ANNUAL
REPORT
2024

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 - 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. Our designed and developed software products has made high achievements in technical research in automotive diagnosis fields. We have been committed to researching automotive technical research, providing customers with services related to automotive diagnosis software design, maintenance, update and after-sales support, and have always adhered to the spirit of professionalism and innovation. For years, based on automotive diagnostic technology and brand advantages, the company has been a pioneer in the industry. For years, with the technical and branch advantages in automotive diagnosis, the Company has been the pioneer in the industry of automotive diagnosis equipment.

The Company always insists on the principle of technical innovation and independent research and development, and currently owns the powerful research and large development team around the world. Besides the research centers established in 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 automotive diagnosis 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, "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 30 years, the Company has developed Internet of Vehicles chipsets with proprietary intellectual property rights, launched a series of Internet of Vehicles intellectual hardware products with the global premium remote automotive diagnosis functions and become an enterprise 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 dozens of branches and offices, and has developed hundreds of dealers and near a hundred authorized training centers. The Company has overseas subsidiaries in America, Germany, Italy, japan, Korea and United Arab Emirates and also has over a 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.

2024 REVIEW

The automobile industry in the PRC continued to grow this year, with production and sales volumes reaching approximately 31.28 million and 31.44 million vehicles, respectively, representing an increase of approximately 4% and 5% year-on-year, respectively. Based on the growth of the industry, the Group insisted on developing its new strategy, resulting in the growth of both operating income and profit.

Financials

For the year, the Revenue from main operation of the Group amounted to approximately RMB1,825 million, representing an increase of 21% over the same period in last year (the "YOY Increase"). The consolidated net profit attributable to the parent company was approximately RMB340 million, representing the YOY increase of 101%; and the net profit margin was 18%, increasing by 7 percentage points over the same period in last year.

The increase in results was mainly due to the application of intelligent algorithms and AI technology. Based on intelligent algorithms, the Group launched digital operation. Our overseas business (including overseas e-commerce) was at an all-time high in the year, realizing a revenue of approximately RMB1,300 million, accounting for 70% of total revenue. Based on AI technology, the Group analyzed user behaviors and intelligent pricing, which have effectively enhanced the proportion of customers who make the payment. In the year, the amount of software purchased by customers was approximately RMB170 million, achieving a new high.

Meanwhile, the super remote diagnostics of the Group has become a leading online diagnostic service platform for automobiles in the world. Since the launch of the charging model in March this year, the service revenue has been realized approximately RMB12.99 million, and the business volume achieved a YOY Increase of approximately 83%. The Group developed the automotive data business, with the data revenue of approximately RMB10.76 million.

At the same time, the Group strengthened cost control. In the year, the ratio of cost from principal operation to income decreased by 4%; the proportion of four expenses (management expenses, R&D expenses, sales expenses, and finance costs) over the income from principal operation decreased by 3%; the inventory turnover days were approximately 77 days, representing a year-on-year decrease of 14%.

Based on the Group's performance for the year, the Board recommended an final dividend of RMB0.45 per share.

Customers

Customers of the Group include repair shops, mechanics, vehicle manufacturers, vehicle owners and vehicle repair schools, insurance companies and second-hand vehicle dealers, covering every aspect of the whole life cycle of automobiles. As of the end of this year, the Group had cumulatively established connections with over 370 million vehicles globally through vehicle diagnostic equipment, with the number of active automotive diagnostic terminals of vehicle diagnostic equipment exceeding 3.3 million, one million automotive diagnostic reports were generated on average daily, and the cumulative number of automotive diagnostic reports exceeded 1,700 million.

The Group's end-users are spread all over the world, among them, nearly 1.2 million yearly active users were in China and nearly one million yearly active users were in the United States.

With "customer service" as the starting point, the Group has built an intelligent, localized and grid-based service system, to continuously improve customer satisfaction. During the year, the Group held 2,892 customer training sessions globally, which were highly recognized by the customers.

Internal Operations

The Group launched three major strategies, namely ADS, AAS and EVS, during the year and achieved positive milestones.

1. AI Diagnostic Service (ADS), whose purpose is to make vehicle diagnostics smarter. The Group will enhance the intelligence level of vehicle diagnostics, achieve full voice control for diagnostic software and create an intelligent analysis and prediction system for automobile failures. The Group will continue to develop the super remote diagnosis business and strengthen its global leadership in online diagnostic service platforms for automobiles.

2. AI Auto Service (AAS), means that we will utilize AI technology to make vehicle service easier. The Group integrated multi-dimensional data and provided automotive AI services for vehicle owners, repair shops, vehicle manufacturers, and parts dealers, namely LAUNCH AI, and the product has currently been put on the market for testing. At the same time, LAUNCH AI has integrated the Deep Think large model DeepSeek-R1, which can locate faults more accurately and recommend more optimized repair solutions to users.

3. Electric Vehicle Service (EVS), which aims at new energy vehicles, helps global auto repair shop customers to upgrade. The Group has developed the LAUNCH EVS to provide customers with new energy vehicle repair station transformation, vehicle test drive and sales, and after-sales service. Currently, more than 100 LAUNCH EVS stations have been established globally, covering 12 domestic cities and 4 overseas countries.

