate or joint operation, the foreign currency translation difference attributable to the portion disposed of is transferred to profit or loss for the period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and amortizing interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected useful life to the book value of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of considering all contractual terms of financial assets or financial liabilities (such as early repayment, rollovers, call options or other similar options, etc.), but the expected credit losses are not considered.

The amortized cost of a financial asset or financial liability is the initial recognition amount of the financial asset or financial liability minus the principal repaid, plus or minus the actual interest rate method between the initial recognition amount and the amount due The accumulated amortization amount formed by the difference is amortized, and then the accumulated loss provision is deducted (only applicable to financial assets).

1. Classification and measurement of financial instruments

The Company classifies financial assets into the following 3 categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

1 Financial assets measured at amortized cost.

2 Financial assets measured at fair value through other comprehensive income.

3 Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition, but if the accounts receivable or bills receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

1. Classification and measurement of financial instruments (Continued)

For financial assets that are measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in the current profit and loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification if and only if the Company. The company only reclassifies all affected financial assets when changing the management of business model of financial assets.

2. Recognition and measurement of financial instruments

(1) Classified as Financial assets measured at amortized cost

The contractual provisions of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the goal of the business model for managing the financial asset is to collect contractual cash flow. The Company classifies the financial assets as financial assets measured at amortized cost. The Company classifies financial assets measured at amortized cost including monetary funds, accounts receivable, and other receivables.

The Company uses the effective interest rate method to recognize interest income for such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the financial asset book balance multiplied by the actual interest rate:

1) For financial assets purchased or originated that have suffered credit impairment, the Company has calculated and determined its interest income based on the amortized cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Recognition and measurement of financial instruments (Continued)

(1) Classified as Financial assets measured at amortized cost (Continued)

2) For the financial assets purchased or originated without credit impairment, but become credit impairment in the subsequent period, the Company will calculate and determine the interest according to the amortized cost of the financial asset and the actual interest rate in the subsequent period income. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the company will use the actual interest rate multiplied by the financial asset book balance to calculate and determine the interest income.

(2) Financial assets classified as fair value measured and their changes included in other comprehensive income

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target the contractual cash flow and sell If the financial asset is the target, the company classifies the financial asset as a financial asset that is measured at fair value and its changes are included in other comprehensive income.

The company uses the effective interest rate method to recognize interest income for such financial assets. Except for interest income, impairment losses and exchange differences recognized as current gains and losses, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss. Bills receivable and accounts receivable that are measured at fair value and whose changes are included in other comprehensive income are reported as receivable financing, and other such financial assets are reported as other debt investments, including: Other debt investments due within the year are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as other current assets.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Recognition and measurement of financial instruments (Continued)

(3) Financial assets designated to be measured at fair value through other comprehensive income

The Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and their changes included in other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, the company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the company, and when the amount of dividends can be reliably measured, the dividend income is recognized and included in the current profit and loss. The company reports the following investment items of such financial assets in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value through profit or loss the purpose of obtaining the financial asset is mainly for the recent sale; the initial confirmation is part of the centralized management of the identifiable financial asset instrument combination, and there is objective evidence that the short-term gain actually exists in the near future. Profit model; is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

(4) Financial assets classified as fair value through profit or loss

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value and whose changes are included in other comprehensive income, and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive income are classified as Financial assets measured at fair value and their changes are included in the current profit and loss.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Recognition and measurement of financial instruments (Continued)

(4) Financial assets classified as fair value through profit or loss (Continued)

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

(5) Financial assets specified to be measured at fair value through profit or loss

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the financial assets can be designated as financial assets measured at fair value through profit or loss (the designation cannot be revoked once it is made).

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the company may designate the whole as a financial instrument that is measured at fair value through profit or loss. Except in the following cases:

1 Embedded derivatives do not materially change the cash flow of a hybrid contract.

2 When it is first determined whether a similar hybrid contract needs to be split, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortized cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in transactional financial assets and other non-current financial assets based on their liquidity.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Classification and measurement of financial liabilities

The Company classifies the financial instrument or its component parts as financial liabilities or Equity instruments. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value and whose changes are included in current profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities that are measured at fair value and whose changes are included in the current profit or loss, the related transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at fair value through profit or loss

This category includes transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.

Meeting one of the following conditions is a transactional financial liability: the purpose of assuming related financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the company recently adopted Short-term profit model; belongs to derivatives, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss. In the initial recognition, in order to provide more relevant accounting information, the Company classifies financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss (the designation, once made, may not be revoked):

1 can eliminate or significantly reduce accounting mismatches.

2 According to the enterprise risk management or investment strategy specified in the official written documents, manage and evaluate the financial liability portfolio or financial assets and financial liabilities based on fair value, and report to key management personnel on the basis of this.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

2. Classification and measurement of financial liabilities (Continued)

(1) Financial liabilities measured at fair value through profit or loss (Continued)

The company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, other changes in fair value are included in the current profit and loss. Unless the fair value changes caused by the Company's own credit risk changes are included in other comprehensive income, or the accounting mismatch in profit or loss will be caused or expanded, the Company will include all fair value changes (including the amount of its own credit risk changes) into the current profit and loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost, The actual interest rate method is adopted for such financial liabilities, and subsequent measurement is made according to the amortized cost, and the gains or losses arising from the termination of recognition or amortization are included in the current profit and loss:

1 Financial liabilities measured at fair value through profit or loss.

2 Financial assets transfer does not meet the conditions for derecognition or financial liabilities arising from the transfer of transferred financial assets.

3 Financial guarantee contracts that are not in the first two categories of this article, and loan commitments that are not subject to the market interest rate for loans that are not in the first category of this article.

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. Financial guarantee contracts that are not designated as financial liabilities measured at fair value and whose changes are included in the current profit or loss, and after the initial confirmation, it is measured according to the higher of the loss reserve amount and the initial confirmation amount after deducting the accumulated amortization amount during the guarantee period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

3. Termination of financial assets and financial liabilities

(1) Financial assets that meet one of the following conditions shall be terminated:

1 The contractual right to receive the cash flow of the financial asset is terminated Financial assets, which are written off from their accounts and balance sheets.

2 The financial assets have been transferred, and the transfer meets the requirements of the "Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets" regarding the derecognition of financial assets. The derecognition of financial assets or financial liabilities referred to in this standard means that the enterprise transfers the previously recognized financial assets or financial liabilities from its balance sheet.

(2) Conditions for termination of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognized. When the company and the lender sign an agreement to replace the original financial liabilities with new financial liabilities, and the contract terms of the new financial liabilities and the original financial liabilities are substantially different, the original financial liabilities are terminated and a new one is confirmed. Financial liabilities. Or If a substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liability is derecognized and a new financial liability is recognized in accordance with the revised terms; and the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

If the Company repurchases part of the financial liabilities, the book value of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the book value assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

4. Confirmation basis and measurement method of financial asset transfer

In the event of a financial asset transfer, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them in the following cases:

(1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.

(2) If all the risks and rewards of ownership of financial assets are retained, the financial assets will continue to be recognized.

(3) There is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (ie, other than (1), (2)), depending on whether they retain control over financial assets, respectively. The situations are handled as follows:

1 If the financial assets are not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.

2 If the control over the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transferred financial assets, and the related liabilities are recognized accordingly. The extent of continuing involvement in the transferred financial assets refers to the extent to which the Company assumes the risk or reward of changes in the value of the transferred financial assets.

When judging whether the transfer of financial assets satisfies the conditions for derecognition of the above-mentioned financial assets, the principle of substance over form is adopted. The company divides the transfer of financial assets into the overall transfer and partial transfer of financial assets:

(1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:

1 The book value of the transferred financial assets on the date of termination confirmation.

2 The consideration received for the transfer of financial assets is the amount corresponding to the derecognition portion of the accumulated changes in fair value that is directly recognised in other comprehensive income. The financial assets involved in the transfer are measured at fair value and their changes are included in other comprehensive The sum of the financial assets of the income).

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

4. Confirmation basis and measurement method of financial asset transfer (Continued)

(2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the financial assets as a whole will be transferred, in the derecognition part and the continuation confirmation part (in this case, the retained service assets should be Depending on the relative fair value of each of the transfer dates, the difference between the following two amounts is included in the current profit and loss:

1 The book value of the derecognition part on the date of termination confirmation.

2 The amount of the consideration received in the derecognized portion and the amount of the derecognized portion of the accumulated changes in the fair value of other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income) The sum of assets).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

5. Determination of the fair value of financial assets and financial liabilities

For financial assets and financial liabilities of the Company measured at fair value which an actively traded market exists, their fair values are determined based on the prices quoted on the actively traded market; Quotations in active markets include quotes for related assets or liabilities, which can be easily and regularly obtained from exchanges, traders, brokers, industry groups, pricing institutions or regulators, and which represent the actual and frequently fair trade transaction are occurring in the market.

For financial assets initially obtained or derived or financial liabilities assumed, fair value is determined based on market transaction prices. for financial assets and financial liabilities which no actively traded market exists, their fair values are determined using valuation techniques; For valuation, the Company adopts those adequate data available and suitable for current situation and valuation techniques supported by other information, and choose input value with same features used by market players for transactions of relevant assets or liabilities, and managed to preferentially use relevant observable input value. Under the circumstance that is unable to obtain observable input value or infeasible, use unobservable input value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

6. Provision for impairment of financial assets (excluding receivables)

Based on the expected credit losses, the Company assesses the financial assets measured at amortized cost and the expected credit losses of financial assets, lease receivables, contract asset and financial guaranteed contracts measured at fair value through other comprehensive income. ready.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original actual interest rate, and the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables and contract assets and lease receivables formed by the transactions regulated by the income standard, the Company uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the entire period.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses for the entire duration of the period since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss for the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets that have been purchased or originated from credit impairment, the company assesses on each balance sheet date whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and according to The following circumstances measure their loss reserves, confirm expected credit losses and their changes:

1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, and in the first stage the loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and calculate the interest income according to the book balance and the actual interest rate.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

6. Provision for impairment of financial assets (excluding receivables) (Continued)

2) If the credit risk of the financial instrument has increased significantly since the initial recognition, However, if credit impairment has not occurred, it is in the second stage. the loss provision is measured at the amount equivalent to the expected credit loss for the entire duration of the financial instrument. And calculate the interest income according to the book balance and the actual interest rate.

3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures its loss reserve at an amount equivalent to the expected credit loss for the entire period of the financial instrument, and at the amortized cost and actual interest rate for calculation of interest income.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as fair value and whose changes are included in other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss provisions in other comprehensive income and does not reduce the book value of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provision according to the amount of expected credit losses for the entire duration of the financial instrument, but on the balance sheet date of the current period, the financial instrument is no longer a significant increase in credit risk since initial recognition In the case of the current situation, the Company measures the loss reserve of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting amount of the loss reserve is included in the current period as an impairment gain. profit and loss.

(1) Credit risk increased significantly

The Company uses the available reasonable and evidence-based forward-looking information to determine whether the credit risk of financial instruments defaults on the balance sheet date and the default risk on the initial confirmation date to determine whether the credit risk of the financial instrument has been since the initial confirmation Has increased significantly. For financial guarantee contracts, when the Company applies the financial instrument impairment provisions, the day when the Company becomes the party making the irrevocable commitment is used as the initial confirmation date.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

6. Provision for impairment of financial assets (excluding receivables) (Continued)

(1) Credit risk increased significantly (Continued)

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;

3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;

4) Whether the debtor's expected performance and repayment behaviour have changed significantly;

5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company judges that a financial instrument has only a low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of financial instruments is low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower 's performance. The capacity of the flow obligation, the financial instrument is considered to have lower credit risk.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

6. Provision for impairment of financial assets (excluding receivables)

(2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit losses have occurred in financial assets includes the following observable information:

(1) significant financial difficulty of the issuer or debtor;

(2) breach of contract by the debtor: such as delinquency or default in interest and principal payments;

(3) the creditor, for debtor in financial difficulties contractual consideration or legal reasons, granting concession to the debtor that would not be made under other circumstances;

(4) it becoming probable that the debtor will enter bankruptcy or financial reorganization;

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) A substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separately identifiable events.

(3) Determination of expected credit losses

The Company assesses the expected credit losses of financial instruments based on individual items and portfolios. When evaluating expected credit losses, it considers reasonable and well-founded information about past events, current circumstances, and future economic situations.

The Company divides financial instruments into different combinations based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor 's industry. For the individual evaluation criteria of the relevant financial instruments and the characteristics of the combined credit risk, please refer to the accounting policies of the relevant financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

6. Provision for impairment of financial assets (excluding receivables) (Continued)

(3) Determination of expected credit losses (Continued)

The company determines the expected credit losses of related financial instruments according to the following methods:

1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the company should charge and the expected cash flow.

2) For lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the company should receive and the expected cash flow.

3) For a financial guarantee contract, the credit loss is the company 's estimated payment to the contract holder for the credit loss, less the company 's expected payment to the contract holder, debtor or any other party The present value of the difference between the amounts.

4) For financial assets that have suffered credit impairment on the balance sheet date but are not purchased or have been credit-impaired, the credit loss is the present value of the financial asset's book balance and the estimated future cash flow discounted at the original effective interest rate The difference between.

The Company 's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of money; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

(4) Write down financial assets

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the book value of the financial asset is directly written down. Such write-downs constitute the derecognition of related financial assets.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Financial instruments (Continued)

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after offset is presented in the balance sheet when the following conditions are satisfied:

(1) The Company has the legal right to offset the recognized amount and such right is exercisable;

(2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.

(X) Bills receivable

The Company's determination method and accounting treatment method of the expected credit loss of bills receivable are detailed in Note 4 / (IX) 6. Impairment of financial instruments.

When it is impossible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the Company refers to the historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the bills receivable into several combinations based on the characteristics of credit risk and calculate expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	Basis for determining the combination	Method
Risk-free bank acceptance bill portfolio	The drawer has a high credit rating, has not historically defaulted on a bill, has a very low credit loss risk, and has a strong ability to perform its contractual cash flow obligations in the short term	Refer to the historical credit loss experience, combine the current situation and the expected economic situation to measure the bad debt provision
Trade Acceptance Draft	The drawer has a high credit rating, has not historically defaulted on a bill, has a high credit loss risk, and has an uncertain ability to perform its contractual cash flow obligations in the short term	Refer to the historical credit loss experience, combine the current situation and the prediction of the future economic situation, compile a comparison table of the age of bills receivable and the expected credit loss rate of the entire duration, and calculate the expected credit loss

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Accounts receivable

For the determination method and accounting treatment method of the expected credit loss of the company's accounts receivable, please refer to Note 4 / (IX) 6. Impairment of financial instruments.

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the receivables into several combinations based on the characteristics of credit risk , and calculate expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	Basis for determining the combination	Method
Aging portfolio	The Company makes the best estimate of the proportion of receivables based on past historical experience, and classifies the credit risk portfolio with reference to the aging of receivable	Calculated according to the comparison table of aging and expected credit loss rate of the entire duration

(XII) Receivables financing

Please refer to Note 4/(9) 6. Impairment of financial instruments for the determination method and accounting treatment method of the expected credit losses of the company's receivables financing.

(XIII) Other receivables

For the determination method and accounting treatment method of the expected credit losses of other receivables of the company, please refer to Note 4 / (9) 6. Impairment of financial instruments.

The company separately determines its credit losses for other receivables that have significant single amounts and have undergone credit impairment after initial recognition.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Other receivables (Continued)

When sufficient evidence of expected credit losses cannot be evaluated at a reasonable cost at the level of a single tool, the company refers to historical credit loss experience, combines current situations and judgments on future economic situations and divides other receivables into several combinations based on credit risk characteristics, and calculate expected credit losses on a combined basis. The basis for determining the combination is as follows:

Combination name	Basis for determining the combination	Method
Risk-free portfolio	According to the nature of the business, it is determined that there is no credit risk, mainly including VAT refunds receivable	The company refers to the historical credit loss experience, combined with the current situation and the prediction of the future economic situation, calculates the expected credit loss through the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration of the certificate
Aging portfolio	Including receivables other than the above combination, the company makes the best estimate of the proportion of receivables based on past historical experience, and refers to the aging of receivables to classify the credit risk portfolio	Calculated according to the comparison table of aging and expected credit loss rate of the entire duration

(XIV) Inventories

1. Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the Company over the course of ordinary activities. These mainly include raw materials, processing materials, semi-finished products and (finished goods merchandizes in stock).

2. Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The prices of inventories are calculated using weighted average method when they are delivered.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Inventories (Continued)

3. Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

4. Inventory system

Perpetual inventory system is adopted.

5. Amortization of low-value consumables and packaging

(1) Low-value consumables are amortized by one-time write-off;

(2) Packaging materials are amortized by one-time write-off;

(3) Other supplementary materials are amortized by one-time write-off.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Contract assets

Contract Asset refers to the Company's right to receive consideration for the goods transferred to the customer and which is determined depending on other factors beyond the passage of time. The Company's unconditional (ie, depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting treatment method of the expected credit losses of the contract assets of the Company, please refer to Note 4 / (IX) 6. Impairment of financial instruments.

(XVI) Long-term equity investments

1. Initial determination of investment costs

(1) For long-term equity investment formed by business combination, details of accounting policies are set out in "Accounting treatments of business combinations involving entities under common control and entities not under common control" of notes IV/(IV).

(2) Long-term equity investments obtained through other means

Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument that may be directly attributable to equity trade can be deducted from the equity.

The initial investment costs of long-term equity investment obtained in an exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a nonmonetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant taxation payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

2. Subsequent measurement and profit or loss recognition

(1) Cost method

The Company may adopt the cost method for accounting of the long-term equity investment controlled by the investee, and measure the investment at the initial investment cost, which can be adjusted by addition or recovery of investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognizes cash dividends or profits declared by the investee as current investment gains.

(2) Equity method

The Company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the net tangible assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the net tangible asset in the investee, such difference is recognized in profit or loss for the period.

After the Company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the invested entity declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the book value of the long-term equity investment and include such change into the owners' equity.

The Company shall, based on the fair value of identifiable net assets of the invested entity when it obtains the investment, recognize its attributable share of the net profit or loss of the invested entity after it adjusts the net profit of the invested entity. The profit or loss of the unrealized internal transaction between the Company and the associates, joint ventures be deducted with the part attributable to the Company according to the proportion the Company is entitled to, and the gains or losses on investment shall be recognized on such basis.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

2. Subsequent measurement and profit or loss recognition (Continued)

(2) Equity method (Continued)

Recognition of loss in the investee by the Company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity net investment in the investee and reduce the carrying amount of long-term receivables. Finally, after the above treatment, if the Company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated obligations and recognized in profit or loss for the period.

If the investee records a profit subsequently, after reducing the attributable loss that is not yet recognized, the treatment by the Company shall be the reverse of the above order: reverse the carrying balance of estimated obligations already recognized, restore the carrying amount that physically constitute the long-term interests and long-term equity investment in the investee, and recognize investment gain.

3. Change of the accounting methods for long-term equity investments.

(1) Change of measurement at fair value to accounting under equity method

Where the equity investment held by the Company have no control, joint control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to the Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

3. Change of the accounting methods for long-term equity investments. (Continued)

(1) Change of measurement at fair value to accounting under equity method (Continued)

Where the equity investment originally held is classified into available-for-sale financial assets, the difference between the fair value and the book value and the accumulative changes in fair value that are originally included in other comprehensive income are included in current profit and losses under equity method.

The book value of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity cost and is included in current non-operating income.

(2) Change of measurement at fair value or accounting under equity method to cost method

The equity investment of the investee held by the Company with no control, joint control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the book value of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of cost method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in current profit or loss under cost method.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

3. Change of the accounting methods for long-term equity investments. (Continued)

(3) Change of accounting under equity method to measurement at fair value

Where the Company losses common control or significant impact over the investee due to disposal of some of the equity investment, the remaining equity after disposal shall be subject to accounting under Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the book value is included in current profit or loss.

Other comprehensive income that is recognized due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

(4) Change of cost method to equity method

Where the Company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.

(5) Change of cost method into measurement at fair value

Where the Company losses the control over the investee due to disposal of some of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the control is lost and the book value is included in current profit and loss.

4. Disposal of long-term equity investment

When an investing party disposes of long-term equity investment, the difference between its book value and the payment actually acquired shall be included in the current profit or loss. When an investing party disposes of long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the invested entity had directly disposed of the assets or liabilities related thereto according to the corresponding proportion.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

4. Disposal of long-term equity investment (Continued)

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries, fall in the following one or more situations, regard multiple transactions as a package transaction for accounting treatment:

(1) these transactions were entered into at the same time or after considering the effects of each other;

(2) only when regarding these transactions as a whole, can it achieve a complete business result;

(3) the occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) a transaction is not economical when treated alone, but is economical when considered with other transactions.

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belongs to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) in separate financial statements, for equity disposed, the accounting treatment for disposal of equity, the difference between the book value and the actual payment is included in current profit or loss. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the book value is included in current profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

4. Disposal of long-term equity investment (Continued)

(2) In consolidated financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Relevant other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

Transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a package transaction, and the accounting treatment shall be differentiated by separate financial statements and consolidated financial statements:

(1) in separate financial statements, the difference between the book value of the long-term equity investment corresponding to disposal price and equity disposed before the loss of control is recognized as investment is recognized other comprehensive income; and transferred to current profit or loss at the time of loss of control.