Learning and Growth

The Group strengthened the research and development of patent technologies, and obtained 108 authorized invention patents in the year, with R&D personnel accounting for approximately 50% of the total number of employees.

Outlook and Future Strategy

The Group has been focusing on the automotive diagnostics field for 30 years, and has accumulated profound technology. In the future, the Group will leverage its advantages, based on the above three major strategies with the four major businesses of hardware, software, services and data as the cornerstone, transform from a manufacturing enterprise to an intelligent enterprise, apply AI technology to the automotive industry, and strive to become the world's leading brand of automotive AI.

The Group will:

1. Increase the scale of its overseas business, expand the volume of super remote diagnostics transactions, and develop the LAUNCH AI, striving to significantly increase the revenues for the hardware, software, service and data businesses.

2. Establish digital and intelligent customer relationships.

3. Continue to reduce internal operating costs and product costs, and improve the work efficiency through AI and advanced tools.

4. Introduce more strategic talents.

Financial analysis

Major Financial Data for the profit changes

		RMB million
a	Profit after tax in 2024	341
b	Profit after tax in 2023	169
c=a-b	Increase in profit in 2024	172
Mainly due to:		
Increase in gross profit		209
Increase in selling expenses		(46)
Increase in R&D expenses		(29)
Decrease in finance costs		22
Decrease in impairment on assets		12
Decrease in impairment on credit		8
Other		(4)
Increase in profit in 2024		172

The increase in profit was mainly due to the growth in turnover. The strong overseas sales revenue this year brought about a substantial growth in gross profit, leading to the increase in selling expenses to a certain extent; benefiting from exchange rate advantages, the finance costs have also decreased. During the year, the Company increased its R&D expenses as well.

Principal Sources and Usage of Fund

	RMB million
Inflow from operation	391
Partial consideration received for the disposal of a subsidiary	31
Acquisition of fixed assets and investment in R&D	(75)
Investment payments	(72)
Repayment of borrowings	(131)
Interest paid	(13)
Dividend distributed	(190)
Others	(12)
Change in cash	(71)

Total net cash outflow for the year was of RMB71,000,000 and the period end balances of cash and cash equivalents was RMB540,000,000.

Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to RMB753,000,000, interests attributable to shareholders amounted to RMB1,244,000,000. Total assets amounted to RMB1,997,000,000. As at the end of the period, the gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 0.61 (2023: 0.73). The overall gearing ratio improved from last year, reaching a more favorable gearing ratio level.

DIRECTORS

Executive Directors

Mr. Liu Xin, also known as **Louis Liu**, aged 56, executive director and chairman of the Company. Mr. Liu is the founder of the Company and has near 30 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. On 28 January 2022, Mr. Liu has been appointed as the chief executive officer of the Company, a member of the Remuneration Committee, the Authorised Representative, the Service Agent and the compliance officer of the Company.

Ms. Huang Zhaohuan, aged 60. senior vice president of the Company Ms. Huang is a graduate of Nanchong Teaching University with a bachelor's degree in mathematics. She is currently responsible for the whole development and management of the Company's global sales network, marketing activities and relationships with major clients. She joined the Company in 1996.

Mr. Jiang Shiwen, aged 52, senior vice president 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.

Mr. Liu Guozhu, 43 years old, vice president of the Company. Mr. Liu Guozhu graduated from East China Jiaotong University with a bachelor's degree in computer science and technology. At present, he is responsible for the daily management of management of management of diagnostic software and DIY products tyre pressure products, and security products Mr. Liu joined the Company in 2005.

DIRECTORS (Continued)

Non-executive Director

Mr. Peng Jian, aged 47, has graduated from Central South University with a bachelor's degree in economics and a master's degree in management. Worked as a project researcher at the Shenzhen Development Economics Research Institute from 2003 to 2006. Since 2007, he has worked at the Comprehensive Development Research Institute (Shenzhen, China). He is currently the director of the Industrial Development and Urban Planning Research Center, and the expert of the expert library of Shenzhen Municipal Bureau of Industry and Information Technology (formerly known as Shenzhen Economic and Trade Information Committee).

Independent Non-executive Directors

Ms. Zhang Yanxiao, 49 years old, graduated from Central South University in 1997 with a bachelor's degree in accounting. After graduation, she accumulated 7 years of financial work experience in various enterprises. She began to join an accounting firm to participate in audit-related work in 2005, and from 2011 to 2018 she joined Yingda Securities Co., Ltd. and served as the deputy general manager; since then joined the Shenzhen Third Generation Semiconductor Research Institute, she has served as the head of a finance department to help preparation of the research institute, building financial management system, and standardizing financial management and accounting. Ms. Zhang has rich experience in accounting, financial management, auditing and other work and management; has the practicing qualification of Chinese Certified Public Accountant (CPA) and Certified Tax Accountant (CTA), and has obtained the qualification of International Certified Internal Auditor (CIA) and the title of accountant. She is not only familiar with national accounting and tax-related laws. Laws and regulations, but also familiar with listed companies and securities-related laws and regulations.