(2) in consolidated financial statements, the difference between the accumulated disposal considerations before control is lost and the share of net assets in the subsidiary is recognized as other comprehensive income, and shall be transferred to profit or loss for the period when control was lost.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Long-term equity investments (Continued)

5. Criteria for determination of common control and significant impact

If the Company collectively control certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement exit with consistent agreement from participants sharing the control power, then the Company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the Company is entitled to rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If judged according to relevant agreement that, the Company has no rights over the net assets of such entity, such entity is joint operation, and the Company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant accounting standards for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The Company determines, the significant impact is placed on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: (1) dispatching representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operation policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; and (5) providing key technical data to investee.

(XVII) Investment property

Investment property refers to property held to earn rentals or capital appreciation, or both, including land-use rights that have been leased, land-use rights that are held and prepared for transfer after appreciation, and buildings that have been leased. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors makes a written decision that it is explicitly used for operating leases and that the holdings do not change in the short term, they are also presented as investment property.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Investment property (Continued)

The Company's investment property is recorded at its cost, and the cost of an purchased investment property includes the purchase price, related taxes, and other expenses directly attributable to the asset; the cost of self-constructed investment property is included all necessary expenditures incurred during the construction and before the asset reaches its intended usable condition constitute.

The Company adopts a cost model for subsequent measurement of investment property, and depreciates or amortizes buildings and land use rights according to their estimated useful life and net residual value. The estimated useful life, net residual value rate and annual depreciation (amortization) rate of investment real estate are listed as follows:

Category	**Estimated useful life (year)**	**Residual value %**	**Annual depreciation/ amortisation %**
Building	20-25	5	4.75-3.8

When the use of investment property is changed to self-use purpose, the Company will convert the investment property into fixed assets or intangible assets from the date of change. When the use of self-use property is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment real estate since the date of change. When the conversion occurs, the book value before the conversion is taken as the converted value.

When the investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment property shall be terminated. The amount of proceeds from disposal of investment property sold, transferred, scrapped or damaged after deducting its book value and related taxes and fees is charged to profit or loss for the current period.

(XVIII) Fixed assets

1. Recognition of fixed assets

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

(1) economic benefits related to such fixed assets are likely to flow into the enterprise;

(2) costs of such fixed assets can be reliably measured.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Fixed assets (Continued)

2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

(1) The cost of the externally purchased fixed assets include the purchase price, the import duties, and the other expenditure direct attributable to such assets for such assets to be available for its intended use.

(2) The cost of a self-constructed fixed asset consists of all necessary expenses incurred for enabling the asset to be available for its intended use.

(3) The cost invested to a fixed asset by the investor is determined according to the value agreed upon in the investment contract or agreement. Where the valued agreed upon in the said investment contract or agreement is unfair, the said cost will be determined according to the fair value of the asset.

(4) Where the price for purchase of the fixed assets exceeds the deferred payment on normal credit terms with substantial financing nature, the cost is determined on the basis of the present value of the purchase price. The difference between the actual payment and the purchase price, besides being capitalized, shall be included in current profit or loss during the credit period.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the book value less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated assets.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Fixed assets (Continued)

3. Subsequent measurement and disposal of fixed assets (Continued)

(1) Depreciation of fixed assets (Continued)

The Company determines the useful life and estimated residual value of fixed assets based on their nature and use condition. The useful life, estimated residual value and method of depreciation of fixed assets are re-assessed at the end of the period, corresponding adjustment is made when any difference from the originally estimated amount is found.

The period of depreciation and depreciation ratio of different categories of assets are as follows:

Category	Method of depreciation	Period of depreciation (year)	Residual ratio (%)	Annual depreciation ratio (%)
Buildings	Average year method	20-25	5	4.75-3.8
Machinery	Average year method	5-10	5	19-9.5
Electronic equipment	Average year method	5	5	19
Transportation vehicle	Average year method	4-5	5	23.75-19
Other equipment	Average year method	5	5	19

(2) Subsequent expenses of fixed assets

For subsequent expenses in relation to fixed assets, those that comply with the recognition criteria for fixed assets are included in the costs of fixed assets; those that do not are included in current profit or loss at the time of incurrence.

(3) Disposal of fixed assets

A fixed asset is derecognized when the disposal or expected use or disposal of such fixed asset cannot create any economic benefits. The disposal income from sale, transfer, retirement or damage of fixed assets is recognized in profit or loss for the period after deducting its carrying amount and relevant taxation.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Constructions in progress

1. Initial determination of construction in progress

The self-constructed constructions in progress of the Company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes, borrowings capitalized.

2. Criteria and timing for conversion of construction in progress into fixed assets

The initial book values of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has reached working conditions for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working conditions for its intended use. And the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

(XX) Borrowing expenses

1. Principles of recognizing capitalization of borrowing expenses

The loan expenses of the Company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other loan expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Loan expenses are capitalized when all of the following conditions are met:

(1) the asset expense has occurred, which includes expenses in the form of cash paid, non-monetary asset transferred or interest-bearing obligations assumed for the construction or product of an asset that meets capitalization conditions;

(2) the loan expenses have occurred;

(3) the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Borrowing expenses (Continued)

2. Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the loan expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of loan expenses is suspended.

When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of loan expenses is stopped.

When the a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of loan expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of loan expenses is stopped when the entire asset is completed.

3. Suspension of capitalization period

Capitalization of loan expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions, the loan expenses are continued to be capitalized. The loan expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of loan expenses continues when the construction or production activities of the asset resumes.

4. Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Right-of-use assets

The Company initially measures the right-of-use assets at cost, which includes:

1) The initial measurement amount of the lease liability;

2) If the lease payment is paid on or before the start of the lease period, if there is a lease incentive, the relevant amount of the lease incentive already enjoyed shall be deducted;

3) The initial direct costs incurred by the Company;

4) The company expects to incur costs (not including costs incurred for the production of inventory) in order to dismantle and remove the leased assets, restore the premises where the leased assets are located, or restore the leased assets to the state agreed in the lease terms.

After the start date of the lease period, the Company uses the cost model for subsequent measurement of right-of-use assets.

If it is reasonable to determine the ownership of the leased asset when the lease term expires, the Company shall make depreciation within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the Company shall accrue depreciation within the shorter of the lease period and the remaining useful life of the leased assets. For the right-of-use asset with impairment provision, in the future period, the depreciation shall be accrued according to the book value after deducting the impairment provision with reference to the above principles.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Intangible assets and development expenses

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, proprietary technology, software, and others.

1. Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the entry value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The entry value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of nonmonetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the entry value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Intangible assets and development expenses (Continued)

2. Subsequent measurement

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible life with limited life and indefinite life.

(1) Intangible asset with a limited life

Intangible asset with a limited life is depreciated using straight line method over the term which it brings economic benefit to the Company. The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	Estimated useful life	Basis
Land use right	50 years	Title certificate
Proprietary technology	3-8 years	Expected period of benefit
Software	3 years	Expected period of benefit

The useful life and depreciation method of intangible assets with limited life are re-assessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

Upon re-assessment, at the end of the period there was no difference in the useful life and depreciation method of intangible assets from the previous estimates.

(2) Intangible assets with indefinite useful life

If the term of economic benefit the intangible asset can bring to the Company cannot be estimated, it is deemed to be an intangible asset with indefinite life. Intangible assets with indefinite useful life are as follows:

Item	Basis
Membership of Mission Hills Golf Club China	It is determined as an intangible asset with indefinite life since it is a life membership

Intangible assets with indefinite useful life are not amortized during the holding period. The useful life of intangible assets with indefinite life is re-assessed at the end of each period. If it is re-assessed to remain indefinite at the end of the period, impairment tests shall be conducted during reach accounting period.

Upon re-assessment, the useful life of this type of intangible assets was still indefinite.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) Intangible assets and development expenses (Continued)

3. Specific criteria in dividing the research stage and development stage of internal research and development projects of the Company

Research stage:

The stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage:

The stage of activities that apply research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use.

The expenses incurred in the research stage of internal research and development projects are recognized as expense in profit or loss for the period.

4. Specific criteria of capitalization for expenses during development stage

The expenses during development stage of internal research and development projects are recognized as intangible asset when all of the below conditions are met:

(1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;

(2) there is intention to complete the intangible asset for use or sale;

(3) there is a way for generating economic benefits from the intangible asset, including the ability to prove there exists a market for products produced using the intangible asset or there exists a market for the intangible asset itself; for intangible asset to be used internally, its usability can be proved;

(4) there is sufficient support in the areas of technology, financial and other resources to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset;

(5) the expenses attributable to the development stage of the intangible asset can be reliably measured.

The expenses during development stage that do not comply with the conditions above are included current profit or loss on incurrence. Development expense included in profit or loss in previous period are not re-recognized as assets in subsequent period. Capitalized expenses during development stage are presented as development expenses on the balance sheet and transferred to intangible assets since they reach the intended use.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Impairment of long-term assets

The Company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

When making impairment task on the goodwill shall, amortise the book value of goodwill to asset group or combination of asset group, which are expected to be beneficial from business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing the goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Contract Liability

Contract Liability refers to the Company's obligation to provide goods to the customer for the consideration received.

(XXV) Employee Compensation

Employee compensation refers to all kinds of remunerations and other relevant reimbursements made by enterprises to their employees in exchange for services of said employees, including short-term employee remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term remuneration

Short-term remuneration refers to the employee compensation in addition to post-employment benefits and termination benefits, which are required to be fully paid within 12 months upon the annual reporting period when the employees provide relevant services. During the accounting period when the employees provides services, the Company recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs and expenses according to benefits from the services provided by employees.

2. Post-employment benefits

"Post-employment benefit" refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the Company after the retirement of the employees or termination of labor ration with enterprises in exchange for services provided by employees. The post-employment benefits are categorized as defined contribution plans and defined benefit plans.

The defined contribution plans under the post-employment benefits are mainly for the participation in the social basis endowment insurance and unemployment insurance organized and carried out by local labor and social guarantee authorities. During the accounting period when the employees provide services for the Company, the payable amount of defined contribution plans is recognized as liabilities and included in current profit or loss or relevant costs of assets.

The Company has no other payment obligations after making the above-mentioned payment periodically according to the standards specified by the country.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Employee Compensation (Continued)

3. Termination benefits

Termination benefit refers to indemnity provided by enterprises for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. When the earlier of Company cannot unilaterally withdraws the employment relations or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, those liabilities arising from the confirmed terminations is charged to profit or loss for the period.

The Company provides early retirement benefits to those employees who accepted early retirement arrangement. Early retirement benefits mean payment of those salaries and paid social insurance and other expenses made to those who are under the government regulated retirement age and their early retirement were approved by the Company's management. The Company will pay early retirement benefits to those employees from the early retirement date to normal retirement date and consider the cost as liability and one-off charge to the profit and loss for the period. Difference arising from change in assumption on actuarial calculation and change in benefit standards, will be charged to profit or loss for the period when it incurs.

4. Other long-term employee benefit

Other long-term employee benefits refer to all the employee compensations other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits qualified for defined contribution plans, during the accounting period when the employees provide services for the Company, the amount payable is recognized as liabilities and included in current profit and loss or relevant asset cost; in any other circumstances, the other long-term employee benefits are calculated by actuary with the expected accumulative benefit unit method on balance sheet date, and benefit obligations arising from defined benefit plans attributable to the period when the employees provide services, and are included in current profit or loss or relevant asset costs.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Lease liability

The Company initially measures the lease liability according to the present value of the lease payments that have not been paid on the beginning of the lease period. When calculating the present value of the lease payment, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate embedded in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. Lease payments include:

1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;

2) Variable lease payments depending on index or ratio;

3) When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;

4) When the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;

5) The expected payment due to the residual value of the guarantee provided by the Company.

The Company calculates the interest expense of the lease liability in each period of the lease period at a fixed discount rate, and it is included in the current profit and loss or related asset costs.

Variable lease payments that are not included in the measurement of lease liabilities should be included in current profit or loss or related asset costs when they actually occur.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Income

The company's revenue mainly comes from the following business types:

Sales of automotive diagnostic products, sales of lift products, sales of software products, etc.

1. General principles of revenue recognition

The Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to lead the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract start date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time. The Company recognizes revenue within a period of time according to the progress of the performance: (1) The customer obtains and consumes the Company's performance office while the Company is performing the contract Economic benefits brought; (2) The customer can control the goods under construction of the Company during the performance of the contract; (3) The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to Receiving money for the accumulated performance part that has been completed so far. Otherwise, the Company recognizes revenue when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the output method/input method to determine the appropriate performance progress based on the nature of the goods and services. The output method is to determine the performance progress based on the value of the commodities that have been transferred to the customer (the input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation). When the performance progress cannot be reasonably determined, if the Company 's already incurred costs are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress is reasonably determined.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Income

2. Principles of revenue processing for specific transactions

(1) Contract with sales return clause

When the customer obtains control of the relevant goods, the revenue is recognized according to the amount of consideration expected to be received due to the transfer of the goods to the customer (that is, excluding the amount expected to be returned due to sales return), and the liability is recognized according to the amount expected to be returned due to sales return.

When the commodity is sold, the book value of the commodity is expected to be returned, and the balance after deducting the estimated cost of recovering the commodity (including the impairment of the value of the returned commodity) is accounted for under the "cost of returnable goods receivable.

(2) Contracts with quality assurance clauses

Evaluate whether the quality assurance provides a separate service in addition to assuring customers that the goods sold meet established standards. If the Company provides additional services, it shall be accounted for as a single performance obligation in accordance with the income standards; otherwise, the quality assurance responsibility shall be accounted for in accordance with the contingent accounting standards.

3. Specific methods for revenue recognition

The Company fulfills its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized.

Where the contract includes two or more performance obligations, the Company shall distribute the transaction price to each individual performance obligation according to the relative proportion of the individual sales price of the goods or services promised by each individual performance obligation on the contract start date, and measures income according to the apportionment to he transaction price of each individual performance obligation.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Income (Continued)

3. Specific methods for revenue recognition (Continued)

The transaction price is the amount of consideration that the Company expected to receive for the transfer of goods or provision of services to customers, not including payments received on behalf of third parties. The transaction price recognized by the Company would not exceed the amount that the accumulative recognized income is unlikely to undergo a major reversal when the relevant uncertainty is eliminated. The amount that is expected to be refunded to the customer is considered as a return liability and is not included in the transaction price. Where there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable in cash when the customer assumed control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest method during the contract period.

When one of the following conditions is met, the Company is subject to performance obligations during a certain period of time; otherwise, it is subject to performance obligations at a certain point in time:

– The customer obtains and consumes the economic benefits brought by the performance of the Company;

– The customer is able to control the goods under construction during the Company's performance;

– The products produced during the performance of the Company have irreplaceable uses, and the Company has the right to receive payments for the part of the performance that has been completed so far throughout the contract period.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Income (Continued)

3. Specific methods for revenue recognition (Continued)

For the performance obligations performed during a certain period of time, the company recognizes the income according to the progress of the performance during that period. If the performance of the Company cannot be reasonably determined, if the cost incurred by the Company is expected to be compensated, the revenue will be recognized according to the amount of cost incurred, until the performance of the performance can be reasonably determined.

For performance obligations performed at a certain point in time, the Company confirms revenue when the customer obtains control of the relevant goods or services. In determining whether a customer has obtained control of a good or service, the Company will consider the following signs:

– The Company has the current right to receive payment for the goods or services;

– The company has transferred the physical goods of the goods to the customer;

– The company has transferred the legal ownership or the main risks and rewards of ownership of the goods to the customer;

– The customer has accepted the goods or services, etc.

The Company has the right to transfer the goods or services to the customer and is entitled to receive the consideration (and the rights are subject to other factors than the passage of time) as contract assets. The Company has the right to charge the customer's consideration as unconditionally (depending on the passage of time) as a receivable. The obligation of the Company to transfer goods or services to customers after receiving or receivable customer considerations is presented as contract liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Income (Continued)

3. Specific methods for revenue recognition (Continued)

The specific accounting policies related to the main activities of the Company's income are as follows:

① Export business: after the contract is signed, the Company organizes production according to the contract. There are different modes of settlement when the good is delivered: where the acquirer designates shipping company under FOB mode, income is recognized when bill of landing is obtained after the good crossed the ship's rail, and the export declaration shall be approved by the custom; where the seller arranges freight and transport insurance under CIF mode, income is recognized when bill of landing is obtained after the good crossed the ship's rail, and the export declaration shall be approved by the custom; where the acquirer designates delivery point under mode DDU, income is recognized when receipt is provided by the acquirer and the entitlement of payment is obtained; where the good is delivered in the place in which the Company is located or other designated places (such as airport) under mode EXW, income is recognized when the delivery is finished and delivery receipt is obtained.

② Domestic business: under the distributor model, income is recognized when the good is delivered and the amount is received or the proof of its receipt is obtained; for key customers and government procurement projects, income is recognized when the good is delivered, the sales invoice from the sales department is received, and the outbound order of the warehouse is received with the confirmation notice from the customs.

(XXVIII) Contract costs

1. Contract performance cost

The Company recognizes the cost of contract performance as an asset for the cost of performing the contract as meeting:

(1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs borne by the customer, and other costs incurred solely for the contract;

(2) This cost increases the resources that the company will use to fulfill its performance obligations in the future;

(3) The cost is expected to be recovered.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Contract costs (Continued)

1. Contract performance cost (Continued)

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal business cycle.

2. Contract obtainment cost

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortization period not exceeding one year, it is included in the current profit and loss when it occurs.

3. Amortization of contract costs

The Company recognizes the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortizes it at the time when the performance obligation is performed or in accordance with the performance of the performance obligation, and is included in the current profit and loss..

4. Contract cost impairment

For assets related to contract costs, the book value is higher than the difference between the Company's expectation that the goods related to the asset are expected to obtain the remaining consideration and the estimated cost of transferring the relevant goods, and the excess should be depreciated. And confirmed as asset impairment losses.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the book value of the asset, the asset impairment provision previously accrued is transferred back to the current profit and loss, but it is transferred The book value of the asset after the return does not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

(XXIX) Government subsidies

1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation, however excluding the capital invested by the government as a corporate owner. According to the subsidy object stipulated in the documents of relevant government, government subsidies are divided into subsidies related to assets and subsidies related to revenue.

Government subsidies related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government subsidies related to revenue refer to the government subsidies other than those related to assets.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Government subsidies (Continued)

2. Recognition of government subsidies

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and are expected to receive funds rapidly at the end of the period, the amount receivable is recognized as the government subsidies. Otherwise, the government subsidy is recognized upon receipt.

Government subsidies in the form of monetary assets are stated at the amount received or receivable. Government subsidies in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a nominal amount (RMB1) is used. Government subsidies that are measured at nominal amount shall be recognized in profit or loss for the period directly.

3. Accounting treatment

Government subsidies related to assets are recognized as deferred income, and are recognized under reasonable and systematic approach, in profit and loss income in each period over the useful term of the constructed or purchased asset.

Government subsidies related to revenue aimed at compensating for relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income once received, and are recognized as non-operation income in the periods when relevant expenses are recognized. Government subsidies aimed at compensating for relevant expenses or losses the enterprise that are already incurred are charged to profit and lose or offset relevant root directly once received.

Government grants related to daily activities of enterprises are included in other income; government grants that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the recording value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

When it is required to return recognized government subsidy, if there is relevant balance of deferred income, it shall be written down to relevant book value of relevant deferred income, and the excess is included in current profit or loss; where there is no relevant deferred income, it shall be directly included in current profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and book value. On balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

1. Criteria for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following features are not recognized: (1) the transaction is not a business combination; or (2) neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

2. Criteria for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding

(1) temporary difference arising from the initial recognition of goodwill;

(2) transactions or events arising from no business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;

(3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease

On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If a party in a contract cedes the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

1. Spin-off of lease contract

When the contract contains multiple separate leases at the same time, the company will split the contract and separate the individual leases for accounting treatment.

When the contract includes both lease and non-lease parts, the company will split the lease and non-lease parts, and the lease part will be accounted for in accordance with the leasing standards, and the non-lease part shall be accounted for in accordance with other applicable corporate accounting standards.

2. Merger of lease contracts

When two or more contracts including leases entered into by the company and the same party or its related parties at the same time or at a similar time meet one of the following conditions, they will be merged into one contract for accounting treatment:

(1) The two or more contracts are concluded based on the overall business purpose and constitute a package of transactions, and the overall business purpose cannot be understood unless considered as a whole.

(2) The consideration of one of the two or more contracts depends on the pricing or performance of other contracts.

(3) The asset use rights transferred from the two or more contracts constitute a separate lease.

3. The accounting treatment of the company as the lessee

At the beginning of the lease period, in addition to short-term leases and low-value asset leases that use simplified processing, the company recognizes right-of-use assets and lease liabilities for leases.

(1) Short-term lease and lease of low-value assets

Short-term leases refer to leases that do not include purchase options and the lease period does not exceed 12 months. Low-value asset leases refer to leases with low value when the individual leased assets are brand new assets.