Mr. Bin Zhichao, aged 36, graduated from the Law Department of Wuhan University in 2010 and worked for Guohai Securities Co., Ltd from 2010 to 2014; he worked for Guangxi Financial Investment Group from 2014 to 2018 and was responsible for the investment banking department of the head office and the investment work of its subsidiaries; from 2018 to 2019, he worked for Beijing Shengshijing Asset Management Co., Ltd. as the person in charge of project development in Guangxi; since 2019, he has been working as a freelance business consultant. Mr. Bin has extensive experience in general financial business and is familiar with the management operation and investment risk control of corporate and private equity funds.

DIRECTORS (Continued)

Non-executive Director (Continued)

Ms. He Xujin, aged 47, graduated from the International Tade Department of Guangdong University of Finance and Economics in 2000. From 2000 to 2005, she worked in VTech (Dongguan) Electronics Technology Limited* (偉易達(東莞)電子科技有限公司) (00303. HK) as an deputy manager of the project management department; from 2005 to 2009, she worked for Jabil Circuit (Guangzhou) Ltd. (US JBL) as an deputy manager of the business division; from 2009 to 2019, she worked for Viasystems EMS (Shenzhen) Co., Ltd. (US TTMI) as an director of the project management department; from 2019 to 2022, she served as Shenzhen Kinwong Electronic Co., Ltd. (SH 603228) as a director of the marketing department; and has been serving in Lingyange Semiconductor, Inc. in Zhuhai as a senior director of marketing department since 2022. Ms. He was appointed as Independent non-executive director of the Company on 12 December 2023.

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. Cheng Chi is appointed as a supervisor through the recommendation of the Company's employees. Mr. Lei Zhiwei and Mr. Guo Zhaohui are appointed as independent supervisors.

Mr. Lei Zhiwei, aged 60, graduated from Zhongnan University of Finance and Economics, the Graduate School of People's Bank of China and Southwestern University of Finance and Economics with a bachelor's degree, master's degree and Ph.D. in Economics, respectively. Since 1989, 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 to president of Shenzhen Development Bank Head Office, the assistant to president of China CITIC Bank Head Office, the Vice President of Ping An Bank Head Office, the President and Deputy Secretary of the Huarong Xiangjiang Bank Head Office, the Chairman of Huarong (HK) International Holdings Limited, the Chairman 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) and Party Committee Secretary and other important positions in the financial sector. He has also served as a supervisor of postgraduate students of the Graduate School of People's Bank of China for nearly ten years. He is currently the chairman of Shenzhen Qianhai Juntai Investment Co., Ltd.* and an executive partner 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)).

MEMBERS OF SUPERVISORY COMMITTEE (Continued)

Mr. Guo Zhaohui, 53 years old, graduated from Peking University with a master's degree in business administration in 1999. For the past 30 years, he has served as the management for many well-known international and Chinese communication and internet technology companies; he is currently the chairman and CEO of Zhongke Yunpan Intelligent Technology Co., Ltd. (中科雲泮智能科技有限公司).

Mr. Cheng Chi, aged 47, graduated from the Air Force Radar Academy and joined the Company in 2004. He has been responsible for the work of regional key customer and business division management. He is currently the director of the Company's automotive diagnostics product division and is responsible for the R&D and overall management of the business division. Prior to joining the Company, Mr. Cheng was a marketing manager in Shenzhen Zhengpu Information Technology Co. Ltd (深圳市正普信息技術有限公司), who was responsible for regional market sales. Mr. Cheng has been elected by the congress of the representatives of staff and workers of the Company as an employee representative supervisor.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Liu Chunming, aged 49, 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 Xin, 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.

A. 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.

B. THE BOARD

As of 31 December 2023, there were eight members on the Board, including the Chairman, Four Executive Directors, one Non-Executive Director ("NED") and three Independent Non-Executive Directors ("INEDs").

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 19 times during the year. The NED and INEDs may take independent professional advice at the Company's expense in carrying out their functions.

B. THE BOARD (Continued)

Meetings Attendance

	Board	Audit Committee
Number of Meetings	19	2
Executive Directors		
Mr. Liu Xin	19	N/A
Mr. Jiang Shiwen	19	N/A
Ms. Huang Zhaohuan	18	N/A
Mr. Liu Guozhu	19	N/A
Non-executive Director		
Mr. Peng Jian	17	N/A
Independent Non-executive Directors		
Ms. Zhang Yanxiao	6	2
Mr. Bin Zhichao	7	2
Ms. He Xujin	9	2

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;

B. THE BOARD (Continued)

Responsibilities of the Board (Continued)

– 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.

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.

C. 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.

During the reporting period, the Chairman and Chief Executive Officer is Mr. Liu Xin.

D. NON-EXECUTIVE DIRECTORS

The Company appointed each of the NEDs during the Annual General Meeting with a term of 3 years or by the Board for new appointment during the year. The term of each of appointments by the Board shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

E. 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 Yanxiao	Chairman	Independent Non-executive Director
Mr. Bin Zhichao	member	Independent Non-executive Director
Ms. He Xujin	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.

E. BOARD COMMITTEES (Continued)

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 Xin and two independent non-executive Directors, namely Ms. He Xujin and Mr. Bin Zhicao. Ms. He Xujin has been appointed as the chairman of the Remuneration Committee. No meeting was held by the Remuneration Committee during the year ended 31 December 2024.

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 Ms. He Xujin and Mr. Bin Zhicao. Ms. He Xujin has been appointed as the chairman of the Nomination Committee. No meeting was held by the Nomination Committee during the year ended 31 December 2024.

F. COMPANY SECRETARY

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.

G. 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 C3 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.

H. RISK MANAGEMENT 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 2024, 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.

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.

I. AUDITORS REMUNERATION AND AUDITORS RELATED MATTERS

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 2024, the remunerations paid or payable to the external auditor in respect of its audit services and nonaudit services are approximately RMB1,000,000 and RMB0, respectively.

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.

J. DIVERSITY

The board of directors has been actively maintaining the gender diversity of the board of directors and employees: at present, 3 of the 8 directors are female directors; 1 executive director and 2 independent non-executive directors respectively. About one-third of all employees are female employees who seek to achieve the best working and decision-making environment.

K. SHAREHOLDERS' RIGHTS

Shareholders' rights (Article Association)

Article number	**Amended article**
Article 42	Where the Company convenes the annual general meeting of shareholders, the notice 42a shall be given, twenty 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. Where the Company convenes the special general meeting of shareholders, the written notice shall be given, fifteen 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. Notice of general meeting of shareholders shall not be given more than 60 days before the date of the meeting.
Article 43	When a general meeting is convened by the Company, the Board, Supervisory Committee and shareholders who individually or jointly hold three percent or more of the shares of the Company, shall be entitled to make proposals to the Company. Shareholders, who individually or jointly hold three percent or more of the shares of the Company, may submit ad hoc proposals in writing to the convener ten days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within two days upon receipt of the proposals. Except for circumstances provided in the above paragraph, the convener, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals. The general meeting shall not vote or resolve on any proposals which are not contained in a notice of the general meeting or are not incompliance with this article herein.
Article 44	An extraordinary general meeting shall not decide on matters which are not specified in the notice.

K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number	**Amended article**
Article 57	The Supervisory Committee and shareholder(s) individually or jointly holding ten percent or more of the Company's total voting shares seeking to convene an extraordinary general meeting of shareholders or a class meeting of shareholders shall proceed in accordance with the following procedure: The Supervisory Committee and shareholder(s) individually or jointly holding ten percent or more of the Company' s total voting shares seeking to convene an extraordinary general meeting of shareholders shall proceed in accordance with the following procedure: Where the board of directors is unable to or do not perform its duty of convening shareholders' general meetings, the supervisory board shall convene and preside over the meeting in a timely manner; where the supervisory board do not convene and preside over shareholders' general meetings, shareholders individually or collectively holding more than ten percent of the shares of the Company f o r more than ninety consecutive days may convene and preside over the meeting on their own. In the event of the request to convene the extraordinary general meeting by the shareholders who individually or collectively hold more than 10% of the shares of the Company, the Board of directors or the Supervisory Committee shall, within ten days from the date of receipt of the request, make a decision as to whether or not to convene the extraordinary general meeting and make written response to the shareholders.

K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number	**Amended article**
Article 58	A general meeting of shareholders shall be convened by the Chairman of the Board of Directors who shall preside as chairman of the meeting. If the Chairman is unable or fails to perform his duties, more than half of the Directors may elect a Director to convene and act as the chairman of the meeting. If the Board is unable or fails to perform the duty of convening a general meeting, the Supervisory Committee shall duly convene and preside over a general meeting; if the Supervisory Committee fails to convene and preside over a general meeting, the shareholders individually or jointly holding ten percent or more of the Company's shares for more than ninety consecutive days shall have the right to convene and preside over a general meeting. A general meeting convened by the Supervisory Committee itself shall be presided over by the chairman of Supervisory Committee. Where the chairman of Supervisory Committee is unable or fails to fulfil the duty thereof, more than half of the Supervisors shall jointly elect a Supervisor to preside over. A general meeting convened by the shareholders themselves shall be presided over by a representative elected by the convener. In the event that no chairman is so elected, the shareholders attending the meeting may elect a person to act as the chairman. If for any reasons the shareholders cannot elect a chairman, the shareholder (including his proxy) holding the greatest number of voting shares present at the meeting shall act as the chairman. Any reasonable expenses incurred by the Supervisory Committee or the shareholders for convening and holding the meeting by reason of the failure of the Board of Directors to duly convene a meeting according to the foregoing request for holding the meeting shall be borne by the Company and shall be set off against any sums owed to the Directors in default by the Company.

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.

L. 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.

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.