(2) For the accounting policies of right-of-use assets and lease liabilities, see Note 4 (22) Right-of-use assets and Note 4 (27) Lease liabilities

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

4. The accounting treatment of the company as the lessor

(1) Classification of lease

The company divides the lease into financing lease and operating lease on the lease start date. Finance lease refers to a lease that substantially transfers almost all the risks and rewards related to the ownership of leased assets, and its ownership may or may not be transferred eventually. Operating leases refer to leases other than finance leases.

If a lease has one or more of the following situations, the company is generally classified as a financial lease:

1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.

2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, the lease can be reasonably determined at the start date of the lease to exercise the option.

3) Although the ownership of the assets is not transferred, the lease period accounts for most of the service life of the leased assets.

4) At the start of the lease, the present value of the lease receipt is almost equivalent to the fair value of the leased asset.

5) The leased assets are of a special nature and only the lessee can use them without major renovation.

If a lease has one or more of the following signs, the company may also be classified as a financial lease:

1) If the lessee cancels the lease, the loss caused by the cancellation of the lease to the lessor shall be borne by the lessee.

2) The gains or losses resulting from the fluctuation of the fair value of the residual value of the assets belong to the lessee.

3) The lessee has the ability to continue to lease to the next period at a rent far below the market level.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

4. The accounting treatment of the company as the lessor (Continued)

(2) Accounting treatment of financial lease

On the beginning of the lease period, the company confirms the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets.

In the initial measurement of finance lease receivables, the sum of the unguaranteed residual value and the current value of the lease receipts that have not been received at the beginning of the lease period discounted at the interest rate included in the lease is taken as the book value of the finance lease receivables. Lease receipts include:

1) The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;

2) Variable lease payments depending on index or ratio;

3) When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt includes the exercise price of the purchase option;

4) The lease term reflects the situation where the lessee will exercise the option to terminate the lease, and the lease receipt includes the amount that the lessee needs to pay to exercise the option to terminate the lease;

5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee and an independent third party who is financially capable of performing the guarantee obligation.

The Company calculates and confirms the interest income in each period of the lease period according to the fixed lease interest rate. The variable lease payments obtained that are not included in the net measurement of the lease investment are included in the current profit and loss when they actually occur.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Lease (Continued)

4. The accounting treatment of the company as the lessor (Continued)

(3) Accounting treatment of operating lease

The company uses the straight-line method or other systematic and reasonable methods in each period of the lease period to confirm the lease receipts of operating leases as rental income; the initial direct expenses related to operating leases that are capitalized during the lease period are The rental income is recognized on the same basis and is allocated and included in the current profit and loss in installments; the variable lease payments obtained that are not included in the lease receipts and related to operating leases are included in the current gain and loss when they actually occur.

(XXXII) Repurchase the Company's shares

The Company uses the method of acquiring the Company's stock to reduce the Company's registered capital. The shares repurchased by the Company are managed as treasury stocks before being cancelled. The consideration and transaction fees paid for the repurchase of its own equity instruments (treasury shares) shall reduce the owner's equity and shall not confirm financial assets. The company debits "treasury stocks", "cash in stock", bank deposits and other subjects when repurchasing. When the company reports to the approved reduction of registered capital according to statutory procedures, the total face value of the stock is calculated based on the stock face value and the number of shares cancelled "Share capital", according to the book balance of the cancelled treasury stock fee, credit the "treasury stock" account, according to the difference, debit the "capital reserve-equity premium" account, if the share premium is not enough to offset, debit the "surplus fund", "Undistributed Profit" subjects.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIII) Description of changes in the presentation of financial statements

In 2019, the Ministry of Finance issued the Notice on Amending the 2019 Annual Financial Statements of General Enterprises (Accounting [2019] No. 6) and "Notice on Revising the Format of Consolidated Financial Statements (2019 Version)" (Caihui [2019] No. 16), revised the financial statements of general enterprises, and splitting part of the balance sheet items., adjusting the income statement items.

The Company has prepared financial statements in accordance with the requirements of the new corporate financial statement format. If the presentation items of the financial statements have changed, they have been comparable in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements". The comparative data of the period is adjusted. the impact on the presentation of items and amounts in the comparable period financial statements are as follows:

Item	Original amounts	Amount afftected	Restated amount	Note
Bills receivable		41,180,034.20	41,180,034.20	
Accounts receivable		279,094,337.04	279,094,337.04	
Bills receivable and accounts receivable	320,274,371.24	-320,274,371.24		
Bills payable		50,000,000.00	50,000,000.00	
Accounts payable		112,375,254.30	112,375,254.30	
Bills payable and accounts payable	162,375,254.30	-162,375,254.30		

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in key accounting policies and accounting estimates

(1) The impact of the implementation of the new leasing standard on the company

On the first execution date, the company chose not to re-evaluate whether the previously existing contract is a lease or whether it contains a lease, and applies this method to all contracts consistently, so this standard is only applied to the above-mentioned contracts identified as leases under the original lease standard Provisions for convergence.

In addition, the company chose to adopt the simplified retrospective adjustment method for the connection accounting process in accordance with the provisions of "Accounting Standards for Business Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Error Corrections" for the above lease contract, that is, the adjustment was first implemented in the year. The retained earnings at the beginning of the year and the amount of other related items in the financial statements do not adjust the information of the comparable period. For the operating leases, the right-of-use asset measurement method and related simplified treatment are selected according to each lease, as follows:

1. For the financial lease before the first execution date, the right-of-use assets and lease liabilities are measured separately on the basis of the original book value of the financial leased assets and the financial lease payments payable on the first execution date.

2. For the operating lease before the first execution date, the lease liability is measured at the current value of the remaining lease payment at the first execution date discounted at the lessee 's incremental borrowing rate on the first execution date, and each lease option is used as an amount equal to the lease liability Rights assets.

The company's accounting policy for short-term leases and leases of low-value assets is not to recognize right-of-use assets and lease liabilities. According to the connection requirements of the new lease standards, the company's short-term leases and leases of low-value assets before the date of initial execution will be accounted for from the date of the first execution, and no retrospective adjustments will be made for short-term leases and leases of low-value assets.

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in key accounting policies and accounting estimates (Continued)

(1) The impact of the implementation of the new leasing standard on the company (Continued)

The impact of the implementation of the new leasing standards on the relevant items in the financial statements of the current period is listed as follows:

Item	Ending 2018	Remeasurement and accumulated effects (Note 2)	Beginning 2019
Right-of-use asset		8,599,176.90	8,599,176.90
Total assets		8,599,176.90	8,599,176.90
Lease liabilities		6,688,076.73	6,688,076.73
Non-current liabilities due within one year		1,911,100.17	1,911,100.17
Total liabilities		8,599,176.90	8,599,176.90

Note: The above table only presents the affected financial statement items, and the unaffected financial statement items are not included, so the subtotals and totals disclosed cannot be recalculated based on the figures presented in the table above.

Note 2: (1) The Company does not have any incremental borrowings related to leasing. The lease liability included in the balance sheet on the first execution date. The company uses the borrowed weighted average interest rate of 4.1685% as the discount rate; (2) Before the first execution date The unpaid lease amount of the lease contract is RMB9,532,131.84 as the lease liability on the balance sheet on the first day of execution. The present value discounted by the weighted average of the borrowing rate is RMB8,599,176.90, and the lease liability included in the balance sheet on the first execution date The difference is RMB932,954.94, which is included in the lease liability as unrecognized financing expenses.

The Company will implement the Accounting Standards for Business Enterprises No. 21 – Leases revised by the Ministry of Finance in 2018 from January 1, 2019. For details of the changed accounting policies, please refer to Note IV (32) Leases.

(2) The impact of the implementation of new debt restructuring and non-monetary asset exchange standards on the company

The Company will implement the "Accounting Standards for Business Enterprises No. 7-Non-Monetary Asset Exchange" revised by the Ministry of Finance in 2019 from June 10, 2019. Accounting Standard No. 12-Debt Restructuring. This accounting policy change will be dealt with in the future applicable method, and the non-monetary asset exchange and debt restructuring that occurred between January 1, 2019 and the implementation date of the standard will be adjusted according to the provisions of the standard.

The implementation of the above standards by the Company has no material impact on the financial statements during the reporting period.

2. Changes in accounting estimates

There were no changes in key accounting estimates during the reporting period.

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V. TAXATION

(I) Main tax types and tax rates of the Company

Tax type	Basis of taxation	Tax rate
Value-added tax	Sales of goods	16%, 13%
	Overseas sales; provision of processing repair and maintenance labor services (German subsidiary)	19%
	Provision of services	6%
	Property rental income	5%
Urban maintenance and construction tax	Turnover tax amount payable	5%, 7%
Education surcharges	Turnover tax amount payable	3%
Local education surcharges	Turnover tax amount payable	1%, 2%
Property tax	70% property historical cost or rental income	1.2%, 12%

Note 1: According to the General Administration of Customs Announcement on Policies Related to Deepening VAT Reform (Ministry of Finance, General Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019) of the Ministry of Finance and the State Administration of Taxation, General Administration of Taxation, General Administration of Customs the Company has incurred VAT taxable sales or imported goods since April 1, 2019. For the original 16% and 10% tax rate, the tax rate is adjusted to 13% and 9%.

Tax rates of different tax entities:

Name	Tax Rate
The Company	15.00%
Launch Software	15.00%
Shanghai Launch	25.00%
Launch Europe GmbH	19.00%
Golo Repair	15.00%
Xi' an Launch	25.00%
PJS	25.00%
Launch International	16.50%
Nanjing Launch	25.00%
SLH	25.00%
NJG	25.00%

V. TAXATION (Continued)

(II) Preferential tax policies and basis

Pursuant to Guo Fa [1997] Article No.8 "Notice Concerning the Implementation of Tax Exemption, Offsetting and Refund Procedures for Goods Exported by Production Enterprises for Their Own Account or by Foreign Trade Enterprises Upon Appointment as Agents for Production Enterprises", the "tax exemption, offsetting and refund" procedures are applicable to the value-added tax of the export products sold by the Company. Starting from April 1, 2019, after the 16% and 10% VAT rates have been lowered, the export tax rebate rate has also been adjusted accordingly, that is, the original 16% tax rate and export tax rebate rate of 16% for export goods and services, export tax rebates The rate is adjusted to 13%; for export goods and cross-border taxable acts that originally applied a 10% tax rate and an export tax rebate rate of 10%, the export tax rebate rate is adjusted to 9%.

Pursuant to "Notice Concerning Value-Added Tax Policy on Software Products" (Cai Shui (2011) No.100) issued by Ministry of Finance and State Administration of Taxation, starting from 1 January 2011, the sale of proprietarily developed software products by the Company and its subsidiary Launch Software), Shenzhen Pengjushu Information Technology Co., Ltd. is subject to value-added tax of 16% (from 1 April 2019, the statutory tax rate of 13% applies) at statutory tax rate, and for any effective tax of value-added tax burden exceeding 3%, tax refund is immediate given upon collection.

Pursuant to Shenzhen Science, Industry, Trade and Information Technology Commission Chan Ye Zi [2009] No.25, the Company was recognized as a new and high technology enterprise with new and high technology enterprise certificate number GR201844203537, and passed the review on 12 September 2012; according to the provisions of The Law of the People's Republic of China on Enterprise Income Tax, the applicable tax rate of the Company for 2019 was 15%.

Golo Repair was recognized as a new and high technology enterprise with new and high technology enterprise certificate number GR201744200916; according to the provisions of the Law of the People's Republic of China on Enterprise Income Tax, the applicable tax rate of Golo Repair for 2018 was 15%.

PJS was a recognized software company, therefore from before 31 December 2017, the first to second profit making years is exempted from Enterprise Income Tax, and from the third to fifth profit making year would be half exempted based on 25% and could be enjoyed till the end of such period. 2019 is the second year of Shenzhen Pengjushu Information Technology Co., Ltd. exempted from income tax.

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts were in RMB if not otherwise specified. The opening balances are presented on 1 January 2019.)

(1) Bank balances and cash

Item	Ending balance	Beginning balance
Cash on hand	1,239,664.75	1,154,886.03
Bank deposit	469,171,487.67	302,740,230.38
Other bank balances and cash	9,023,471.22	15,492,616.97
Total	479,434,623.64	319,387,733.38
Including: total amount of deposits overseas	2,819,685.60	19,031,720.03

The details of the restricted monetary funds are as follows：

Item	Ending balance	Beginning balance
Bank acceptance draft deposit	9,000,000.00	–
Total	9,000,000.00	–

The ending balance of monetary funds increased by 50.11% compared with the beginning of the period, which was mainly due to the new loans raised in this period had not been put into use at the end of the period.

(2) Trading financial assets

Item	Ending balance	Beginning balance
Subtotal of financial assets classified as fair value through profit or loss	20,000.00	–
Financial product	20,000.00	–
Total	20,000.00	–

Note on transactional financial assets：At the end of the period, trading financial assets purchased by the Company are financial products issued by China Life Security.

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Bills receivable

1. Categories of bills receivable

Item	Ending balance	Beginning balance
Bank acceptance notes	–	40,680,034.20
Commercial acceptance bill	–	500,000.00
Total	–	41,180,034.20

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable

1. Classified as disclosure according to bad debt provision method

Ageing	Ending balance	Beginning balance
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	252,688,710.65	349,590,294.60
Less：provision for bad debts	60,802,586.18	70,495,957.56
Total	191,886,124.47	279,094,337.04

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

2. Accounts receivable disclosed by categories

	Ending balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable that are subjected to provision for expected credit losses on individual basis	26,008,295.48	10.29	26,008,295.48	100	–
Accounts receivable that are subjected to provision for expected credit losses on portfolio basis	226,680,415.17	89.71	34,794,290.70	15.35	191,886,124.47
Includes Ageing group	226,680,415.17	89.71	34,794,290.70	15.35	191,886,124.47
Total	252,688,710.65	100	60,802,586.18	24.06	191,886,124.47

Continued:

	Beginning balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable that are subjected to provision for expected credit losses on individual basis	–	–	–	–	–
Accounts receivable that are subjected to provision for expected credit losses on portfolio basis	349,590,294.60	100.00	70,495,957.56	20.17	279,094,337.04
Includes Ageing group	349,590,294.60	100.00	70,495,957.56	20.17	279,094,337.04
Total	349,590,294.60	100.00	70,495,957.56	20.17	279,094,337.04

3. Accounts receivable that are subjected to provision for credit loss on individual basis

	Ending balance			
Name	Book balance	Provision	Provision (%)	Reasons
Launch Tech Japan. Inc.	26,008,295.48	26,008,295.48	100	Expected to be irrecoverable
Total	26,008,295.48	26,008,295.48	100	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

4. Expected credit losses of accounts receivable disclosed by categories

1. Aging Portfolio

	Ending balance		
Aging	Accounts receivable	Provision for bad debts	Proportion (%)
Under 1 year	112,582,219.35	5,629,110.97	5.00
including: within 90 days	75,321,853.37	3,766,092.67	5.00
91-180 days	6,573,090.68	328,654.53	5.00
181-270 days	3,345,868.95	167,293.45	5.00
271-365 days	27,341,406.35	1,367,070.32	5.00
1-2 years	82,116,643.67	8,211,664.37	10.00
2-3 years	9,439,345.73	2,831,803.72	30.00
3-4 years	5,799,372.28	2,899,686.14	50.00
4-5 years	7,604,043.21	6,083,234.57	80.00
Over 5 years	9,138,790.93	9,138,790.93	100.00
Total	226,680,415.17	34,794,290.70	

Explanations of the basis for determination of the portfolio:

The best estimates for the proportion of provision for the accounts receivable has been made according to the pass experience, and classified the credit risk portfolio with reference to the aging of the accounts receivable.

The Company mainly offered credit terms from 30 to 210 days to trading customers. Customers with good and long term records or major customers, or for those the Company decided to maintain long term operation relationship, would be offered different credit terms.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

4. Expected credit losses of accounts receivable disclosed by categories (Continued)

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

	Ending balance			Beginning balance		
Items	Carring balance	Provision	Book value	Carring 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	195,315,882.27	57,933,944.76	137,381,937.51	176,803,191.18	61,856,602.39	114,946,588.79
Total	252,688,710.65	60,802,586.18	191,886,124.47	349,590,294.60	70,495,957.56	279,094,337.04

5. Provision, recovery or reversal of the provision for bad debts during the period

Categories	Beginning balance	Movement during the year				Ending balance
		Provision	Recovered or reversed	Written off	Other movement	
Accounts receivable subject to provision for expected credit loss on individual basis	–	26,008,295.48	–	–	–	26,008,295.48
Accounts receivable subject to provision for expected credit loss on portfolio basis	70,495,957.56	8,209,445.00	16,480.40	43,927,592.26	–	34,794,290.70
Including: Aging Portfolio	70,495,957.56	8,209,445.00	16,480.40	43,927,592.26	–	34,794,290.70
Total	70,495,957.56	34,217,740.48	16,480.40	43,927,592.26	–	60,802,586.18

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

6. Accounts receivable actually written off during the reporting period

Item	Amounts written off
Accounts receivable actually written off	43,927,592.26

Accounts receivable actually written off are as follows:

Name	Nature of accounts receivable	Amounts written off	Reason for write-off	Verification procedures fulfilled	Whether arising from connected transaction
name	Nature	Amount written off	Reason for written off	Verification procedures fulfilled	Whether arising from connected transaction
Launch Tech (USA), Inc.	Payment for goods	10,759,856.51	Irrecoverable	Approved by company's management	No
Disbrat Service Automotovos LTDA.	Payment for goods	5,788,336.67	Irrecoverable	Approved by company's management	No
Saetanet, C.A	Payment for goods	4,918,860.98	Irrecoverable	Approved by company's management	No
臺灣元征科技股份有限公司	Payment for goods	3,644,631.42	Irrecoverable	Approved by company's management	No
Launch Ibérica, S.L.	Payment for goods	3,136,473.53	Irrecoverable	Approved by company's management	No
Launch Technologies SA (PTY) LTD	Payment for goods	2,856,437.85	Irrecoverable	Approved by company's management	No
Launch Rus	Payment for goods	2,178,101.72	Irrecoverable	Approved by company's management	No
Li Fu Hang(Richpower Hand Tools Company)	Payment for goods	1,654,511.98	Irrecoverable	Approved by company's management	No
IMPORTADORA & EXPORTADORA G M S LTDA	Payment for goods	979,099.31	Irrecoverable	Approved by company's management	No
合肥博仕達汽車技術服務有限公司	Payment for goods	708,554.00	Irrecoverable	Approved by company's management	No
南昌市日力實業有限公司	Payment for goods	650,000.00	Irrecoverable	Approved by company's management	No
北京市潤寶成機電設備有限公司	Payment for goods	603,500.00	Irrecoverable	Approved by company's management	No
秦皇島眾威貿易有限公司	Payment for goods	600,000.00	Irrecoverable	Approved by company's management	No
山西寧志科技有限公司	Payment for goods	520,478.00	Irrecoverable	Approved by company's management	No
山西科隆鼎盛機電設備有限公司	Payment for goods	499,980.00	Irrecoverable	Approved by company's management	No
北京宇鋒瑞特科技發展有限公司	Payment for goods	454,288.00	Irrecoverable	Approved by company's management	No
金額小的34戶	Payment for goods	3,974,482.29	Irrecoverable	Approved by company's management	No
Total		43,927,592.26			

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Accounts receivable (Continued)

7. Top five accounts receivable by ending balance collection of the borrower

Name	Ending balance	Proportion in ending balance already of accounts receivable (%)	Provision made for bad debts
Launch Tech (USA), Inc.	93,741,416.91	37.10	18,783,372.19
Launch Tech Japan.Inc.	26,008,295.48	10.29	26,008,295.48
Matco Tools	12,914,490.87	5.7	645,724.54
Launch Ibérica, S.L.	11,972,508.19	5.28	2,111,364.44
Launch Technologies SA (PTY) LTD	9,947,093.53	4.39	2,959,324.63
Total	154,583,804.98	61.18	50,508,081.28

(5) Accounts receivable financing

Item	Ending balance	Beginning balance
Bank acceptance bill	30,626,210.19	
Commercial acceptance bill	3,000,000.00	
Total	33,626,210.19	

1. Changes in receivables financing and fair value changes in the current period

The company manages bills receivable in two combinations of discount and endorsement, and the amount of cash discount is not significant. The book value of bills receivable at the end of the period can represent its fair value, and the book value of bills receivable at the end of the period is used as its fair value.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Accounts receivable financing (Continued)

2. Bad debt provision

(1) The Company believes that the bank acceptance bills held do not have significant credit risk and will not cause major losses due to defaults by banks or other drawers.

(2) The provision for bad debts is based on the aging of commercial acceptance bills and the expected credit loss rate for the entire duration

Aging	Ending balance Book balance	Bad debt provision	Provision ratio (%)
Within 1 year	3,000,000.00	150,000.00	5
Total	3,000,000.00	150,000.00	

(3) The provision for bad debts, recovered or reversed in the current period

Category	Beginning balance	Changes in the current period				Ending balance
		Provision	Recovered or reversed	written off	Other changes	
Commercial acceptance bill	–	150,000.00	–	–	–	150,000.00
Total	–	150,000.00	–	–	–	150,000.00

(6) Prepayments

1. Classification based on aging

Aging	Ending balance Amount	Proportion (%)	Beginning balance Amount	Proportion (%)
Under 1 year	60,596,243.06	98.21	42,548,148.79	73.27
1-2 years	554,059.55	0.90	10,638,417.30	18.32
2-3 years	100,000.00	0.16	2,796,205.89	4.81
Over 3 years	448,691.85	0.73	2,091,460.20	3.60
Total	61,698,994.46	100	58,074,232.18	100.00

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(6) Prepayments (Continued)

2. Prepayments with significant balances aged over 1 year and reasons of failure of timely settlement

Name	Ending balance	Aging	Reasons
深圳市祈飛科技有限公司	988,069.61	1-3 years and over 3 years	Not yet delivered
Total	988,069.61		

3. Top five prepayments by ending balance of collection of prepaid objects

Name	Ending balance	Proportion in total prepayment (%)	Year of prepayment	Reasons
深圳市知了智能科技有限公司	32,273,672.25	52.31	Within 1 year	Not yet delivered
深圳市元通汽車電子有限公司	17,993,017.25	29.16	Within 1 year	Not yet delivered
深圳旅者網絡科技股份有限公司	1,066,250.00	1.73	Within 1 year	Not yet delivered
深圳市祈飛科技有限公司	988,069.61	1.60	1-3 years and over 3 years	Not yet delivered
深圳聯宇華電子有限公司	919,591.80	1.49	Within 1 year	Not yet delivered
Total	53,240,600.91	86.29		

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables

Items	Ending balance	Beginning balance
Interests receivable	–	–
Dividend receivable	–	–
Other receivables	29,026,828.95	25,600,061.97
Total	29,026,828.95	25,600,061.97

Note：Other receivables in the above table refer to other receivables after deducting interest receivable and dividend receivable.

1. Other receivables

1. Disclosure by aging

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	19,220,350.29	10,454,458.96
Total	29,026,828.95	25,600,061.97

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables (Continued)

1. Other receivables (Continued)

2. Other receivables by catagories

Natures	Ending balance	Beginning balance
Deposits	13,062,708.62	1,633,494.58
Imprests	4,673,786.90	4,833,146.70
Tax refund receivables	9,105,160.78	15,530,420.07
Company borrowings	2,166,444.44	2,626,444.44
Others	19,239,078.50	11,431,015.14
Total	48,247,179.24	36,054,520.93

3. Disclosure according to three stages of financial asset impairment

		Ending balance			Beginning balance	
Item	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
First stage	33,349,729.91	4,322,900.96	29,026,828.95	27,932,337.28	2,332,275.31	25,600,061.97
Second stage	–	–	–	–	–	–
Third stage	14,897,449.33	14,897,449.33	–	8,122,183.65	8,122,183.65	–
Total	48,247,179.24	19,220,350.29	29,026,828.95	36,054,520.93	10,454,458.96	25,600,061.97

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables(Continued)

1. Other receivables (Continued)

4. Bad debts provided, recovered and reversed

N7 Provision	First stage Expected credit loss in future 12months	Second stage Expected credit loss for the entireduration (no credit impairmentoccurred)	Third stage Expected credit loss for the entireduration (credit impairment hasoccurred)	Total
Beginning balance	2,332,275.31	–	8,122,183.65	10,454,458.96
Beginning balance which	–	–	–	–
transfer to second stage	–	–	–	–
transfer to third stage	–	–	–	–
Reverse to second stage	–	–	–	–
Reverse to first stage	–	–	–	–
Provision for the period	2,835,623.76	–	14,439,975.33	17,275,599.09
Reversal during the period	10,000.00	–	–	10,000.00
Recovered during the period	–	–	–	–
Written off during theperiod	854,998.11	–	7,664,709.65	8,519,707.76
Others	–	–	–	–
Ending balance	4,322,900.96	–	14,897,449.33	19,220,350.29

5. Other receivables actually written off during the reporting period

Item	Amounts written off
Other receivables actually written off	8,519,707.76

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables(Continued)

1. Other receivables (Continued)

5. Other receivables actually written off during the reporting period (Continued)

Details of significant other receivables written off:

Name	Nature of other receivables	Amounts written off	Reason for write-off	Verification Procedures fulfilled	Whether arising from connected transaction
深圳市康邁科技有限公司	Prepayment for goods	1,111,358.97	Irrecoverable	Approved by company's management	No
深圳市中博電子有限公司	Prepaid service fee	899,999.89	Irrecoverable	Approved by company's management	No
深圳市寶利斯科技有限公司	Prepaid service fee	850,000.00	Irrecoverable	Approved by company's management	No
同向興業機械(深圳)有限公司	Prepayment for materials	850,000.00	Irrecoverable	Approved by company's management	No
深圳市廣商科技有限公司	Prepayment for goods	690,000.00	Irrecoverable	Approved by company's management	No
深圳市永盛微電子有限公司	Prepayment for goods	650,000.00	Irrecoverable	Approved by company's management	No
深圳市百世盈科實業有限公司	Prepayment for materials	601,217.18	Irrecoverable	Approved by company's management	No
深圳市國升電子設備有限公司	Prepayment for materials	562,133.61	Irrecoverable	Approved by company's management	No
合肥市大沃電子有限公司	Prepaid service fee	450,000.00	Irrecoverable	Approved by company's management	No
深圳市和強迪訊科技發展有限公司	Prepaid service fee	400,000.00	Irrecoverable	Approved by company's management	No
深圳市湘聯金屬製品有限公司	Prepayment for materials	300,000.00	Irrecoverable	Approved by company's management	No
深圳市德豐模具有限公司	Prepayment for materials	300,000.00	Irrecoverable	Approved by company's management	No
貴州財富之舟	Other	269,700.00	Irrecoverable	Approved by company's management	No
上海凱輪智能科技有限公司	Rent and utilites	147,901.85	Irrecoverable	Approved by company's management	No
張永成	Petty cash	100,000.00	Irrecoverable	Approved by company's management	No
22 accounts with insignificant amounts	Other	337,396.26	Irrecoverable	Approved by company's management	No
Total		8,519,707.76			

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Other receivables(Continued)

1. Other receivables (Continued)

6. Top five other receivables by ending balance collected by borrowers

Name	Nature	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Provision for bad debts of ending balance
中國(南京)軟件谷管理委員會	Deposit	10,000,000.00	Within 1 year	20.73	500,000.00
Export tax refund	Export tax refund	5,623,668.05	Within 1 year	11.66	
浙江隆奥機械設備有限公司	Prepayment for goods	5,399,031.08	Within 1 year and 1-2 years	11.19	5,399,031.08
VAT tax refund receivable	VAT tax refund	3,481,492.73	Within 1 year	7.22	
深圳市歐亞美華電子科技有限公司	Prepayment for goods	2,497,264.68	2-3 years and over 3 years	5.18	2,497,264.68
Total		27,001,456.54		55.98	8,396,295.76

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(8) Inventories

1. Categories

Item	Ending balance Carrying balance	Ending balance Provision for impairment	Ending balance Book value	Beginning balance Carrying balance	Beginning balance Provision for impairment	Beginning balance 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	159,948,960.82	12,202,908.17	147,746,052.65	121,914,685.90	–	121,914,685.90
Total	185,793,786.81	17,942,804.84	167,850,981.97	149,178,660.08	–	149,178,660.08

2. Impairment on inventories

Item	Beginning balance	Increase in the period Provision	Increase in the period Other	Decrease in the period Transfer	Decrease in the period Resale	Decrease in the period Other	Ending balance
Raw materials	–	2,537,439.58	–	–	–	–	2,537,439.58
Work in progress	–	3,202,457.09	–	–	–	–	3,202,457.09
Finished goods	–	12,202,908.17	–	–	–	–	12,202,908.17
Total	–	17,942,804.84	–	–	–	–	17,942,804.84

(9) Other current assets

Item	Ending balance	Beginning balance
Input tax amount pending for deduction	19,774,809.89	16,720,904.65
Input tax pending for certification	1,701,378.50	1,370,846.29
Total	21,476,188.39	18,091,750.94

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(10) Long term equity investment

Investee	Beginning Balance	Additions	Deductions	Change in current period Profit/loss based on equity method	Other Adjustments
1. Jointly controlled company					
R & Launch Corporation	542,066.92				
Total	542,066.92				

Continued:

Investee	Other movement on equity	Change in current period Dividend declared	Impairment	Others	Ending balance	Ending balance of Impairment
1. Jointly controlled company				–	542,066.92	542,066.92
R & Launch Corporation				–	542,066.92	542,066.92
Total						

(11) Investment in other equity instruments

1. Other equity instruments

	Ending balance	Beginning balance
深圳市易優成科技有限公司	2,180,714.81	–
Yuanrui No. 1 Private Equity Fund	5,765,872.89	15,000,000.00
Total	7,946,587.70	15,000,000.00

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(11) Investment in other equity instruments (Continued)

2 Non-trading equity instrument investment

Item	Designated as the reason for measurement at fair value and its changes are included in other comprehensive income	Recognised in the period Dividend income	Accumulated gain	Accumulated loss	The amount of other comprehensive income transferred into retained profit	Reasons for other comprehensive income transferred to retained profit
深圳市易優成科技有限公司	Non-trading equity investment	-	1,180,714.81	-	-	-
Yuanrui No.1 Private Equity Fund	Non-trading equity investment	-	-	9,234,127.11	-	-
Total		-	1,180,714.81	9,234,127.11	-	-

3. Other explanations on other equity instruments investment

On 17 November 2017, the Company signed a contract with Xizang Ruidong Wealth Investment Co., Ltd. to jointly establish Yuanrui No. 1 Private Equity Investment Fund. The Company acquired the share of the private equity investment fund of 15 million units on 2 March 2018 for RMB15 million in cash. The Company designated the investment as a financial instrument that is measured at changes in fair value and whose changes are included in other comprehensive income.

In 2017, PJS, a subsidiary of the Company, and other external companies jointly established 深圳市易優成科技有限公司, with a registered capital of 5.0 million, held by PJS, a subsidiary of the Company Its 20.00.% Equity, with an initial investment of RMB 1.0 million, has already completed its capital contribution in 2019. In September 2019, 深圳市易優成科技有限公司completed a new round of financing. After the capital increase is completed, PJS, a subsidiary of the Company, holds 19.40% of its equity. The Company designated the investment as a financial instrument that is measured at fair value changes and whose changes are included in other comprehensive income.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(12) Investment property

1. Investment property

Item	Building
1. Total original carrying value	
1. Beginning balance	130,894,596.38
2. Increase for the period	–
Transfer from inventory/fixed assets/construction in progress	–
3. Decrease for the period	–
4. Ending balance	130,894,596.38
2. Accumulated depreciation	
1. Beginning balance	57,193,671.72
2. Increase for the period	4,973,994.10
Provisions	4,973,994.10
Transfer from inventory/fixed assets/construction in progress	–
3. Decrease for the period	–
4. Ending balance	62,167,666.32
3. Provision for impairment	
1. Beginning balance	–
2. Increase for the period	–
3. Decrease for the period	–
4. Ending balance	–
4. Total Book value	
1. End of period	68,726,930.06
2. Beginning of period	73,700,924.66

2. Other explanation on investment property

The original value of the investment property under mortgage at the end of the period was RMB 130,894,596.38. For details of the mortgage, please refer to Note 12 (l) 2. Other significant financial commitments.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(13) Fixed assets at cost and accumulated depreciation

Item	Ending balance	Beginning balance
Fixed assets	230,878,047.81	244,650,076.60
Disposals	–	–
Total	230,878,047.81	244,650,076.60

Note：The fixed assets in the above table refer to the fixed assets after deducting the disposals of fixed assets.

1. Fixed asset

Item	Buildings	Machinery and equipment	Transport equipment	Electronic equipment	Other equipment	Total
I. Total original carrying value						
1. Beginning balance	291,084,631.91	42,813,429.31	26,812,142.28	59,797,297.86	94,604,533.63	515,112,034.99
2. Increase for the period	494,070.43	252,912.87	1,013,849.56	5,823,060.28	4,510,140.47	12,094,033.61
Purchase	494,070.43	252,912.87	1,013,849.56	5,823,060.28	4,282,867.85	11,866,760.99
3. Decrease for the period	–	2,909,195.97	4,108,838.41	9,764,275.45	10,496,902.43	27,279,212.26
Disposal or scrapping	–	2,909,195.97	4,108,838.41	9,764,275.45	10,496,902.43	27,279,212.26
4. Ending balance	291,578,702.34	40,157,146.21	23,717,153.43	55,856,082.69	88,617,771.67	499,926,856.34
II. Accumulated depreciation						
1. Beginning balance	83,043,828.18	36,798,553.83	22,455,831.00	47,189,399.67	80,974,345.71	270,461,958.39
2. Increase for the period	13,895,661.42	1,027,884.24	1,119,449.08	4,376,656.25	3,193,903.89	23,613,554.88
Provisions	13,895,661.42	1,027,884.24	1,119,449.08	4,376,656.25	3,193,903.89	23,613,554.88
3. Decrease for the period		2,758,715.69	3,797,646.93	9,116,319.95	9,354,022.17	25,026,704.74
Disposal or scrapping		2,758,715.69	3,797,646.93	9,116,319.95	9,354,022.17	25,026,704.74
4. Ending balance	96,939,489.60	35,067,722.38	19,777,633.15	42,449,735.97	74,814,227.43	269,048,808.53
III. Provision for impairment	–	–	–	–	–	–
IV. Total Book value						
1. Book value at the end of the period	194,639,212.74	5,089,423.83	3,939,520.28	13,406,346.72	13,803,544.24	230,878,047.81
2. Book value at the beginning of the period	208,040,803.73	6,014,875.48	4,356,311.28	12,607,898.19	13,630,187.92	244,650,076.60

2. Other explanations on fixed assets

The original book value of the pledged fixed assets at the end of the period was RMB271,105,771.76, see Note XII(I) Other significant financial commitments for details.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Construction in progress

Item	Ending balance	Beginning balance
Xian Launch building	154,813,435.71	57,136,957.84
Other miscellaneous projects	1,698.11	227,272.62
Total	154,815,133.82	57,364,230.46

1. Construction in progress

	Ending balance			Beginning balance		
Item	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Xian Launch building	154,813,435.71		154,813,435.71	57,136,957.84	–	57,136,957.84
Other miscellaneous projects	1,698.11		1,698.11	227,272.62	–	227,272.62
Total	154,815,133.82		154,815,133.82	57,364,230.46	–	57,364,230.46

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(14) Construction in progress (Continued)

2. Changes in significant construction in progress

Name	Beginning balance	Increase	Transfer to fixed assets during current period	Decrease	Ending balance
Xian Launch building	57,136,957.84	97,676,477.87	–	–	154,813,435.71
Total	57,136,957.84	97,676,477.87	–	–	154,813,435.71

Continued:

Name	Budget (0'000)	Proportion of project investment in the budget (%)	Project progress (%)	Accumulative amount of interest capitalization	Including: amount of interest capitalization for current period	Interest capitalization rate for current period (%)	Fund source
Xian Launch building	23,000.00	67.31	60.00	–	–	–	Self-financing
Total	23,000.00	67.31	60.00	–	–	–	

3. Other Explanation on Construction in progress

The increase of 169.88% is mainly due to the increase of construction cost of Xi'an Launch Building.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(15) Right-of-use asset

Item	Property and plant	Total
I. Original book value		
1. Beginning balance	8,599,176.90	8,599,176.90
2. Increase in the period	1,869,142.62	1,869,142.62
Tennancy	1,869,142.62	1,869,142.62
Other increase		
3. Decrease in the period		
Tennancy expired		
Other decrease		
4. Ending balance	10,468,319.52	10,468,319.52
II. Accumulated depreciation		
1. Beg		
2. Increase in the period	2,702,284.81	2,702,284.81
Provision for the period	2,702,284.81	2,702,284.81
Other increase		
3. Decrease in the period		
Tennancy expired		
Other decrease		
4. Ending balance	2,702,284.81	2,702,284.81
III. Impairment		
1. Beginning balance		
2. Increase in the period		
Provision for the period		
Other increase		
3. Decrease in the period		
Tennancy expired		
Other decrease		
4. Ending balance		
IV. Book value		
1. Ending book value	7,766,034.71	7,766,034.71
2. Beginning book value	8,599,176.90	8,599,176.90

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Intangible assets

1. Intangible assets

Item	Land use right	Patented technology	Software	Others	Total
I. Total original carrying value					
1. Beginning balance	56,530,305.38	432,432,329.26	18,378,747.20	1,177,350.41	508,518,732.25
2. Increase for the period	17,819,000.00	19,756,098.56	38,337,415.20	–	75,912,513.76
Self developed	17,819,000.00	–	38,337,415.20	–	56,156,415.20
Purchase	–	19,756,098.56	–	–	19,756,098.56
3. Decrease for the period	–	–	–	–	–
4. Ending balance	74,349,305.38	452,188,427.82	56,716,162.40	1,177,350.41	584,431,246.01
II. Accumulated amortization					
1. Beginning balance	10,082,156.66	272,220,623.42	3,573,645.29	–	285,876,425.37
2. Increase for the period	1,360,597.89	55,854,954.60	26,359,884.84	–	83,575,437.33
Provisions	1,360,597.89	55,854,954.60	26,359,884.84	–	83,575,437.33
3. Decrease for the period	–	–	–	–	–
4. Ending balance	11,442,754.55	328,075,578.02	29,933,530.13	–	369,451,862.70

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(16) Intangible assets (Continued)

1. Intangible assets (Continued)

Item	Land use right	Patented technology	Software	Others	Total
III. Provisions for impairment					
1. Beginning balance	–	43,039,660.99	–	–	43,039,660.99
2. Increase for the period	–	4,548,152.66	–	–	4,548,152.66
Provisions	–	4,548,152.66	–	–	4,548,152.66
3. Decrease for the period	–	–	–	–	–
4. Ending balance	–	47,587,813.65	–	–	47,587,813.65
IV. Total Book value					
1. Book value at the end of the period	62,906,550.83	76,525,036.15	26,782,632.27	1,177,350.41	167,391,569.66
2. Book value at the beginning of the period	46,448,148.72	117,172,044.85	14,805,101.91	1,177,350.41	179,602,645.`89

2. Explanations on intangible assets

(1) The proportion of the intangible assets arising from internal research and development of the Company at the end of the reporting period in the original book value of intangible assets was 45.72%.

(2) The other in the intangible assets is Membership of Mission Hills Golf Club China, which was purchased by the Company in 2008. As the membership is life-time, it is an intangible assets with indefinite useful life. According to the provisions of the accounting standards, the Company did not amortize the asset, and there was no impairment after testing.