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 C2 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; In order to further save energy, the office is required to 1. During the overtime period, the air conditioner is set to turn off automatically every three hours; 2. The air conditioner is set to automatically turn off at 18:05 on weekdays and 3. The central air conditioner temperature is set at an environmental protection temperature of 26 degrees. and

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

A2.1 Annual Usage of Electricity in 2024 is 1,900,000 KWH, reduced by about 2%

A2.2 Annual Usage of water in 2024 is about 16 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 2024 was 440 tons representing 0.24 kg of packing materials used for every RMB 1,000 sales of products similar to last year. 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 Companies and 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 2024, number of employees of the Group is 1,070, including:

	No. of employees	
	2024	2023
By gender:		
Male	**726**	651
Female	**344**	301
	1,070	952
By functions:		
Administrative	**228**	173
Selling and distribution	**292**	289
Production	**13**	19
R&D	**537**	471
	1,070	952
By age group:		
Under 30	**358**	293
31-50	**656**	610
51 or above	**56**	49
	1,070	952
By geographical:		
Domestic	**954**	824
Overseas	**116**	128
	1,070	952

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

During the year, there were no major personnel transfers in various departments of the group, and the total number of personnel increased by about 6%, of which the number of personnel increased by about 120, mainly domestic personnel.

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 2024 and the past 2 years.

B2.2 Lost days due to work injury

In 2024, there is no injured worker case reported.

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	
	2024	2023	**2024**	2023	**2024**	2023
Gender						
Male	**726**	651	**33,512**	28,524	**46**	44
Female	**344**	301	**12,093**	10,915	**35**	36
Total	**1,070**	952	**45,605**	39,439	**43**	41
Functions						
Administrative	**228**	173	**10,520**	3,793	**46**	22
Selling and distribution	**292**	289	**12,334**	14,354	**42**	50
Production	**13**	19	**235**	746	**18**	39
R&D	**537**	471	**22,516**	20,546	**42**	44
Total	**1,070**	952	**45,605**	39,439	**43**	41
Age group						
Below 30	**358**	293	**16,894**	16,832	**47**	57
31-50	**656**	610	**26,176**	21,773	**40**	36
51 or above	**56**	49	**2,535**	834	**45**	17
Total	**1,070**	952	**45,605**	39,439	**43**	41
Geographical						
Domestic	**954**	824	**43,729**	36,383	**46**	44
Overseas	**116**	128	**1,876**	3,056	**16**	24
Total	**1,070**	952	**45,605**	39,439	**43**	41

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 240 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.

B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored

Relevant practises

- Raw material procurement: pay attention to the ecological environment of the raw material origin and examine the labour conditions of suppliers.

- Production and manufacture: check whether the employees' working environment is safe and healthy, whether there is a risk of occupational hazards, etc.

- Logistics and transportation: consider whether the packaging materials are environmentally friendly and recyclable.

- Sales and after-sales services: understand whether there are social problems such as unfair terms for consumers in after-sales service.

Implementation

- Establishing a risk assessment system includes regular audits of suppliers' production environment, employment conditions, etc.

- Signing agreements with suppliers and other partners that include environmental and social responsibility clauses to clarify the rights and obligations of both parties and ensure that they comply with relevant standards.

- Provision of environmental and social risk knowledge training to employees in the supply chain to improve their risk awareness and coping ability, such as organising training courses on environmental protection production and labour rights protection.

Monitoring measures

- Regular conduction of on-site audits of all links of the supply chain, check the implementation of environmental and social risk control measures, and review relevant documents, such as environmental data, employee payrolls records, etc.

- Set-up of reporting channels to encourage employees, suppliers, etc. to report on the environmental and social risk problems found, protect whistleblowers, and investigate and deal with reported information in a timely manner.

- Introduction of third-party certification: invite professional third-party institutions to certify the environmental and social performance of the supply chain to ensure the objectivity and fairness of the evaluation results, such as obtaining ISO14001 environmental management system certification.

B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored

Relevant Practises

- Formulate environmental protection standards: clearly stipulate the specific requirements of environmental protection products and services in the procurement documents.

- Prioritise environmental protection enterprises: tend to choose suppliers with good environmental protection reputation and records, and give priority to those enterprises that use clean energy and recycle resources in the production process.

- Consider the whole life cycle: Evaluate the environmental protection performance of a product or service from the whole life cycle, focussing not only on the stage of use, but also on the environmental impact of raw material acquisition, production, transportation and other links.

- Encourage innovation: Encourage suppliers to provide innovative environmental protection products or service solutions, and give bonus points to suppliers who adopt new technologies and processes to achieve environmental protection goals.

Implementation

- Release of product environmental protection requirements: Through procurement announcements, bidding documents and other channels, clearly convey the expectations and requirements for environmental protection products and services to potential suppliers to ensure that suppliers understand the relevant standards.

- Establishment of a cooperative relationship: establish a long-term and stable cooperative relationship with suppliers to jointly carry out environmental protection projects.

- Provision of incentives: give incentives to suppliers who actively adopt environmentally friendly products and services, such as priority procurement, preferential prices, extension of contract terms, etc.

Monitoring measures

- Requirement of submission of reports: Suppliers are required to submit regular reports on the use of environmentally friendly products and services.

- Field inspections: Conduct regular field inspections of suppliers to check whether their production sites, service facilities, etc. meet environmental protection requirements, and verify the authenticity of the report content.