(3) The original book value of the pledged intangible assets at the end of the period was RMB13,511,684.63, see Note XII(i) Other significant financial commitment for details

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Development expenditure

2019

Item	Beginning balance	Increase for the period: Internal development expenditure	Increase for the period: Others	Transferred out: Included in current profit or loss	Transferred out: Recognized as intangible assets	Ending balance
CRP 123i_129i Product	3,072,958.52	4,418,895.10			7,491,853.62	
i-ICC Intelligent Control Center	6,965,267.98	872,353.13		7,837,621.11		
GTBOX-II vehicle intelligent terminal	4,710,191.56	1,028,545.38		5,738,736.94		
Guangzhou environmental protection GTBOX-I vehicle intelligent terminal		7,314,245.47		7,314,245.47		
Weichai Zhiduoxing MINI Standard Edition Project		2,641,092.31		2,641,092.31		
New Chufeng golo HD9 CAN gateway project		6,737,296.98		6,737,296.98		
Xinjiang Official Vehicle Management		2,442,211.75		2,442,211.75		
Guangzhou Yunjing Environmental Protection GTBOX-I Project		4,749,501.55		4,749,501.55		
Zotye V1A central control screen project		6,276,915.80		6,276,915.80		
Environmental protection M station diagnostic equipment		4,393,346.37		4,393,346.37		
Easydiag4 single joint diagnostic equipment		8,988,128.07		8,988,128.07		
X-431 23.6 "mobile diagnostic center equipment		4,196,071.93		4,196,071.93		
MAXLITE custom product		4,257,295.99		4,257,295.99		
X-431 PROS + V4.0 diagnostic equipment		14,655,824.21		14,655,824.21		
X-431 PROMINI V3.0 diagnostic equipment		10,598,864.05		10,598,864.05		
American Gear scan plus diagnostic tool		3,185,544.41		3,185,544.41		
HTT20 automotive testing terminal		4,661,246.99		4,661,246.99		
Pre-research project of tire pressure sensor		14,432,302.49		14,432,302.49		
GTBOX-III vehicle intelligent terminal		3,790,438.95		3,790,438.95		
D-PDU diagnostic API		4,644,487.83		4,644,487.83		
HMI V1.0 product pre-research project		2,959,939.22		2,959,939.22		
Diagnostic software module granulation pre-research project		3,643,324.36		3,643,324.36		
Yuanzheng Super Remote Diagnostic Equipment Development Project		4,532,213.19		4,532,213.19		
Echeck reading card product development project	4,753,556.96	1,790,621.25			6,544,178.21	
CNC603 injector nozzle cleaning machine tester	3,614,635.55	2,105,431.18			5,720,066.73	
Remote diagnosis 3.0/SmartLink1.0 pre-research project		7,026,725.31		7,026,725.31		
Hongqi EV_HS5_HS7 model software		6,067,696.51		6,067,696.51		
X431 anti-theft key distribution equipment		3,347,958.43		3,347,958.43		
Guoli Yuchai goloHD8 vehicle intelligent terminal		3,928,429.75		3,928,429.75		
GTBOX-2G vehicle intelligent terminal		3,762,681.47		3,762,681.47		
HTT-2 car testing terminal		5,449,493.10		5,449,493.10		
CarCareV3.0 single joint diagnostic equipment		5,962,921.72		5,962,921.72		
Geely ODX diagnostic software		3,338,688.90		3,338,688.90		
Total	23,116,610.57	168,200,733.15		171,561,245.16	19,756,098.56	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(17) Development expenditure (Continued)

2018

		Increase for the period		Transferred out		
Item	Beginning balance	Internal development expenditure	Others	Included in current profit or loss	Recognized as intangible assets	Ending balance
Creader301 code reader		4,371,884.20		419,534.78	3,952,349.42	
Echeck code reader		5,116,967.70		363,410.74		4,753,556.96
CNC603 injection cleaner		3,902,305.20		287,669.65		3,614,635.55
PAD V and Maximus3.0	2,043,392.83	6,721,872.39			8,765,265.22	
CRP421	4,791,496.38	4,273,341.55			9,064,837.93	
Easydiag3.0	1,366,003.12	4,915,642.56			6,281,645.68	
SaaS service platform software		6,498,789.00		914,699.71	5,584,089.29	
GTBOX mini smart terminal		6,168,278.50		868,180.60	5,300,097.90	
ADAS auxiliary calibrator		7,197,817.50		1,013,087.45	6,184,730.05	
CRP 123i_129i control centre		3,355,847.67		282,889.15		3,072,958.52
i-ICC smart terminal		7,606,473.76		641,205.78		6,965,267.98
GTBOX-II smart terminal		5,143,800.44		433,608.88		4,710,191.56
HTT emulsion testing	10,203,312.23	1,827,634.50			12,030,946.73	
Non-contact laser 4 wheel aligner	5,257,046.89	4,958,016.24			10,215,063.13	
ProS+	4,896,423.61	5,338,757.63			10,235,181.24	
X431 AIDIAG smart push		4,886,466.60		4,886,466.60		
X431 AIDIAG smart push		4,886,466.60		4,886,466.60		
Blockchain software		4,307,220.92		4,307,220.92		
IoT smart terminal		2,501,001.44		2,501,001.44		
H1 wristband	5,275,382.15			5,275,382.15		
S3 Pro Smart wristband	2,062,493.16			2,062,493.16		
Total	35,895,550.37	93,978,584.40		29,143,317.61	77,614,206.59	23,116,610.57

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(18) Goodwill

1. Original book value of goodwill

Investee	Beginning balance	Increase From business combination	Decrease Disposal	Ending balance
Launch Europe GmbH	1,139,412.80	–	–	1,139,412.80
Total	1,139,412.80	–	–	1,139,412.80

2. Other Explanations on Goodwill

As at 31 December 2019, the Company conducted discounting calculation with a discount rate of 5.82% for the abovementioned goodwill based on estimated cash flow to determine whether impairment occur, no impairment was found after calculation and thus no impairment is considered necessary for the abovementioned goodwill. Determination the future cash flow discount rate of 5.82%; is by consideration of macroeconomic situation, using the assumption that 20% increment on interest rate for loan with period of five-year or above, After testing, no sign of impairment was found, and no collective impairment provision is needed for the above goodwill balance.

(19) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets not written off

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provisions for asset impairment	8,905,520.92	1,335,828.14	7,672,681.22	1,150,902.18
Provisions for credit impairment	18,648,459.49	4,661,268.25	17,852,058.79	4,461,711.97
Total	27,553,980.41	5,997,096.39	25,524,740.01	5,612,614.15

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Deferred tax assets and deferred tax liabilities (Continued)

2. Unoffset deferred income tax liabilities

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Investment in other equity instruments	1,180,714.81	295,178.70	–	–
Total	1,180,714.81	295,178.70	–	–

3. Unrecognized deferred tax assets

Item	Ending balance	Beginning balance
(1) Deductible temporary differences	118,541,455.55	99,007,404.42
Bad debt provision – accounts receivable	47,631,268.05	52,723,302.25
Bad debt provision – other receivables	13,743,023.01	10,375,055.48
Inventory provision	17,942,804.84	–
Provision for impairment of intangible assets	38,682,292.73	35,366,979.77
Provision for impairment of long term equity impairment	542,066.92	542,066.92
(2) Deductible losses	633,728,427.25	387,629,433.00
(3) Internal unrealised profits	25,475,238.68	25,010,778.45
Total	777,745,121.48	511,647,615.87

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(19) Deferred tax assets and deferred tax liabilities (Continued)

4. Deductible loss of unrecognised deferred assets will be falling due

Item	Ending balance	Beginning balance	Note
2019	–	38,503,640.08	
2020	72,833,844.15	74,162,098.55	
2021	19,807,127.45	74,162,098.55	
2022	7,406,929.71	25,514,103.08	
2023	201,186,685.31	231,612,715.69	
2024	332,493,840.63	–	
Total	633,728,427.25	387,629,433.00	

(20) Other non-current assets

Item	Ending balance	Beginning balance
Prepayment for construction	50,000,000.00	52,000,000.00
Total	50,000,000.00	52,000,000.00

Note on other non-current assets：

The closing balance of other non-current assets decreased by 90.38% compared with the opening balance, which was mainly due to the transfer of construction funds in the current period to construction in progress.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Short-term borrowings

1. Categories

Item	Ending balance	Beginning balance
Guaranteed	50,000,000.00	50,000,000.00
Secured + guaranteed	425,988,300.00	235,454,656.00
Standby loan	9,408,307.58	–
Total	485,396,607.58	285,454,656.00

Explanation of classification of short-term borrowings:

See note 42 and Note XI (V) 4. Guarantee and Note XII (I) 2. relevant notes on other significant financial commitments for the detailed explanation of the guaranteed borrowings and the secured + guarantee borrowings.

(22) Bills payable

Categories	Ending balance	Beginning balance
Bank acceptance bills	28,000,000.00	20,000,000.00
Letter of credit	80,000,000.00	30,000,000.00
Total	108,000,000.00	50,000,000.00

At the end of the current period, there are no bills payable due and unpaid

Explanations on bills payable:

For details of the guarantees for the bills payable at the end of the period, please refer to Note XI. (5) 4. Related guarantees; For details of the mortgage guarantees for bills payable at the end of the period, please refer to Note 12 (I) 2. Other significant financial commitments.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(23) 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	140,531,794.10	112,375,254.30

1. Key accounts payable with aging of over 1 year

Name	Ending balance	Reasons for no repayment or settlement
上海恩強包裝材料有限公司	894,070.39	Not yet due
上海君科橡塑製品廠	725,600.47	Not yet due
深圳市華之美電梯有限公司	387,013.00	Not yet due
三江天地(北京)信息技術有限公司	335,200.00	Not yet due
上海金力高強度緊固件有限公司	310,959.25	Not yet due
無錫市特爾欣電氣廠(普通合夥)	305,850.70	Not yet due
Total	2,958,693.81	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(24) Contract liabilities

1. Contract liabilities

Items	Ending balance	Beginning balance
Within 1 year	66,965,012.7	52,834,338.01
Total	66,965,012.7	52,834,338.01

(25) Employee remuneration payables

1. Employee remuneration payables

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	3,225,498.05	206,637,714.29	207,624,939.45	2,238,272.89
Post-employment benefits – Defined contributions plan	226,616.50	21,495,756.29	21,507,199.19	215,173.60
Termination benefit	–	7,743,734.85	7,743,734.85	–
Total	3,452,114.55	235,877,205.43	236,875,873.49	2,453,446.49

2. Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Salaries, bonus, allowance and subsidies	807,314.61	180,537,972.29	180,520,198.31	825,088.59
Staff welfare	–	7,663,142.54	7,663,142.54	–
Social insurance fees	100,621.30	6,586,804.51	6,574,148.71	113,277.10
Including: Basic medical insurance fees	89,508.80	5,564,753.76	5,555,560.66	98,701.90
Supplementary insurance fees				
Injury insurance fees	3,329.40	243,796.67	241,133.57	5,992.50
Maternity insurance fees	7,783.10	778,254.08	777,454.48	8,582.70
Housing provident fund	–	11,128,953.22	11,128,953.22	–
Union funds and employee education funds	2,317,562.14	720,841.73	1,738,496.67	1,299,907.20
Total	3,225,498.05	206,637,714.29	207,624,939.45	2,238,272.89

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(25) Employee remuneration payables (Continued)

3. Defined contribution plans

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension	218,831.30	21,098,070.10	21,110,316.40	206,585.00
Unemployment insurance fees	7,785.20	397,686.19	396,882.79	8,588.60
Total	226,616.50	21,495,756.29	21,507,199.19	215,173.60

4. Explanation of basic pension plan:

The basic pension and unemployment insurance fees under the defined contribution plan are social insurance provided and paid according to Regulations of Shenzhen Special Economic Zone on Social Endowment Insurance and Several Provisions of Shenzhen Special Economic Zone on Unemployment Insurance issued by Shenzhen Administration Bureau of Social Insurance Fund.

The calculation basis for the basic pension is: the payment base for the employees each month is the total salary of last month; the base for newly employed or re-employed and employees of newly established employers of the total salary of the first month. Where the total salary exceeds 300% of the monthly average salary of Shenzhen in the previous year, the excess shall not be included in the payment base; the payment base shall not be less than the minimum salary standard released by the city government. Employers shall use the total of payment base of their employees as the payment base for employers. The calculation formula for basic pension is payment base for employers X 14.00%(13%).

The calculation basis for unemployment insurance fees: employers shall pay based on 0.9% of minimum monthly salary of Shenzhen for employees that should participate in the unemployment insurance.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(26) Tax payables

Item	Ending balance	Beginning balance
VAT	3,825,485.07	18,473,973.86
EIT	612,333.33	2,933,551.83
Personal income tax	697,979.11	852,748.28
Urban maintenance and construction tax	93,694.77	753,402.99
Education surcharge	67,523.85	538,269.85
Stamp duty	91,938.24	144,296.49
Total	5,388,954.37	23,696,243.30

Explanation on Tax payable:

The tax payable for this period decreased by 77.26%, mainly due to the decrease in VAT payable at the end of the period.

(27) Other payables

Items	Ending balance	Beginning balance
Interests payable	2,103,800.34	497,898.47
Other payables	19,102,157.78	19,010,264.64
Total	21,205,958.12	19,508,163.11

1. Interests payable

Items	Ending balance	Beginning balance
Interests payable on short term borrowings	2,103,800.34	497,898.47
Total	2,103,800.34	497,898.47

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(27) Other payables (Continued)

2. Other payables

1. Presentation of other payables by aging

Aging	Ending balance	Beginning balance
Under 1 year	10,382,343.06	9,145,944.31
1-2 years	3,259,317.05	6,405,359.76
2-3 years	3,243,692.33	1,135,673.15
Over 3 years	2,216,805.34	2,323,287.42
Total	19,102,157.78	19,010,264.64

2. Significant other payables with aging of over 1 year

Name	Ending balance	Reason for un-repayment or settlement
中城阿寶科技發展(深圳)有限公司	2,303,742.66	Deposit not yet due
Shenzhen Jinbolun Electronics Technology Co., Ltd	300,000.00	Security deposit not yet due
Shenzhen Easttop Supply Chain Management Ltd	200,000.00	Security deposit not yet due
Total	2,803,742.66	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(28) Non-current liabilities due within one year

Items	Ending balance	Beginning balance
Lease liability due in one year	2,802,016.54	1,911,100.17
Long-term borrowing due within 1 year	-	138,917.09
Total	2,802,016.54	2,050,017.26

(29) Other current liabilities

Items	Ending balance	Beginning balance
Output tax pending for carry-over	7,587,655.24	5,789,833.96
Total	7,587,655.24	5,789,833.96

(30) Long-term borrowings

1. Categories

Categories	Ending balance	Beginning balance
House mortgage repayment	–	138,917.09
Less: Amount due within one year	–	138,917.09
Total	–	–

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(31) Lease liabilities

Remaining lease terms	Ending balance	Beginning balance
Within 1 year	3,146,762.82	2,269,555.20
1-2 years	3,048,938.34	2,269,555.20
2-3 years	2,547,330.72	2,496,510.72
3-4 years	–	2,496,510.72
Subtoal	8,743,031.88	9,532,131.84
Less: Unrecognized financing costs	661,392.94	932,954.94
Subtotal of present value of lease payments	8,081,638.94	8,599,176.90
Less: lease liabilities within 1 year	2,802,016.54	1,911,100.17
Total	5,279,622.40	6,688,076.73

In the current period, the interest expense of lease liability was RMB 420,506.53.

(32) Deferred income

Items	Beginning balance	Increase	Decrease	Ending balance	Causes
Asset-related government subsidies	20,268,680.90	–	4,015,010.32	16,253,670.58	see the table below
Total	20,268,680.90	–	4,015,010.32	16,253,670.58	

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Deferred income (Continued)

1. Deferred income in relation to government subsidies

Item	Beginning balance	Amount of new subsidies for current period	Amount included in non-operating income for current period	Ending balance	Asset-related/ income-related
a. Research on Critical Technique of Automobile Comprehensive Performance Testing, Development of its Product Series and its Industrialization	10,493,000.00	–	3,169,000.00	7,324,000.00	Asset-related
b. Research on critical technique on remote access of Internet of vehicle under in-car environment	2,410,629.33	–	588,326.86	1,822,302.47	Asset-related
c. Research on critical technique on Internet of Vehicle big data obtainment and analysis platform	365,051.57	–	257,683.48	107,368.11	Asset-related
d. Research on key technologies for robot wireless indoor positioning and cluster control system	3,000,000.00	–	–	–	Asset-related
e. Research on key technologies for robot wireless indoor positioning and cluster control system	1,000,000.00	–	–	–	Asset-related
f. 2018 Shenzhen Industrial Design Development Special Fund-Industrial Design Center Project	3,000,000.00	–	–	–	Asset-related
Total	20,268,680.90	–	4,015,010.32	16,253,670.58	

The amount included in other revenue in the current year profit and loss is RMB 4,015,010.32.

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(32) Deferred income (Continued)

2. Other explanations of deferred income

a. Representing the amount of “Research on Critical Technique of Automobile Comprehensive Performance Testing, Development of its Product Series and its Industrialization” fund amounted to 20 million received from Shenzhen Financial Bureau pursuant to Cai Jian [2010] No. 251 of the Ministry of Finance, which will mainly be used for the project’s infrastructure and the purchase of equipment. Main body of the research buildings relating to this project has been completed, and transferred to fixed assets on 31 December 2015.

b. Representing the amount of “Research on critical technique on remote access of Internet of vehicle under in-car environment” fund amounted to 4.5 million received from Science and Technology Innovation Committee of Shenzhen Municipality pursuant to document “STIC(2015)No.208” which will mainly be used for the project’s research and development. The project passed the accoutrement in May 2018.

c. Representing the amount of “Research on critical technique on Internet of Vehicle big data obtainment and analysis platform” fund amounted to 1 million received from Science and Technology Innovation Committee of Shenzhen Municipality pursuant to document “STIC(2014)No.320” which will mainly be used for the project’s research and development. The project passed the accoutrement in January 2018.

d. Representing the amount of RMB 3.00 million subsidy for the Key technology research and development project of the robot indoor wireless positioning and cluster control system allocated by the Shenzhen Science and Technology Innovation Committee, pursuant to the document Shenzhen Development and Reform Commission [2017] No. 1447, received in 2018 which will be mainly for the research and development of the project. The project is still in the research stage as of 31 December 2019.

e. Representing the amount of RMB 1.00 million subsidy for the Key technology research and development project of the robot indoor wireless positioning and cluster control system allocated by the Shenzhen Longgang District Science and Technology Bureau, pursuant to the document Shenzhen Development and Reform Commission [2017] No. 1447, received in 2018 which will be mainly for the research and development of the project. The project is still in the research stage as of 31 December 2019.

f. Representing the amount of RMB 3.00 million subsidy for the Special fund for industrial design development allocated by the Shenzhen Economic and Trade and Information Commission, pursuant to the document Shenzhen Economic and Trade Information Budget [2018] Document 173, received in 2018 which will be mainly for the construction project of Launch Tech Industrial Design Centre. The project is still in the research stage as of 31 December 2019.

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(33) Share capital

Items	Beginning balance	Increase(+)/Decrease(-) in current period: Issuance of new shares	Bonus shares	Transfer from reserve	Others	Sub-total	Ending balance
Total number of shares	375,460,000.00	–	–	72,036,100.00	-15,279,500.00	56,756,600.00	432,216,600.00

Explanation on changes in share capital:

Since 30 November 2018, the Company has successively repurchased the outstanding shares. As of 14 March 2019, the Company has repurchased a total of 152,795,000 shares. As of 21 March 2019, all the repurchased shares have been cancelled, and the total number of shares in the Company has been changed from 376,546,000 shares to 360,180,500 shares.

A general meeting of shareholders held on 26 June 2019 passed a resolution: to convert capital reserve into share capital to increase the share capital by 2 shares for every 10 shares. The number of shares capital increase was 72,361,000 shares. The share transfer was completed in August 2019, and the Company's share capital was changed from 360,180,500 shares to 432,126,600 shares.

(34) Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium (share premium)	562,481,725.91	–	152,488,857.97	409,992,867.94
Other capital reserve	–	–	–	–
Total	562,481,725.91	–	152,488,857.97	409,992,867.94

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(34) Capital reserves (Continued)

Explanation on capital reserve:

(1) Since 30 November 2018, the Company has successively repurchased the shares issued abroad. As of 14 March 2019, the Company has repurchased 15,279,500 shares, and the repurchase cost totalled RMB 95,732,257.97. As of 21 March 2019, all the repurchased shares have been cancelled, and the total number of shares of the Company has been changed from 370,546,000 shares to 360,180,500 shares, resulting in a change in capital reserve amounted RMB 80,452,757.97.

(2) A general meeting of shareholders held on 26 June 2019 passed a resolution: to convert capital reserves into share capital for 2 shares for every 10 shares. The number of shares that should be converted into share capital was 72,061,000 shares. In August 2019, the share transfer was completed, and the Company's share capital was changed from 360,180,500 shares to 432,126,600 shares, resulting in a change of capital reserve of RMB 72,036,100.00

(35) Treasury share

Items	Beginning balance	Increase	Decrease	Ending balance
Repurchase of shares	80,356,846.06	15,375,411.91	95,732,257.97	–
Total	80,356,846.06	15,375,411.91	95,732,257.97	–

Explanation on Treasury share

At 21 June 2018, 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 14 March 2019, the Company has repurchased 15,279,500 issued H share costed a total of RMB 95,732,257.97. As of 21 March 2019, all the repurchased shares have been cancelled.

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(36) Other comprehensive income

Items	Beginning balance	Transactions during the period: Amount before tax	Less: Other comprehensive income included in the previous period is transferred to profit or loss for the current period	Less: Other comprehensive income included in the previous period is transferred to retained profit	Less: Hedging reserves transferred to related assets or liabilities	Less: profit tax	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: carry forward	Re-measure the change in the defined benefit plan	Less: Other comprehensive income included in the previous period is transferred to retained profit	Ending balance
1. Other comprehensive income not reclassified to profit or loss												
1. Changes in fair value of investments in other equity instruments		-8,053,412.30				295,178.70	-8,348,591.00					-8,348,591.00
2. Credit impairment losses on Receivable financing		150,000.00					150,000.00					150,000.00
2. Other comprehensive income reclassified to profit or loss												
1. Foreign currency statement translation difference	1,581,939.58	-230,500.21					-230,500.21					1,351,439.37
Total other comprehensive income	1,581,939.58	-8,133,912.51				295,178.70	-8,429,091.21					-6,847,151.63

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(37) Surplus reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserve	41,036,682.03	–	–	41,036,682.03
Discretionary surplus reserve	–	–	–	–
Total	41,036,682.03	–	–	41,036,682.03

(38) Undistributed profits

Items	Amount	Provision or distribution proportion (%)
Undistributed profits at the end of last period before adjustment	69,071,463.23	–
Adjustment of total undistributed profits at the beginning of the period ("+" for increase and "-" for decrease)	–	
Undistributed profits at the beginning of the period after adjustment	–	–
Add: Net profits attributable to owners of parent company during this period	-136,931,562.94	–
Transfer to statutory surplus reserve	–	–
Ordinary share dividend payable	36,018,050.00	
Undistributed Profits at the end of period	-103,878,103.23	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(39) Operating income and operating costs

1. Operating income and operating costs

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	902,369,666.58	527,431,024.95	1,007,493,813.06	612,341,941.44
Other operations	39,339,661.26	4,973,994.60	41,044,572.90	4,973,994.60
Total	941,709,327.84	532,405,019.55	1,048,538,385.96	617,315,936.04

(40) Business tax and surcharges

Items	Current period	Previous period
City maintenance and construction tax	2,015,108.33	4,454,527.93
Education surcharge	1,457,639.86	3,200,390.83
Property tax	3,876,984.49	3,697,895.25
Land use tax	356,657.78	477,697.84
Other	403,685.00	239,742.30
Total	8,110,075.46	12,070,254.15

The tax and surcharges in this period decreased by 32.81% compared with the amount incurred in the previous period, which was mainly due to the decrease in urban construction tax and surcharge in this period.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(41) Selling expenses

Items	Current period	Previous period
Remuneration	59,874,124.24	61,474,213.74
Depreciation expenses	600,496.37	514,190.98
Amortization right to use assets	552,490.58	–
Rental expenses	3,964,343.10	4,642,706.54
Office expenses	1,603,288.35	2,130,068.16
Exhibition expenses	2,618,469.43	2,209,188.41
Advertising and printing expenses	24,376,846.20	12,214,865.33
Travelling expenses	4,255,434.93	7,174,252.32
Vehicle expenses	900,804.68	1,020,023.98
Entertainment	398,832.71	681,408.70
Postage	678,432.61	1,122,765.66
Storage and transportation fees	3,971,505.81	4,732,214.00
Customs fees	1,934,831.05	1,686,877.31
Commissions	6,292,619.62	7,718,829.05
Training expenses	2,814,168.12	1,144,195.68
After-sales service costs	9,038,930.33	6,042,407.55
Others	5,963,243.28	4,742,937.19
Total	129,838,861.41	119,251,144.60

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(42) Administrative expenses

Items	Current period	Previous period
Remuneration	30,963,674.74	27,672,514.11
Office expenses	1,786,740.62	1,846,948.84
Travelling expenses	4,883,456.69	5,215,609.93
Entertainment	5,153,454.34	4,062,879.60
Security fund for disabled	591,754.37	470,580.30
Inventories losses	10,239,248.71	5,611,520.29
Amortization of low-cost consumables	220,107.06	89,059.30
Legal and auditing expenses	5,917,456.31	16,705,101.26
Depreciation expenses	10,597,312.85	10,305,246.62
Union funds and employee education funds	309,669.36	1,696,162.93
Vehicles and storage and transportation costs	2,488,136.94	2,995,107.96
Repairs and maintenance expenses	1,424,083.03	1,969,850.14
Amortization of intangible assets	1,360,597.89	1,330,297.13
Patent application and inspection certification fees	265,465.23	2,477,223.96
Other expenses	8,349,727.47	6,742,304.26
Total	84,550,885.61	89,190,406.63

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(43) Research and development expenses

Items	Current period	Previous period
Remuneration	125,679,984.00	74,132,829.20
Materials	5,177,581.44	3,395,257.06
Testing	794,936.13	251,000.26
Technical services	25,739,912.64	9,698,646.62
Inspection and testing	2,178,331.25	1,043,091.03
Rental	1,721,044.42	1,944,920.38
Depreciation	3,535,255.53	3,312,755.18
Amortization of intangible assets	82,214,839.44	54,691,655.21
Office expenses and communications	4,843,288.96	3,120,672.00
Travelling expenses	3,959,001.19	2,191,185.44
Entertainment	156,158.32	52,713.97
Other expenses	5,743,869.90	4,332,037.48
Total	261,744,203.22	158,166,763.83

Explanations on research and development expenditure:

The amount of research and development expenses incurred in this period increased by 65.49% compared with the previous period, which was mainly due to the increase in research and development efforts and the increase in investment in research and development.

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(44) Finance costs

Categories	Current period	Previous period
Interest expenses	22,565,551.75	16,696,006.21
Less: Interest income	648,568.24	1,672,430.72
Exchange differences	-3,369,329.66	-1,848,894.72
Others	4,342,426.95	937,026.96
Unrecognised financing charges	420,506.53	–
Other	1,259,895.16	2,204,014.26
Total	24,570,482.49	16,315,721.99

Explanation on finance costs:

Financial costs increased by 50.59% is mainly due to Interest expenses increased due to borrowings increased.

(45) Other Income

1. Other income details

Items	Current period	Previous period
Government grants	38,680,782.77	48,511,958.98
Including: VAT refund	23,537,676.10	35,584,800.16
Tax handling chase refund	339,324.14	263,356.51
Total	39,020,106.91	48,775,315.49

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Other Income (Continued)

2. Government grants included in other income

Items	Current period	Previous period	Asset nature/ Revenue nature
Transferred from Deferred income	4,015,010.32	5,893,319.10	Assets related
The first batch of funding for the Shenzhen Enterprise Science and Technology Innovation Commission's 2018 corporate research and development funding plan 026273	2,880,000.00		Revenue related
Third batch of R & D subsidies from Shenzhen Science and Technology Innovation Committee in 2018	1,909,000.00		Revenue related
Special support for the district-level industrial design center of Shenzhen Longgang District Finance Bureau in 2018	1,500,000.00		Revenue related
The first batch of industrial design development support funds of the Shenzhen Economic and Trade and Information Technology Commission in 2019	1,300,000.00		Revenue related
Shenzhen Economic and Trade and Information Technology Commission transfers funds to Pengfei Industrial Development Zone	908,000.00		Revenue related
Received the Science and Technology Innovation Committee funds: the first batch of research and development funding 2019001	525,000.00		Revenue related
Shenzhen Municipal Market and Quality Supervision and Administration Commission 2018 the first batch of patents second report 151	500,300.00		Revenue related
Shenzhen Longgang District Finance Bureau transferred incentives for R & D investment of technology companies (the fifth batch in 2018)	500,000.00	1,525,100.00	Revenue related
The Longgang District Finance Bureau of Shenzhen City transferred the funds for the 2018 technological transformation support project	206,000.00		Revenue related

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(45) Other Income (Continued)

2. Government grants included in other income (Continued)

Items	Current period	Previous period	Asset nature/ Revenue nature
Shenzhen Longgang District Industry and Information Technology Bureau, the third batch of special funds for exhibition support in 2018	187,761.20		Revenue related
Social Security Bureau transferred to the stable subsidies	170,168.14	151,071.72	Revenue related
The Longgang District Finance Bureau of Shenzhen City transferred the self-insured export credit insurance company premium support funds in 2018	117,009.00		Revenue related
Shenzhen Longgang District Finance Bureau's second funding support in 2019	100,000.00		Revenue related
Shenzhen Science and Technology Innovation Committee R & D Subsidy		1,227,000.00	Revenue related
Funding for key industrial enterprises to expand production and increase efficiency		1,000,000.00	Revenue related
Shenzhen National Provincial Science and Technology Plan Supporting Project Support		1,000,000.00	Revenue related
Shenzhen Patent Application Funding Fund		933,525.00	Revenue related
Shenzhen Special Fund for Intellectual Property Protection		672,000.00	Revenue related
Shenzhen Patent Funding		129,935.00	Revenue related
Shenzhen Overseas Trademark Registration Funding Fund		115,000.00	Revenue related
Shenzhen Longgang District Finance Bureau Enterprise Special Support Project Fund		100,000.00	Revenue related
VAT refund	23,537,676.10	35,584,800.16	Revenue related
Other	324,858.01	180,208.00	Revenue related
Total	38,680,782.77	48,511,958.98	

2019 (Expressed in Renminbi)

VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(46) Investment income

1. Details of investment income

Items	Current period	Previous period
Investment income from disposal of trading financial assets	–	1,730,120.79
Investment income from disposal of other debt investment	5,341.54	–
Total	5,341.54	1,730,120.79

(47) Impairment loss on credit

Items	Current period	Previous period
Bad debts	-51,643,339.57	-13,895,762.43
Total	-51,643,339.57	-13,895,762.43

(48) Asset impairment losses

Items	Current period	Previous period
Inventory provision	-17,942,804.84	–
Impairment loss on intangible assets	-4,548,152.66	-10,253,672.51
Total	-22,490,957.50	-10,253,672.51

(49) Gain on disposal of assets

Items	Current period	Previous period
Gain on disposal of non-current assets	737,196.83	26,258.78
Including: gain on disposals of fixed assets	737,196.83	26,258.78
Total	737,196.83	26,258.78

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(50) Non-operating income

Items	Current period	Previous period	Amount recorded in non-recurring gain or loss
Others	1,330,373.75	2,730,768.43	1,330,373.75
Total	1,330,373.75	2,730,768.43	1,330,373.75

(51) Non-operating expenses

Items	Current period	Previous period	Amount recorded in non-recurring gain or loss
Total loss on disposals of non-current assets	1,419,013.03	2,390,238.66	1,419,013.03
Including: Loss on disposals of fixed assets	1,419,013.03	2,390,238.66	1,419,013.03
Others	124,436.56	100,798.06	124,436.56
Total	1,543,449.59	2,491,036.72	1,543,449.59

(52) Income tax expense

Items	Current period	Previous period
Deferred income tax expenses	1,746,883.00	-1,218,777.64
Current income tax expenses	-384,528.72	4,983,344.87
Total	1,362,354.28	3,764,567.23

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(52) Income tax expense (Continued)

1. Accounting profit and income tax expense adjustment process

Item	Transactions in the period
Profit amount	-135,569,321.19
Income tax expense at statutory/applicable tax rate	-20,335,398.18
The impact of applying different tax rates to subsidiaries	-9,279,042.48
Adjust the impact of previous income taxes	609,731.41
The impact of non-taxable income	
Non-deductible costs, expenses and loss impact	4,017,787.04
Impact of deductible losses on deferred income tax assets not recognized in the previous period	-10,308,920.90
Effect of deductible temporary differences or deductible losses for deferred income tax assets not recognized in the current period	77,915,852.63
R & D expenses plus deduction impact	-41,327,324.27
Internal unrealized profit	69,669.03
Income tax expense	1,362,354.28

(53) Notes to in cash flow statement

1. Other cash receipts relating to operating activities

Items	Current period	Previous period
Interest income	516,492.77	1,645,986.28
Government grants	40,266,430.11	43,953,547.27
Tax handling chase refund	359,683.58	279,157.80
Other non-operating income	797,157.49	2,705,688.49
Current accounts	3,375,248.53	8,673,038.00
Total	45,315,012.48	57,257,417.84

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Notes to in cash flow statement (Continued)

2. Other cash payments relating to operating activities

Items	Current period	Previous period
Administrative expenses	31,207,570.40	47,575,768.39
Rescore developmental seaplane	65,221,547.83	27,900,078.77
Selling expenses	43,978,965.95	56,975,160.81
Bank charges and other	5,602,322.11	3,141,041.22
Non-operating expenses	124,436.56	83,453.89
Other current accounts	14,970,577.77	6,711,150.46
Total	161,105,420.62	142,386,653.54

3. Other cash received relating to investing activities

Items	Current period	Previous period
National debt cost recovered	50,706,980.87	–
Gain on trading of national debts	5,341.53	–
Financial product redemption	–	176,000,000.00
Financial product income	–	1,730,120.79
Total	50,712,322.40	177,730,120.79

4. Other cash paid relating to investing activities

Items	Current period	Previous period
Acquisition of Notional debt	50,706,980.87	–
Acquisition of financial products	20,000.00	176,000,000.00
Total	50,706,980.87	176,000,000.00

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(53) Notes to in cash flow statement (Continued)

5. Other cash paid relating to financing activities

Items	Current period	Previous period
Shares repurchased	15,375,411.91	80,356,846.06
Restricted monetary funds	9,000,000.00	–
Lease liabilities	2,807,187.11	–
Total	27,182,599.02	80,356,846.06

(54) Supplementary Information of Cash Flow Statement

1. Supplementary Information of Cash Flow Statement

Items	Current period	Previous period
1. Reconciliation of net income to cash flows from operating activities:		
Net Income	-136,931,721.95	59,085,583.32
Add: Provision for credit loss	51,643,339.57	13,895,762.43
Provision for impairment on assets	22,490,957.50	10,253,672.51
Depreciation of fixed assets, oil and gas assets and productive biological assets	28,587,549.48	31,218,165.01
Amortization of right-of-use assets	2,702,284.81	–
Amortization of intangible assets	83,575,437.33	56,021,952.34
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for gains)	737,196.83	-26,258.78
Losses on scrapping of fixed assets ("-" for gains)	1,419,013.03	2,390,238.66
Finance costs ("-" for gains)	19,355,391.61	16,696,006.21
Investments losses ("-" for gains)	-5,341.54	-1,730,120.79

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Supplementary Information of Cash Flow Statement (Continued)

1. Supplementary Information of Cash Flow Statement (Continued)

Items	Current period	Previous period
Decrease in deferred tax assets ("-" for increase)	-384,482.24	-1,218,777.64
Decrease in inventories ("-" for increase)	-36,615,126.73	6,170,262.17
Decrease in operating receivables ("-" for increase)	60,968,005.80	-168,867,487.77
Increase in operating payables ("-" for decrease)	28,851,945.58	51,620,957.44
Net cash flows from operating activities	126,394,449.08	75,509,955.11
2. Investing and financing activities that do not involve cash receipts and payments	–	–
3. Net increase in cash and cash equivalents		
Cash at the end of the period	470,434,623.64	319,387,733.38
Less: Cash at the beginning of the period	319,387,733.38	538,008,718.76
Add: Cash equivalent at the end of the period	–	–
Less: Cash equivalent at the beginning of the period	–	–
Net increase in cash and cash equivalents	151,046,890.26	-218,620,985.38

2. Net cash paid for acquisition of subsidiaries in the current period

Items	Current period
Cash or cash equivalents paid by the business combination in the current period	
Includes: NJ Launch	4,000,000.00
NJG	10,000,000.00
Cash paid for acquisition of subsidiary	14,000,000.00

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(54) Supplementary Information of Cash Flow Statement (Continued)

3. Total cash outflows related to leases

Catagory	Reporting item	Current period	Previous period
Repayment of principal of lease liability	Payment of other cash related to financing activities	2,386,680.58	–
Repayment of interest of lease liability	Payment of other cash related to financing activities	420,506.53	–
Total		2,807,187.11	–

4. Composition of cash and cash equivalents

Items	Ending balance	Beginning balance
1. Cash	470,434,623.64	319,387,733.38
Including: Cash deposits	1,239,664.75	1,154,886.03
Available-for-use-bank deposit	469,171,487.67	302,740,230.38
Available-for-use-other currency fund	23,471.22	15,492,616.97
2. Cash equivalents		
Including: bond investment maturing within three months	–	–
3. Cash and cash equivalents as at the end of the period	470,434,623.64	319,387,733.38
Including: Restricted cash and cash equivalent in the parent company or subsidiaries in the Group	–	–

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(55) Assets with restricted ownership or use rights

Items	Balance	Reason for restriction
Bank and cash	9,000,000.00	Security for borrowings
Investment properties	130,894,596.38	Security for borrowings
Intangible assets	271,105,771.76	Security for borrowings
Fixed assets	13,511,684.63	Security for borrowings
Total	424,512,052.77	

For assets with restricted ownership or use rights, please refer to Note XII (I) 2. Other significant financial commitments.

(56) Foreign currency items

1. Foreign currency items

Items	Ending balance in foreign currency	Exchange rate	Ending balance converted in RMB
Bank balances and cash			
Including: USD	15,732,900.48	6.9762	109,755,860.33
Euro	338,758.27	7.8155	2,647,565.26
HKD	207,649.41	0.8958	186,008.71
GBP	0.37	9.1501	3.39
Accounts receivable			
Including: USD	22,619,563.26	6.9762	157,798,597.21
Euro	2,314,382.85	7.8155	18,088,059.17
Short-term borrowings			
Including: USD	21,500,000.00	6.9762	149,988,300.00
Euro	1,203,801.11	7.8155	9,408,307.58
Accounts payable			
Including: USD	82,656.00	6.9762	576,624.79

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VI. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(56) Foreign currency items (Continued)

2. Foreign Operating Entities

Name of investee	Currency	Main item of the financial statements	Exchange rate	Note
Launch Europe GmbH	Euro	Long-term equity investments	10.1172	Historical exchange rate of investment
			9.1577	Historical exchange rate of investment
		Net assets (other than undistributed profits)	10.0000	Historical exchange rate when occurrence
		Profit and loss	7.7245	Annual average exchange rate
		Other items	7.8155	Year-end exchange rate
Launch International	HKD	Long term investment	0.84029	historical rate
		Revenue items	0.88023	Annual average rate
		Other items	0.89578	Year end rate

(57) Government grants

1. Government grants by project classification

Item	Current period	Charge to profit and lees	Note
Government grants included in other income	34,665,772.45	34,665,772.45	See Note45
Total	34,665,772.45	34,665,772.45	

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

(1) Acquisition of subsidiaries through establishment or investment

Name	Type	Registration place	Business Nature	Registered capital	Major operation
NJG	Limited Liability Company	Nanjing	Software and information technology services	10,000,000.00	Big data technology, information technology, internet technology, etc.

Continued:

Name	Shareholding (%)	Voting right (%)	Actual invested amount at the period end	Project balance for constitution of investment to net investment in substance	Included in consolidation
NJG	100	100	10,000,000.00		Yes

Continued:

Name	Enterprise type	Unified Social code	Minority interest	Amount to offset minority interest	equity used to offset minority interest
NJG	Limited Liability Company	91320114MA202X6G0H	–		

2019 (Expressed in Renminbi)

VIII. EQUITY INTERESTS IN OTHER ENTITIES

(I) Equity interests in subsidiaries

1. Composition of the Group

Name of subsidiaries	Principal place of operation	Registration place	Business nature	Shareholding proportion (%) Direct	Indirect	Way of acquisition
Shanghai Launch	Shanghai	Shanghai	Production of automobiles maintenance machines and equipment and automobile warranty machines such as automobile spray booths, tire balancer, tire changer, 4-wheel aligner, frame racks and automobile testing line.	100	–	Establishment
Xi'an Launch	Xi'an	Xi'an	Development, production and sales of automotive diagnosis, inspection, repair and maintenance software; development, production and sales of auto electronic products.	100	–	Establishment
Launch Software	Shenzhen	Shenzhen	Development and sales of computer software and hardware; computer network engineering and development and consulting of computer technology, import and export business.	100	–	Business combination under common control
Launch Europe GmbH	Germany	Germany	Sales of computer software and hardware, consulting services of electronic products and technical.	100	–	Business combination not under common control
Shenzhen Haishiwei	Shenzhen	Shenzhen	Health care management consultation (not include medical treatments); Health care products development; computer software and hardware and peripherals, mobile phone, communication products, electronic products development and distribution; chip development and distribution; goods and technologies import and export.	100	–	Establishment
Golo Repair	Shenzhen	Shenzhen	Computer software and hardware technology development and distribution; computer network projects; computer technology development, consultation and technical services; import and export.	100	–	Establishment
PJS	Shenzhen	Shenzhen	Computer hardware and software, communications equipment, technology development and sales, computer graphic design, graphic design, corporate image planning, Internet information consultation.	100	–	Establishment
Launch International	Hong Kong	Hong Kong	Car diagnosis, testing, maintenance equipment sales, information network services.	100	–	Establishment
Nanjing Launch	Nanjing	Nanjing	Intelligent technology research and development, computer hardware and software development, production and sales, self-operation and agent services for import and export of various commodities and technologies.	100	–	Establishment
SLH	Shenzhen	Shenzhen	Development and sales of computer software and information system software, research and development of car sharing technology	100	–	Establishment
南京軲轆大數據科技有限公司 "NJG"	Nanjing	Nanjing	Big data technology, information technology, internet technology, etc.	100		Establishment

VIII. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(2) Joint operation and associate

Details of joint operation or associate are as follows:

Name	Relationship
R & Launch Corporation	Associate

R & LAUNCH Corporation is a jointly controlled company invested by the Group through Launch International. On 17 June 2016, Launch International, the Company's subsidiary, invested USD 174,287.32 (translated as 200,000,000KRW, translated to RMB1,146,723.42) for holding of 50.00% interest, and TAI-HWAN RHEE invested 200,000,000 KRW for holding of 50.00% interest.

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include bank balances and cash, other equity instrument investments, loans, account receivables, account payables, etc. The Company may face all kinds of financial risks in its operating activities: credit risks, liquidity risks and market risks (mainly foreign exchange risk sand interests rate risk). The overall risk management plan of the Company focuses on the unpredictability of the financial market and strives to reeducate potential adverse impact on the financial results of the Company.

(I) Credit risks

Credit risk refers to the risk that the counter-party fails to perform its contractual obligations and causes the company to generate financial losses. The management has formulated certain credit policies and constantly supervise the exposure to such credit risks.

The Company has adopted a policy of trading only with creditworthy counter-parties. In addition, the Company evaluates the customer's credit qualifications and sets the corresponding credit period based on the financial status of the customer, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company continuously monitors the balance of receipts and receivables and the recovery of the accounts. For customers with poor credit records, the Company will use written reminders, shorten the credit period or cancel the credit period to ensure that the company does not face major Credit loss. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets are fully prepared for expected credit losses.

Other financial assets of the Company include bank balances and cash, other receivables, etc. The credit risk of these financial assets arises from the counterparty default, and the maximum credit risk exposure is the carrying amount of each financial asset in the balance sheet. The company does not provide any other guarantees that may expose the company to credit risk.