- Establishment of an evaluation system: Establish a supplier evaluation system, and the evaluation content involves environmental protection quality.

- Market supervision: pay attention to market dynamics and industry information, understand the reputation and performance of suppliers in environmental protection, and collect feedback from other customers or relevant organisations on the environmental protection of suppliers.

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 2024 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 2024, 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.

B7.3 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. In addition, the Company and all employees have signed the Employee Anti-Corruption Policy Certification, and the employees acknowledged receipt, read and fully understood the Anti-Corruption Business Code of Conduct ("Policy") and agreed to abide by all the rules.

B8 Community investment

As a corporate citizen, The Group and Group's members Companies promote attention and participation in contribution to education, environmental matters, labour needs, health, culture, sports and other activities after working hours, and social contribution to the local community where the Group operate. The Group 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. The Group would like to increase social investment to create a more favorable environment for our communities and businesses.

B8.1 Focus areas of contribution in community engagement

The Company will provide health check-ups and purchase group accident commercial insurance for all employees every year; organise various ball competitions for employees every year; organise team building activities for employees by department; provide Mid-Autumn Festival, Dragon Boat Festival, March 8th International Women's Day employee welfare, regular employee birthday parties, etc.; provide RMB1,000 for each employee as learning funds every year for study and improvement. In 2024, the Company donated RMB100,000 and 2,046 tablet computers to the Liu Renba Town Renyi Bafang Education Fund and the Beijing Guixin Charity Foundation for educational supports in poor areas; and donated RMB10,000 to the Shenzhen Beautiful Shenzhen Public Welfare Foundation to promote urban environmental protection and greening.

B8.2 Resources contributed in community engagement

Every year, the Company budgets to allocate about RMB10 million for activities such as departmental team building, employees education, health check-up and insurance, employees travel, recreational, cultural and sports activities and public welfare donations.

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2024.

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 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 RMB313 million.

The Board of Directors recommend the payment of a final dividend of RMB0.45 per share.

BUSINESS REVIEW AND PROSPECTS

A review of the financial performance and business of the Group during the year 2024 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 and Chief Executive Officer)*
Mr. Jiang Shiwen
Ms. Huang Zhao Huan
Mr. Liu Guozhu

DIRECTORS AND SUPERVISORS (Continued)

Non-executive director:
Mr. Peng Jian

Independent Non-executive Directors:
Ms. Zhang Yanxiao
Mr. Bin Zhichao
Ms. He Xujin *(Re-appointed on 14 May 2024)*

Supervisors:
Mr. Cheng Chi
Mr. Lei Zhiwei *(Re-appointed on 14 May 2024)*
Mr. Guo Zhao Hui

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 2024, 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	31.24%	19.05%
	Interest in a controlled company	59,318,400	23.39% (Note 1)	14.27%
	Interest in a controlled company	11,938,200	4.71% (Note 2)	2.87%
	Interest in a controlled company	35,160,000	13.87% (Note 3)	8.46%

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 31.24% 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 31.24% 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 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.

Save as disclosed above, as at 31 December 2024, 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.

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

(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 2024, 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 2024.

MAJOR CLIENTS AND SUPPLIERS

Total revenue from the top five customers of the Company was approximately RMB556,000,000 (2023: RMB355,000,000), accounting for approximately 30% (2023: 23%) of total revenue for the year. The largest customer accounted for approximately 9% (2023: 8%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately RMB794,000,000 (2023: RMB408,000,000), accounting for approximately 71% (2023: 51%) of the total purchases for the year. The largest supplier accounted for approximately 24% (2023: 16%) 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.

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

During the reporting period, the total amount of share capital of the Company, there is no change in; neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares; and the Company had no share options granted under the share option scheme.

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 2024, the Group had 954 and 116 employees based in the PRC and overseas respectively. For the year ended 31 December 2024, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB300 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.

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 C3 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 2023 and 2022 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
25 March 2025

DaHuaShenZi (2025) no.0011002851

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 2024, and its and consolidated income statements for the year 2023 ended, its and consolidated cash flow statements, its and consolidated statements of change in equity for the year then ended, and related notes to the financial statements.

In our opinion, the attached Financial Statements were prepared in accordance with the requirements of Accounting Standards for Business Enterprises, giving a true and fair view of Launch Tech's and consolidated financial position as at 31 December 2024, and of its and consolidated financial performance and cash flows for the year then ended 2024.

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 recognition of operating income is a key audit matters that need to be communicated in the audit report:

3. KEY AUDIT MATTERS (CONTINUED)

1. Description of the matter

Please refer to Note III/(30) and Note V/Note 39 of the consolidated financial statements for the relevant accounting policies and book amounts for the recognition of the operating income of Launch Tech this year.

Since revenue is one of the key performance indicators of Launch Tech, there is an inherent risk of management manipulating revenue recognition in order to achieve specific goals or expectations. Therefore, we have identified revenue recognition as a key audit matter.

2. Audit response

The important audit procedures that we have implemented for the confirmation of Launch Tech's operating income include:

(1) Test the design and implementation of key internal controls related to the revenue cycle to confirm the effectiveness of internal controls;

(2) Perform analytical review procedures for revenue and costs;

(3) Obtain the contract signed by Launch Tech and the customer, and verify the key terms of the contract, including delivery, payment and settlement, exchange and return policies, etc.;

(4) Check the supporting documents related to income confirmation, including sales order, delivery receipt, receipt confirmation, customs declaration, freight bill of lading, payment receipt and other information ,to evaluate whether the revenue recognition policy complies with the relevant provisions of accounting standards;

(5) Implement independent letter verification procedures to important customers to verify accounts receivable and current sales;

(6) For the income transactions recorded before and after the balance sheet date, select samples, check the relevant supporting documents, and evaluate whether the income is recorded in the appropriate accounting period.

Based on the audit evidence obtained, we have obtained the audit conclusion that Launch Tech's recognition of operating income complies with the relevant provisions of the Accounting Standards for Business Enterprises.

4. OTHER INFORMATION

The management of Launch Tech are responsible for the other information. The other information comprises the information included in the 2024 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 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.

Governance is responsible for supervision 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.

In accordance with China Standards on Auditing, we exercised professional judgment and maintain professional scepticism throughout the audit process. 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 the 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
25 March 2025

2024 (Expressed in Renminbi)

	Note V	**2024**	2023
Current assets:			
Bank balances and cash	1	**547,765,774.30**	619,527,034.44
Trading financial asset	2	**9,624,004.27**	6,052,715.96
Bills receivable	3	**13,881,835.08**	31,825,078.38
Accounts receivable	4	**307,418,809.73**	227,936,578.26
Accounts receivable financing	5	**9,637,013.80**	7,522,612.37
Prepayments	6	**74,508,098.30**	30,615,441.08
Other receivables	7	**18,608,061.99**	46,965,396.13
Inventories	8	**212,768,820.10**	207,175,760.36
Other current assets	9	**32,681,513.31**	27,949,326.50
Total current assets		**1,226,893,930.88**	1,205,569,943.48
Non-current assets:			
Long-term equity investment	10	**–**	–
Investment in other equity instruments	11	**55,670,094.77**	20,590,231.57
Investment Property	12	**334,814,807.30**	48,830,951.54
Fixed assets	13	**100,227,529.98**	106,771,660.27
Construction in progress	14	**63,422,681.73**	309,069,055.81
Right-in-use assets	15	**9,108,775.31**	15,993,870.93
Intangible assets	16	**96,326,810.45**	56,103,788.16
Goodwill	17	**104,552,160.76**	88,187,271.36
Long-term deferred expenditure	18	**502,053.60**	500,986.35
Deferred income tax assets	19	**2,979,929.93**	157,655.21
Other non-current assets	20	**2,172,897.36**	3,443,435.00
Total non-current assets		**769,777,741.19**	649,648,906.20
Total assets		**1,996,671,672.07**	1,855,218,849.68

Consolidated Balance Sheet

2024 *(Expressed in Renminbi)*

	Note V	**2024**	2023
Current liabilities:			
Short-term borrowings	21	**79,921,465.28**	177,991,686.07
Bills payable	22	**7,410,838.09**	–
Accounts payable	23	**201,536,543.97**	163,898,887.83
Contract liabilities	24	**159,390,608.82**	95,860,921.38
Employee remuneration payable	25	**54,793,709.83**	46,405,379.67
Tax payables	26	**20,683,872.93**	8,253,217.96
Other payables	27	**32,602,669.65**	32,566,026.85
Non-current liabilities due within one year	28	**8,679,105.86**	26,502,346.37
Other current liabilities	29	**19,978,522.84**	35,868,273.78
Total current liabilities		**584,997,337.27**	587,346,739.91
Non-current liabilities:			
Long-term borrowings	30	**158,610,542.03**	176,279,661.24
Lease liabilities	31	**4,771,863.20**	9,250,706.07
Deferred income	32	**4,464,712.14**	7,502,455.77
Deferred tax liabilities	19	**–**	–
Total non-current liabilities		**167,847,117.37**	193,032,823.08
Total liabilities		**752,844,454.64**	780,379,562.99
Shareholders' equity:			
Share capital	33	**415,788,100.00**	415,788,100.00
Capital reserve	34	**393,801,164.14**	393,801,164.14
Other comprehensive income	35	**12,727,173.63**	-1,382,900.13
Surplus reserve	36	**102,894,736.26**	72,469,704.17
Undistributed profit	37	**312,753,202.09**	186,552,329.98
Total owners' equity attributable to parent company		**1,237,964,376.12**	1,067,228,398.16
Minority shareholders' equity		**5,862,841.31**	7,610,888.53
Total shareholders' equity		**1,243,827,217.43**	1,074,839,286.69
Total liabilities and shareholders' equity		**1,996,671,672.07**	1,855,218,849.68

The attached notes to the financial statement formed an integral part of these financial statements

2024 (Expressed in Renminbi)