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IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Credit risks (Continued)

Bank balance and cash held by the Company are mainly deposited in financial institutions such as state-controlled banks and other large to medium size commercial banks. The management believes that, the commercial banks have good reputation and asset status with low credit risks, and no significant credit risk and no significant losses from beach of contracts are expected. The Company's policy is to control the amount of deposits in the deposits based on the market reputation, scale of operations and financial background of each well-known financial institution to limit the amount of credit risk to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses the division of overdue time to assess the impairment losses of accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the overdue time information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. Based on historical data, the Company calculates the historical actual bad debt rate for different overdue periods and considers the current and future economic conditions. For example, the forward-looking information such as national GDP growth rate, total capital investment, and national monetary policy are adjusted to obtain the expected loss rate.

As of 31 December 2018, the book value of the underlying assets and the expected credit impairment losses are as follows:

Aging	Book value	Expected impairment loss on credit
Bills receivable	252,688,710.65	60,802,586.18
Accounts receivable	48,247,179.24	19,220,350.29
Accounts receivable financing	33,626,210.19	150,000.00
Total	334,562,100.08	80,172,936.47

As of 31 December 2019, receivables of top five customers of the Company accounted for 60.21% (2018: 58.03%) of the total receivables of the Company.

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IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(II) Liquidity risks

Liquidity risk refers to the risk that the Company may not obtain sufficient funds in time to satisfy the demands for business development or repayment of the debts when due and other payment obligations. Each member company of the Company is responsible for its cash flow forecast.

The finance department of the Company constantly supervises the short-term and long-term demands for funds of the Company to make sure to maintain sufficient cash reserve; and meanwhile, the department also supervises compliance with loan agreements, the commitment from major financial institutions for sufficient reserve funds to satisfy the short-term and long-term demands for funds. In addition, the Company entered into a credit line banking facilities agreement with the major business banks to provide support for the Company's obligations related to commercial bills. As of 31 December 2019, the Company has bank credit lines provided by various domestic banks, amounting to 949,000,000, of which 583,983,300 has been utilized.

As of 31 December 2019, all the financial assets and financial liabilities and of balance sheet guarantees of the Company are presented at undiscounted contractual cash flows by maturity date as follows:

	Ending balance						
Item	Immediate payable	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	485,396,607.58						485,396,607.58
Bills payable	108,000,000.00						108,000,000.00
Accounts payable							
Other payables	140,531,794.10						140,531,794.10
Other currenct liabilities	21,205,958.12						21,205,958.12
Long-term borrowing fall due with one year	2,802,016.54						2,802,016.54
Lease liabilities	5,279,622.40						5,279,622.40
Sub-total	763,215,998.74						763,215,998.74

2019 (Expressed in Renminbi)

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks

1. Exchange rate risk

The principal places of operation of the Company are located in China and the major businesses are settled in RMB. However, the recognized foreign currency assets and liabilities as well as the foreign currency transactions in the future (the functional currency of foreign assets and liabilities as well as the transactions are mainly USD and Euro) remain exposed to exchange rate risks. The finance department of the Company is in charge of supervising the foreign currency transaction and the size of foreign assets and liabilities so as to reduce the exposure to exchange rate risks.

(1) No forward foreign contract has been signed by the Company during the year.

(2) as of 31 December 2019, the amounts of financial assets and financial liabilities in foreign currency held by the Company that is converted to RMB are presented as follows:

	Ending balance				
Item	USD	Euro	HKD		Total
Foreign currency financial assets:					
Bank balance and cash	109,755,860.33	2,647,565.26	186,008.71	3.39	112,589,437.69
Accounts receivable	183,806,892.69	18,088,059.17			201,894,951.86
Sub-total	293,562,753.02	20,735,624.43	186,008.71	3.39	314,484,389.55
Foreign currency financial liabilities:					
Short-term borrowings	149,988,300.00	9,408,307.58			159,396,607.58
Accounts payable	576,624.79				576,624.79
Sub-total	150,564,924.79	9,408,307.58			159,973,232.37

2019 (Expressed in Renminbi)

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks (Continued)

1. Exchange rate risk (Continued)

(2) (Continued)

Continued:

	Beginning balance			
Item	USD	Euro	HKD	Total
Foreign currency financial assets:				
Bank balance and cash	35,932,177.29	2,052,445.62	15,562,270.75	53,546,893.66
Accounts receivable	251,633,339.51	12,032,279.61		263,665,619.12
Sub-total	287,565,516.80	14,084,725.23	15,562,270.75	317,212,512.78
Foreign currency financial liabilities:				
Short-term borrowings	55,454,656.00			55,454,656.00
Accounts payable	926,045.40			926,045.40
Sub-total	56,380,701.40			56,380,701.40

(3) Sensitivity analysis:

As of 31 December 2019, for the financial assets and financial liabilities of the Company in USD, Euro and HKD, if RMB appreciates by 10% against USD, EUR and HKD with other factors remaining unchanged, the net profits of the Company will reduce by RMB11,548,999.71 (2018: approximately RMB19,652,855.36). If the RMB depreciates by 10.00% against the USD Euro, HKD and BP, and other factors remain unchanged, the Company will increase its net profit by approximately RMB14,115,444.04 (about RMB 24,020,156.62 in 2018).

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks (Continued)

2. Interest rate risks

The interest rate risk of the Company mainly comes from the bank borrowing. Financial liabilities with floating interest rate expose the Company to interest rate risk in cash flows; financial liabilities with fixed interest rate expose the Company to interest rate risk in fair value. The Company determines the comparative proportion of fixed rate and floating rate according to the market environment.

The finance department of the Company constantly supervise the interest rate level of the Company. Rise in the interest level will increase the cost of interest-bearing debts and the interest expenses of interest-bearing debts with floating rate that have not yet been repaid, and may have material adverse impact on the financial results of the Company. The management will make timely adjustment according to the latest market conditions.

(1) The Company had no interest rate swap arrangement during the year.

(2) As of 31 December 2019, the Company's long-term interest-bearing debt is the contract with floating interest rate dominated in RMB, and the value is RMB485,396,607.58. See Note VI (21), (24) and (26) for details.

(3) Sensitivity analysis:

As of 31 December 2018, if the interest rate of the loan with floating rate rises or falls by 50 basis points with the other factors remaining unchanged, the net profits of the Company reduces or increases by approximately RMB2,061,053.93 (2018: approximately RMB1,213,182.29).

It is assumed in the sensitivity analysis above that, changes in interest rate occurred on the balance sheet date and were applied to all borrowings of the Company with floating rate.

X. FAIR VALUE

(I) Financial instrument measured at fair value

The Company presents the book value of the financial asset instruments measured at fair value on 31 December 2019 at three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: unadjusted quote for the same assets or liabilities that can be obtained on the measurement date in an active market;

Level 2: input value that is directly or indirectly observable for related assets or liabilities other than the input value of the level 1;

Level 2 of input values includes: 1) quotations for similar assets or liabilities in an active market; 2) quotations for identical or similar assets or liabilities in an inactive market; 3) observable inputs other than quotations, including in normal quotations Observable interest rate and yield curves, implied volatility and credit spreads during the interval; 4) Market-proven input values, etc.

Level 3: An unobservable input value of the underlying asset or liability.

X. FAIR VALUE (Continued)

(II) Fair value measurement

1. Continuous fair value measurement

Items	Ending Fair value Level 1	Level 2	Level 3	Total
Trading financial assets	–	–	20,000.00	20,000.00
Accounts receivable financing	–	–	33,626,210.19	33,626,210.19
Investment in other equity instruments	–	–	7,946,587.70	7,946,587.70
Total	–	–	41,592,797.89	41,592,797.89

(III) Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term loans, payables, and non-current liabilities due within one year.

The difference between the book value of the above financial assets and liabilities not measured at fair value and the fair value is small.

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS

(1) The ultimate controlling shareholder of the Company

The ultimate controlling shareholder of the Company is Mr. Liu Xin.

(2) Details of subsidiaries of the Company are set out in note VIII (1) "Equity interests in subsidiaries".

(3) Joint operation and associate

For details of the Company's significant joint operation and associate, please refer to Note VIII (II) Interests in joint operation and associate

Joint operation and associate in which the Company has a related party transaction or a balance caused by a related party transaction in the previous period is as follows:

Name	Relationship
R&LAUNCH Corporation	Associate

2019 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(4) Other related parties

Name	Relation
Liu Xin	Beneficial controller
Liu Jun	Brother of benefical controller
深圳市五德嘉垣餐飲管理公司	Held by beneficial controlling person
北京北邁科技股份有限公司	The Yuan Rui 1 Fund established by the company holds 10% of its equity, and the Company' s senior executive Zhang Jiangbo is its director
深圳市易成自動駕駛技術有限公司	Held by beneficial controlling person
深圳市易優成科技有限公司	PJS, a subsidiary of the Company, holds 19.40% of its equity

(5) Connected Transactions

1. For the subsidiaries which are controlled by the Company and consolidated into the consolidated financial statements, the transactions amongst them and that between the Company and them have been eliminated.

2. **Related party transactions for procurement of goods, to accept the labor services**

Related parties	Nature of related transactions	Current period	Previous period
深圳市五德嘉垣餐飲管理公司	Catering services	2,531,213.50	2,313,436.00
深圳市易成自動駕駛技術有限公司	Technical services	–	754,717.24
Total		2,531,213.50	3,068,153.24

3. **Related party transactions for sale of goods and provision of services**

Related parties	Nature of related transactions	Current period	Previous period
R & Launch Corporation	Sales of goods	4,465,678.12	7,101,098.27
深圳市易成自動駕駛技術有限公司		1,590,707.96	
Total		6,056,386.08	7,101,098.27

2019 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

4. Guarantee with related parties

(1) The Company as warrantee

Details of guarantee are as follows:

No.	Warrantor	Amount guaranteed	Ending balance	Date of commencement	Maturity date	Completed or not
a	Launch Software,	300,000,000.00	50,000,000.00	19/8/2019	18/8/2022	No
	Shanghai Launch,		36,000,000.00	19/8/2019	11/8/2022	No
	Liu Xin, Liu Jun		55,809,600.00	15/8/2019	30/1/2022	No
b	Launch Software,	250,000,000.00	90,000,000.00	23/9/2019	22/9/2022	No
	Shanghai Launch,		40,000,000.00	7/11/2019	6/11/2022	No
	Xian Launch,					
	Liu Xin, Liu Jun					
c	Liu Jun	120,000,000.00	80,000,000.00	27/11/2019	27/11/2023	No
d	Launch Software Shanghai Launch,	160,000,000.00	60,000,000.00	8/11/2019	7/5/2023	No
	Liu Xin, LiuJun		94,178,700.00	27/8/2019	14/2/2023	No
e	Launch Software,	69,000,000.00	35,000,000.00	7/1/2019	7/1/2022	No
	Shanghai Launch,		15,000,000.00	26/2/2019	22/2/2022	No
	Liu Xin, Liu Jun		28,000,000.00	28/2/2019	25/2/2022	No
	Total	899,000,000.00	583,988,300.00			

Explanation of guarantee with related parties

a) The Company and the Agricultural Bank of China Co., Ltd. Shenzhen Central District Sub-branch signed (Shenzhen Central District) Agricultural Banking Comprehensive Grant (2019) No. 0076 "Maximum Comprehensive Credit Contract" (Comprehensive credit line of RMB 250 million from 20 June 2019 to 19 June 2020, under the credit contract, the balance of short-term borrowings at the end of the period total RMB 141,809,600.00. For details, please refer to Note 6 (XVII) guaranteed borrowings and the secured + guarantee borrowings.

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

4. Guarantee with related parties (Continued)

(1) The Company as warrantee (Continued)

b) The Company entered into the consolidated credit facility agreement "2019 Zhen Zhong Yin She Zong Xie Zi No.0022" with Shenzhen Qianhai Shekou Branch of Bank of China (for a credit facility RMB300 million for period from 20 August 2019 to 20 August 2021), borrowing limit was RMB160 million; as of 31 December 2018, the balance of borrowing under such facility was RMB130 million details refer to Note 6 (XVII) guaranteed borrowings and the secured + guarantee borrowings.

c) The Company and China Merchants Bank Co., Ltd. Shenzhen Branch entered into the "Credit Agreement" 755XY2019019897 (the comprehensive credit limit is RMB 120 million, the period is from 5 September 2019 to 4 September 2020), as of 31 December 2019 the amount of the letter of credit issued under the credit agreement was RMB 80,000,000.00. Please refer to Note 6 Note 22 for notes payable.

d) The Company entered into the consolidated credit facility agreement "Jie 2018 Zong 26419 Huaqiao city" with Shenzhen Branch of China Construction Bank (for a credit facility of RMB160 million for period from 14 December 2018 to 9 November 2019), as of 31 December 2018, The total short-term loan balance under the financing quota contract is RMB 154,178,700.00 million details refer to Note 6 (XVII) the secured + guaranteed borrowings.

e) The Company and Guangdong development Bank Co., Ltd. Shenzhen Branch entered into the「Credit Quota Contract」(2018) Shenyin Comprehensive Granting No. 00296 (the highest comprehensive credit limit is RMB 119 million, and the highest credit limit exposure is RMB 69 million yuan, the period from 23 November 2018 to 22 November 2019) As of 31 December 2019, the short-term loan balance under the financing quota contract totaled RMB 50,000,000.00, and the amount of the bank acceptance draft was 28,000,000.00 Yuan, the maximum amount of guarantee provided by the guarantor for the above claims is RMB 69 million, and the remaining claims are provided by the Company as a pledge guarantee with a deposit of 9 million, see Note 6 (21)for details.

2019 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

5. Provision of fund to Related parties

Provisional fund to Related Parties

Related parties	Beginning balance	Provision of fund	Repayment	Interests	Ending balance
北京北邁科技股份有限公司	2,026,444.44			140,000.00	2,166,444.44
Total	2,026,444.44			140,000.00	2,166,444.44

Explanation of the related party's loan:

In this issue, the Company and 北京北邁科技股份有限公司 signed loan contracts in 2018 with a loan amount of RMB 2,000,000.00, with loan term of six months and interest rate of 7.00%p.a.. As of 31 December 2019, the remaining loan principal and interest amount amounted to RMB 2,166,444.44.

6. Related parties cash reserve

Related parties	Beginning balance	Debit in the period	Credit in the period	Ending balance	Nature
Liu Xin	–	1,438,263.00	1,400,000.00	38,263.00	Travelling and entertainment etc
Liu jun	–	410,423.80	354,817.24	55,606.56	Travelling and entertainment etc
Total	–	1,848,686.80	1,754,817.24	93,869.56	Travelling and entertainment etc

2019 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

7. Key management personnel remuneration

(1) Remunerations of Directors and supervisors

Item	Current period	Previous period
Key management personnel remunerations	5,405,259.71	5,997,021.02

Remuneration for directors and supervisors in 2019 are as follows:

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin		1,792,810.23	51,972.06	1,844,782.29
Liu Jun		1,738,543.56	51,972.06	1,790,515.62
Huang Zhaohuan		455,157.20	47,651.64	502,808.84
Jiang Shiwen		565,676.56	51,972.06	617,648.62
Non-executive directors				
Xia Hui	50,000.00			50,000.00
Independent non-executive directors				
Ning Bo	50,000.00			50,000.00
Liu Yuen	50,000.00			50,000.00
Zhang Yan	50,000.00			50,000.00
Supervisors				
Lei Zhiwei	10,000.00			10,000.00
Du Xuen	10,000.00			10,000.00
Cheng Chi		383,621.14	45,883.20	429,504.34
Total	220,000.00	4,935,808.69	249,451.02	5,405,259.71

2019 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

7. Key management personnel remuneration (Continued)

(2) Five highest paid personnels

2019, 3 directors were included in the 5 highest paid personnels.

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin	–	1,792,810.23	51,972.06	1,844,782.29
Liu Jun	–	1,738,543.56	51,972.06	1,790,515.62
Jiang Shiwen	–	565,676.56	51,972.06	617,648.62
Non-directors	–			
Huang Qing Cai	–	912,191.02	45,883.20	958,074.22
Huang JianHua	–	546,591.66	33,051.36	579,643.02
Total	–	5,555,813.03	234,850.74	5,790,663.77

8. Amount due from/to related parties

(1) Amount due from related parties

		Ending balance		Beginning balance	
Item	Related parties	Book value	Provision	Book value	Provision
Account receivables	R & LAUNCH Corporation	7,410,749.75	511,543.88	5,137,237.80	256,861.89
	深圳市易優成科技有限公司	1,797,500.00	89,875.00		
Other receivables	北京北邁科技股份有限公司	2,166,444.44	208,322.22	2,026,444.44	101,322.22
		38,263.00	1,913.15		
		55,606.56	2,780.33		

2019 (Expressed in Renminbi)

XII. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(I) Significant commitments

1. Ongoing lease agreements and related financial influence

As at 31 December 2019, the amount payables of irrevocable operating lease under the signed lease agreements during the following period are as follows:

Aging	Current period	Previous period
Under 1 year	3,724,483.60	4,842,429.60
2-5 years	5,596,230.96	7,575,200.13
Total	9,320,714.57	12,417,629.73

2. Other significant financial commitments

(1) Pledge of assets (details, amount and impact to be indicated)

Shanghai Launch the company's subsidiary pledged its properties and buildings with an original value of 148,112,900.35 and land use right with original value of 13,511,684.63 as the mortgage to provide pledge guarantee for the credit facilities agreement "2019 Zhen Zhong Yin She Zong Xie Zi No.0022" with Shenzhen Qianhai Shekou Branch of Bank of China (for a credit facility RMB300 million from 20 August 2019 to 20 August 2021); as of 31 December 2019, the balance of borrowing under such facility was RMB130 million. Details refer to Note 6 (XXI) Guaranteed borrowing.

The Company pledged its properties and buildings with an original value of 10,132,351.66 as the mortgage to provide pledge guarantee for The Company and China Merchants Bank Co., Ltd. Shenzhen Branch signed the "Credit Agreement" 755XY2019019897 (the comprehensive credit limit is RMB 120 million, the period is from 5 September 2019 to 4 September 2020), as of 31 December 2019 the amount of the letter of credit issued under the credit agreement was RMB 80,000,000.00. Please refer to Note 6 Note 22 for notes payable.

The Company used the original value of 112,716,519.75 yuan as the mortgage for the house and building. It was signed with China Construction Bank Co., Ltd. Shenzhen Branch to borrow the 2018 comprehensive 26419 Overseas Chinese Town "Comprehensive Financing Limit Contract" (the highest comprehensive credit limit is RMB 160 million The term is from 14 December 2018 to 9 November 2019). As of 31 December 2019, the balance of short-term borrowings under the above "Comprehensive Financing Limit Contract" is RMB 154,178,700.00. Please refer to Note 6 Note 21 Mortgage + guaranteed borrowings among short-term borrowings.

XII. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(I) Significant commitments (Continued)

2. Other significant financial commitments (Continued)

(1) Pledge of assets (details, amount and impact to be indicated) (Continued)

The Company pledged the property and buildings with the original value of RMB 130,894,596.38 to and signed with Agricultural Bank of China Co., Ltd. Shenzhen Central District Sub-branch signed (Shenzhen Central District) Agricultural Banking Comprehensive Grant (2019) No. 0076 "Maximum Comprehensive Credit Contract" (Comprehensive credit line of RMB 255 million from 20 June 2019 to 19 June 2020, under the credit contract, the balance of short-term borrowings at the end of the period total RMB141,809,600. For details, please refer to Note 6 (XXI) Guaranteed borrowings.

XIII. POST-BALANCE SHEET EVENTS

(1) Important non-adjusting 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.

(2) Note on other post balance events

As of the approval date of the Financial report, there is no material post-balance sheet event which is required to be disclosed but has not been disclosed.

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XIV.QUALITATIVE AND QUANTITATIVE DISCLOSURES RELATED TO LEASING

(I) Leasing activities

1. The leasing activities involved in the Company as a lessee are all operating leases. The lease contents are mainly the lease of factory buildings and office buildings.

(1) Leases of plant for operations and office buildings mainly include:

Lessor	Lease commenced	Lease expiry	Contracted amount	Beginning lease payable	Ending lease payable
深圳市泉森物業管理有限公司	4/1/2017	31/12/2022	13,658,595.84	9,532,131.84	7,262,576.64
廣州寶潤物業管理有限公司	1/3/2019	28/2/2022	846,510.00		640,500.00
力國企業發展(上海)有限公司	18/5/2019	17/5/2021	466,285.71		334,245.72
周辰宸	1/8/2019	31/7/2021	236,000.00		186,833.33
深圳市大唐時代投資有限公司	28/4/2019	27/4/2021	469,291.49		318,876.19
Total			15,676,683.04	9,532,131.84	8,743,031.88

(2) The Company has no potential future cash outflows that are not included in the measurement of lease liabilities.

(3) The company has no restrictions or commitments caused by leasing.

2. The leasing activities involved in the Company as the lessor are all operating leases, and the company has recogized it as investment properties by cost method.

(II) Simplified treatment of short-term leases and low-value asset leases

1 As the lessee, the Company will simplify the lease of office buildings within one year as a short-term lease. Choose not to recognize right-of-use assets and lease liabilities.

2 As a lessee, the Company leases office computers, printing equipment, etc. as low-value assets.

XV. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Determination criterion and accounting policies for reporting segment

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

(1) its business activities are engaged to earn revenue and incur expenses;

(2) its operating results are regularly reviewed by the Company's management to make decisions on resources allocation performance assessment;

(3) its financial information, operating results, cash flow and related accounting information is available to the Company.

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

(1) The segment income of the operating segment accounts for 10% of total income of all segments or more;

(2) The absolute amount of profit (losses) of the segment account for 10% of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment or more.

XV. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

1. Determination criterion and accounting policies for reporting segment (Continued)

Where the proportion of the total external revenue of the operating segment determined to be reporting segments according to the accounting policies above does not amount to 75%, the number of reporting segments should be increased; operating segments that are not determined to be reporting ones can be included in the scope of reporting ones according to the following rules till the proportion reaches 75%:

(1) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;

(2) one or more operating segments with economic features with similar features that are qualified for combination the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used joint by segments and relevant expenses are distributed among segments according to the proportion of income.

2. Factors considered when determine reportable segments of the Company, types of products and services of reportable segments

Reporting segments of the Company are business units providing different products and services. As each business requires different skills and market strategies, each segment is managed independently.

The Company has three reporting segments: automotive diagnosis segment, lift segment and overseas sales segment. The automotive diagnosis segment covers research and development, production and sales of automotive diagnostic and inspection products. The lift segment covers research and development, production and sales of machinery products in the automotive aftermarket. The overseas sales segment covers development and maintenance of European distributors and customers.

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XV. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

3. Financial information of the reporting segment

Current unit: RMB

Item		Ending balance/Current period				
		Automotive diagnosis segment	Lift segment	Overseas sales segment	Write-off	Total
I.	Operating income	1,078,065,507.09	243,127,881.76	103,683,507.50	-483,167,568.51	941,709,327.84
	Including: Revenue from external transaction	784,733,445.33	53,292,375.01	103,683,507.50		941,709,327.84
	Revenue from inter-segment transaction	293,332,061.76	189,835,506.75		-483,167,568.51	
II.	Operating expenses					
	Including: Depreciation and amortization expenses	1,192,045,969.09	233,741,877.90	98,134,789.03	-482,703,108.28	1,041,219,527.74
III.	Income from investment in associates and joint ventures	106,830,766.74	7,856,800.63	177,704.25		114,865,271.62
IV.	Impairment loss of credit	-87,932,540.09	-7,066,303.27	19,026.95	43,336,479.86	-51,643,339.57
V.	Impairment loss of assets	-22,490,957.50				-22,490,957.50
VI.	Operating profit (loss)	35,419,082.73	2,611,047.91	5,985,008.39	-179,584,460.22	-135,569,321.19
VII.	Income tax expenses	-182,058.93	-1,109,332.61	2,653,792.30		1,362,400.76
VIII.	Net profits (losses)	35,419,082.73	3,720,380.52	3,331,216.09	-179,584,460.22	-136,931,675.47
IX.	Total assets	2,290,821,648.97	229,047,427.00	109,665,687.31	-994,853,642.72	1,634,680,811.50
X.	Total liabilities	1,363,446,027.27	84,952,591.18	74,223,915.75	-660,462,617.81	862,159,916.39
XI.	Other significant non-monetary items					
	1. Capital expenditure	93,848,339.71	75,354.71	347,726.56		94,271,420.98

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XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(1) Accounts receivable

1. Accounts receivable by aging portfolio

Aging	Ending balance	Beginning balance
Within 1 year	125,072,347.20	214,313,112.61
1 – 2 years	79,518,386.84	52,451,833.47
2 – 3 years	9,640,391.88	15,569,503.75
3 – 4 years	6,666,945.63	3,885,789.83
4 – 5 years	1,183,531.91	7,179,909.47
Over 5 years	24,045,328.92	24,398,144.10
sub total	246,126,932.38	317,798,293.23
Less; provision	46,622,359.56	51,523,490.27
Total	199,504,572.82	266,274,802.96

2019 (Expressed in Renminbi)

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

2. Classified disclosure according to bad debt provision method

	Ending balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable that are subjected to provision for expected credit loss on individual basis	26,008,109.56	10.57	26,008,109.56	100	
Accounts receivable that are subjected to provision for expected credit loss on portfolio basis	220,118,822.82	100	20,614,250.00	9.37	199,504,572.82
Includes: aging portfolio	181,294,331.76	82.36	20,614,250.00	11.37	160,680,081.76
Risk-free portfolio	38,824,491.06	17.64			38,824,491.06
Total	220,118,822.82	100	20,614,250.00	18.94	199,504,572.82

Continued:

	Beginning balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Accounts receivable that are subjected to provision for expected credit loss on individual basis	–	–	–	–	–
Accounts receivable that are subjected to provision for expected credit loss on portfolio basis	317,798,293.23	100	51,523,490.27	16.21	266,274,802.96
Includes: aging portfolio	293,934,964.40	92.49	51,523,490.27	17.53	242,411,474.13
Risk-free portfolio	23,863,328.83	7.51			23,863,328.83
Total	317,798,293.23	100	51,523,490.27	16.21	266,274,802.96

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

3. Accounts receivable that are subjected to provision for credit loss on individual basis

Name	Ending balance			
	Book balance	Provision	Provision(%)	Reasons
Launch Tech Japan.Inc.	26,008,109.56	26,008,109.56	100	Expected to be irrecoverable
Total	26,008,109.56	26,008,109.56	100	

4. Accounts receivable subjected to provision for expected credit losses on portfolio basis

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Under 1 year	86,247,856.14	4,312,392.81	5
1-2 years	78,338,742.92	7,833,874.29	10
2-3 years	8,483,034.22	2,544,910.27	30
3-4 years	4,158,619.20	2,079,309.60	50
4-5 years	1,111,581.28	889,265.03	80
Over 5 years	2,954,498.00	2,954,498.00	100
Total	181,294,331.76	20,614,250.00	

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

4. Accounts receivable subjected to provision for expected credit losses on portfolio basis (Continued)

(2) Risk free portfolio

Name	Ending balance Accounts receivable	Provision for bad debts	Proportion of provision (%)
Related parties within the range of consolidation	38,824,491.06		No provisions are made
Total	38,824,491.06		

5. Provision, recovery or reversal of the provision for bad debts during the period

The amount of provision for bad debts during the period amounted to RMB-2,547,412.40; and there is no amount of written back of the provision for bad debts during the period.

Categories	Beginning balance	Movement in the period Provided	Recovered or reversed	Written off	Ending balance
By Individual	–	26,008,109.56	–	–	26,008,109.56
By Portfolio	51,523,490.27	32,449,667.93	16,480.40	37,745,683.20	20,614,250.00
Including: Aging Portfolio	51,523,490.27	32,449,667.93	16,480.40	37,745,683.20	20,614,250.00
Total	51,523,490.27	32,449,667.93	16,480.40	37,745,683.20	46,622,359.56

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

6. Accounts receivable actually written off during the reporting period

Item	Amount written off
Accounts receivable actually written off	63,375,388.60

Details of significant accounts receivable actually written off:

Name	Nature	Amount written off	Reason	Approval Procedure	Whether arising from connected transaction
Launch Tech (USA), Inc.	Payment for goods	10,716,673.26	Irrecoverable	Approved by company's management	No
Disbrat Service Automotovos LTDA.	Payment for goods	5,788,336.67	Irrecoverable	Approved by company's management	No
臺灣元征科技股份有限公司	Payment for goods	3,644,631.42	Irrecoverable	Approved by company's management	No
Launch Ibérica, S.L.	Payment for goods	3,136,473.53	Irrecoverable	Approved by company's management	No
Launch Technologies SA (PTY) LTD	Payment for goods	2,856,437.85	Irrecoverable	Approved by company's management	No
Launch Rus	Payment for goods	2,178,101.72	Irrecoverable	Approved by company's management	No
Li Fu Hang(Richpower Hand Tools Company)	Payment for goods	1,654,511.98	Irrecoverable	Approved by company's management	No
IMPORTADORA & EXPORTADORA G M S LTDA	Payment for goods	979,099.31	Irrecoverable	Approved by company's management	No

2019 (Expressed in Renminbi)

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

6. Accounts receivable actually written off during the reporting period (Continued)

Name	Nature	Amount written off	Reason	Approval Procedure	Whether arising from connected transaction
合肥博仕達汽車技術服務有限公司	Payment for goods	708,554.00	Irrecoverable	Approved by company's management	No
南昌市日力實業有限公司	Payment for goods	650,000.00	Irrecoverable	Approved by company's management	No
北京市潤寶成機電設備有限公司	Payment for goods	603,500.00	Irrecoverable	Approved by company's management	No
秦皇島眾威貿易有限公司	Payment for goods	600,000.00	Irrecoverable	Approved by company's management	No
山西寧志科技有限公司	Payment for goods	520,478.00	Irrecoverable	Approved by company's management	No
山西科隆鼎盛機電設備有限公司	Payment for goods	499,980.00	Irrecoverable	Approved by company's management	No
北京宇鋒瑞特科技發展有限公司	Payment for goods	454,288.00	Irrecoverable	Approved by company's management	No
青島車之美汽保設備有限公司	Payment for goods	387,500.00	Irrecoverable	Approved by company's management	No
河南謹而信科技有限公司	Payment for goods	379,210.00	Irrecoverable	Approved by company's management	No
濟南元富科貿有限公司	Payment for goods	375,000.00	Irrecoverable	Approved by company's management	No
金額較小的14戶	Payment for goods	1,612,907.46	Irrecoverable	Approved by company's management	No
Total		37,745,683.20			

2019 (Expressed in Renminbi)

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

7. Top five accounts receivable by ending balance collection of the borrower

Name	Ending balance	Proportion in ending balance of accounts receivable (%)	Provision already made for bad debts
Launch Tech (USA), Inc.	77,415,035.30	31.45	6,436,687.33
Launch Japan, Inc.	26,008,109.56	10.57	26,008,109.56
Matco Tools	12,914,490.87	5.25	645,724.54
Launch Ibérica, S.L.	11,972,508.19	4.86	2,111,364.44
Launch Technologies SA (PTY) LTD	8,277,665.08	3.36	2,837,268.64
Total	136,587,809.00	55.49	38,039,154.51

(2) Other receivables

Items	Ending balance	Beginning balance
Dividend receivable	180,000,000.00	210,000,000.00
Other receivables	198,759,145.19	178,048,585.00
Total	378,759,145.19	388,048,585.00

(1) Dividend receivable

Investee	Ending balance	Beginning balance
PJS	180,000,000.00	210,000,000.00
Total	180,000,000.00	210,000,000.00

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

1. Other receivable by aging portfolio

Aging	Ending balance	Beginning balance
Within 1 year	92,859,019.52	69,192,238.19
1—2 years	33,574,204.08	70,286,921.15
2—3 years	57,175,802.22	16,396,774.87
3—4 years	4,207,490.77	2,165,576.81
4—5 years	1,235,271.22	21,497,412.87
Over 5 years	23,239,728.88	8,711,833.50
sub total	212,291,516.69	188,250,757.39
Less; provision	13,532,371.50	10,202,172.39
Total	198,759,145.19	178,048,585.00

2. By nature

Natures	Ending balance	Beginning balance
Deposits	12,156,997.83	1,002,478.58
Imprests	3,946,102.16	4,070,473.82
Tax refundable	5,623,668.05	6,265,970.78
Borrowings	177,422,077.10	166,483,174.31
Others	13,142,671.55	10,428,659.90
Total	212,291,516.69	188,250,757.39

3. Disclosure according to three stages of financial asset impairment

	Ending balance			Beginning balance		
Item	Book balance	Provision	Book value	Book balance	Provision	Book value
First stage	202,793,098.44	4,033,953.25	198,759,145.19	180,128,573.74	2,079,988.74	178,048,585.00
Second stage						
Third stage			9,498,418.25	9,498,418.25	8,122,183.65	8,122,183.65
Total	212,291,516.69	13,532,371.50	198,759,145.19	188,250,757.39	10,202,172.39	178,048,585.00

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

3. Provision, recovery or reversal of the provision for bad debts during the period

Provision	First stage Expected credit loss in future 12 months	Second stage Expected credit loss for the entire duration (no credit impairment occurred)	Third stage Expected credit loss for the entire duration (credit impairment has occurred)	Total
Beginning balance	2,079,988.74		8,122,183.65	10,202,172.39
Beginning balance which				
transfer to second stage				
transfer to third stage				
Reverse to second stage				
Reverse to first stage				
Provision for the period	2,049,409.51		9,040,944.25	11,090,353.76
Reversal during the period	10,000.00			10,000.00
Recovered during the period				
Written off during the period	105,445.00		7,664,709.65	7,770,154.65
Others				
Ending balance	4,033,953.25		9,498,418.25	13,532,371.50

4. Other receivables actually written off during the reporting period

Item	Amounts written off
Other receivables actually written off	7,770,154.65

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

4. Other receivables actually written off during the reporting period (Continued)

The significant other receivables are written off as follows:

Name	Nature	Written off amount	Reason	Verification procedure	Related party
深圳市康邁科技有限公司	Prepayment	1,111,358.97	Irrecoverable	Approved by company's management	No
深圳市中博電子有限公司	Prepaid service fee	899,999.89	Irrecoverable	Approved by company's management	No
深圳市寶利斯科技有限公司	Prepaid service fee	850,000.00	Irrecoverable	Approved by company's management	No
同向興業機械(深圳)有限公司	Prepaid material cost	850,000.00	Irrecoverable	Approved by company's management	No
深圳市廣商科技有限公司	Prepayment	690,000.00	Irrecoverable	Approved by company's management	No
深圳市永盛微電子有限公司	Prepayment	650,000.00	Irrecoverable	Approved by company's management	No
深圳市百世盈科實業有限公司	Prepaid material cost	601,217.18	Irrecoverable	Approved by company's management	No
深圳市國升電子設備有限公司	Prepaid material cost	562,133.61	Irrecoverable	Approved by company's management	No
合肥市大沃電子有限公司	Prepaid service fee	450,000.00	Irrecoverable	Approved by company's management	No
深圳市和强迪訊科技發展有限公司	Prepaid service fee	400,000.00	Irrecoverable	Approved by company's management	No
深圳市湘聯金屬製品有限公司	Prepaid material cost	300,000.00	Irrecoverable	Approved by company's management	No
深圳市德豐模具有限公司	Prepaid material cost	300,000.00	Irrecoverable	Approved by company's management	No
4 accounts with insignificant balances	Petty cash and rent	105,445.00	Irrecoverable	Approved by company's management	No
Total		7,770,154.65			

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

5. Top 5 by amounts

Name	Nature	Ending balance	Age	Proportion (%)	Ending balance of provision for bad debts
中國(南京)軟件穀管理委員會	Deposit	10,000,000.00	Within 1 year	4.71	500,000.00
Export Tax refund	Export Tax refund	5,623,668.05	Within 1 year	2.65	–
深圳市歐亞美華電子科技有限公司	Prepayment	2,497,264.68	2-3 years and over 3 years	1.18	2,497,264.68
廣東遠見精密五金有限公司	Prepayment	2,300,317.26	Within 1 year	1.08	2,300,317.26
北京北邁科技股份有限公司	Temporary loan	2,166,444.44	Within 1 year and 1-2 years	1.02	208,322.22
Total		22,587,694.43		10.64	5,505,904.16

2019 (Expressed in Renminbi)

XVI. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(3) Long-term equity investment

	Ending balance			Beginning balance		
Nature	Carrying balance	Provision for bad debts	Book value	Carrying balance	Provision for bad debts	Book value
Investment in subsidiaries	239,675,576.68	–	239,675,576.68	203,555,576.68	–	203,555,576.68
Total	239,675,576.68	–	239,675,576.68	203,555,576.68	–	203,555,576.68

1. Investment in subsidiaries

Investee	Initial investment cost	Beginning balance	Increase	Decrease	Ending balance	Provision made for impairment for current period	Ending balance of provision for impairment
Shanghai Launch	68,180,685.53	97,781,423.66			97,781,423.66		
Xi'an Launch	35,000,000.00	51,000,000.00	19,000,000.00		70,000,000.00		
Launch Software	35,080,263.52	35,080,263.52			35,080,263.52		
LAUNCH EUROPE GmbH	671,875.00	671,875.00			671,875.00		
Peng Ao Da	880,000.00	880,000.00		880,000.00	–		
Golo Repair	10,000,000.00	10,000,000.00			10,000,000.00		
Shenzhen Haishiwei	5,100,000.00	5,100,000.00			5,100,000.00		
PJS	2,000,000.00	2,000,000.00	8,000,000.00		10,000,000.00		
Launch International	42,014.50	42,014.50			42,014.50		
Nanjing Launch	4,000,000.00		4,000,000.00		4,000,000.00		
SLH	1,000,000.00	1,000,000.00			1,000,000.00		
NJG	6,000,000.00		6,000,000.00		6,000,000.00		
Total	167,954,838.55	203,555,576.68	37,000,000.00	880,000.00	239,675,576.68		

2019 (Expressed in Renminbi)

XVI.EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(4) Operating income and operating costs

Operating income and operating costs

Item	Current period Income	Current period Cost	Previous period Income	Previous period Cost
Principle operation	816,518,878.04	692,356,376.10	880,538,586.61	830,582,921.72
Other operations	47,547,297.17	4,973,994.60	54,807,300.72	4,973,994.60
Total	864,066,175.21	697,330,370.70	935,345,887.33	835,556,916.32

(5) Investment income

Items	Current period	Previous period
Long-term equity investment income calculated by cost method	180,000,000.00	278,100,000.00
Disposal of investment income from long-term equity investment	-880,000.00	–
Investment income from disposal of trading financial assets	–	1,730,120.79
Investment income from disposal of other debt investment	5,341.53	–
Total	179,125,341.53	279,830,120.79

2019 (Expressed in Renminbi)

XVII. SUPPLEMENTARY INFORMATION

(1) Details of non-operating profit and loss for the period

Item	Amount	Note
Gain or loss on disposal of non-current assets	-2,156,209.86	
Government grants recognized in profits or losses (excluding those government grants that are closely relevant to the Group's business and are received with fixed amounts or with fixed percentage based on unified standards promulgated by government)	15,143,106.67	
Capital fee charged to non-financial enterprise	132,075.47	
Other non-operating income and expenses other than the aforementioned items	1,205,937.19	
Other profit and loss items that meet the definition of non-recurring gains and losses	344,665.68	
Impact of income tax	79,279.96	
Total	14,590,295.19	

(2) Return on net assets and earnings per share

Profits of the reporting period	Weighted average return on net assets (%)	Earnings per share Basic	Earnings per share Diluted
Net profit attributable to ordinary shareholders of the Company	-15.79	-0.3140	-0.3140
Net profit after deducting non-recurring profit and loss attributable to ordinary shareholders of the Company	-17.48	-0.3475	-0.3475

Financial Summary

RMB million

	2019	2018	2017	2016	2015
Operating revenue	942	1,049	978	835	698
Net Profit (loss)	-137	59	60	21	-94
Adjusted EPS (RMB)	-0.314	0.157	0.174	0.065	-0.311

Total Assets	1,635	1,543	1,613	1,314	1,480
Total Liabilities	862	574	528	590	777
Net Assets	773	969	1,085	724	703
Adjusted NAV per share (RMB)	1.788	2.580	2.890	2.200	2.135

DIRECTORS OF THE COMPANY

Executive Directors
Mr. Liu Xin *(Chairman)*
Mr. Liu Jun *(Chief executive officer)*
Mr. Jiang Shiwen
Ms. Huang Zhao Huan

Non-executive Director
Mr. Xia Hui

Independent Non-executive Directors
Ms. Zhang Yan
Mr. Liu Yuan
Mr. Ning Bo

SUPERVISORS

Mr. Lei Zhi Wei
Mr. Du Xuan
Mr. Liu Yuan Wen

QUALIFIED ACCOUNTANT

Mr. Liu Chun Ming, FCCA

COMPANY SECRETARY

Mr. Liu Chun Ming, FCCA

REMUNERATION COMMITTEE

Mr. Liu Jun
Mr. Ning Bo
Mr. Liu Yuan

NOMINATION COMMITTEE

Mr. Liu Xin
Mr. Ning Bo
Mr. Liu Yuan

AUDIT COMMITTEE

Ms. Zhang Yan
Mr. Liu Yuan
Mr. Ning Bo

COMPLIANCE OFFICER

Mr. Liu Jun

AUTHORISED REPRESENTATIVES

Mr. Liu Jun
Mr. Liu Chun Ming, FCCA

AUDITOR

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BOOK CLOSE DATE FOR ANNUAL GENERAL MEETING

– Annual general meeting and relevant information will be announced in the circular of meeting.

深圳市元征科技股份有限公司
LAUNCH TECH COMPANY LIMITED

於中華人民共和國註冊成立之股份有限公司
A Joint Stock Limited Company Incorporated
In The People's Republic Of China With Limited Liability

股 份 代 號 ： HK2488
STOCK CODE ： HK2488

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