	Note XV	**2024**	2023
Current assets:			
Bank balances and cash		**476,759,305.78**	562,987,060.00
Trading financial asset		**2,612,703.48**	2,041,866.64
Bills receivable		**13,660,235.23**	31,425,078.38
Accounts receivable	1	**365,526,210.91**	267,739,363.37
Accounts receivable financing		**9,371,795.99**	7,522,612.37
Prepayments		**71,071,557.38**	25,109,826.77
Other receivables	2	**499,006,110.10**	436,171,591.70
Inventories		**168,426,413.45**	169,508,679.80
Other current assets		**1,076,799.18**	1,105,469.25
Total current assets		**1,607,511,131.50**	1,503,611,548.28
Non-current assets:			
Long-term equity investments	3	**213,555,378.71**	200,928,588.32
Investment in other equity instruments		**25,366,781.45**	6,468,730.99
Investment Property		**43,856,956.91**	48,830,951.54
Fixed assets		**87,772,142.27**	95,256,186.16
Right-in-use assets		**2,909,999.39**	5,000,208.84
Intangible assets		**6,284,773.25**	14,564,126.58
Other non-current assets		**2,172,897.36**	57,815.00
Total non-current assets		**381,918,929.34**	371,106,607.43
Total assets		**1,989,430,060.84**	1,874,718,155.71

Balance Sheet

2024 (Expressed in Renminbi)

	Note XV	**2024**	2023
Current liabilities:			
Short-term borrowings		**31,033,687.50**	30,036,666.66
Bills payable		**57,410,838.09**	148,571,428.57
Accounts payable		**348,501,647.67**	257,897,132.66
Contract liabilities		**129,181,160.47**	94,331,626.21
Employee benefits payables		**26,352,705.31**	27,523,983.00
Tax payables		**2,869,504.07**	2,435,809.71
Other payables		**48,042,053.99**	54,218,918.41
Non-current liabilities due within one year		**5,523,477.47**	21,212,344.18
Other current liabilities		**19,848,839.35**	35,778,374.35
Total current liabilities		**668,763,913.92**	672,006,283.75
Non-current liabilities:			
Long-term borrowings		**158,610,542.03**	176,279,661.24
Lease liabilities		**1,464,265.95**	3,050,303.43
Deferred income		**4,464,712.14**	7,502,455.77
Total non-current liabilities		**164,539,520.12**	186,832,420.44
Total liabilities		**833,303,434.04**	858,838,704.19
Shareholders' equity:			
Share capital		**415,788,100.00**	415,788,100.00
Capital reserve		**395,638,793.55**	395,638,793.55
Other comprehensive income		**14,916,063.50**	-3,960,701.50
Surplus reserve		**102,894,736.26**	72,469,704.17
Undistributed profits		**226,888,933.49**	135,943,555.30
Total shareholders' equity		**1,156,126,626.80**	1,015,879,451.52
Total liabilities and shareholders' equity		**1,989,430,060.84**	1,874,718,155.71

The attached notes to the financial statement formed an integral part of these financial statements.

2024 (Expressed in Renminbi)

	Note V	**2024**	2023
Operating income	38	**1,882,044,159.72**	1,598,352,611.56
Less: Operating costs	38	**986,964,323.48**	911,854,193.46
Tax and surcharge	39	**11,708,453.18**	7,630,080.51
Selling expenses	40	**254,106,712.99**	207,718,935.69
Administrative expenses	41	**113,391,543.62**	111,602,184.94
Research and development expenses	42	**201,483,668.44**	172,741,911.72
Finance costs	43	**-7,388,443.99**	14,739,591.02
Add: Other revenue	44	**39,813,890.20**	28,363,378.25
Gain on investments	45	**2,318,137.91**	2,167,726.32
Loss on changes in fair value	46	**82,137.63**	18,289.76
Impairment loss on credit	47	**3,439,783.78**	-4,304,337.29
Impairment loss on assets	48	**-15,212,461.00**	-27,019,007.14
Gain on disposals of assets	49	**-55,455.18**	1,643,113.94
Operating profit		**352,163,935.34**	172,934,878.06
Add: Non-operating income	50	**1,109,199.74**	620,480.33
Less: Non-operating expenses	51	**4,358,158.71**	711,648.44
Total profit		**348,914,976.37**	172,843,709.95
Less: Income tax expenses	52	**7,653,175.46**	3,941,073.90
Net profit		**341,261,800.91**	168,902,636.05
Profit from continued operation		**341,261,800.91**	168,902,636.05
Net profit attributable to owners of the parent company		**339,505,814.80**	168,903,408.36
Net profit attributable to minority shareholders		**1,755,986.11**	-772.31
Other comprehensive income		**14,110,073.76**	7,862,849.82
Total comprehensive income		**355,371,874.67**	176,765,485.87
Attributable to shareholders of the parent company		**353,615,888.56**	176,766,258.18
Total comprehensive income attributable to minority shareholders		**1,755,986.11**	-772.31
Earnings per share:			
Basic earnings per share		**0.8165**	0.3932

Income Statement

2024 (Expressed in Renminbi)

	Note XV	2024	2023
Total operating income	4	**1,668,702,308.72**	1,404,163,789.53
Less: Operating costs	4	**1,169,366,611.40**	1,052,072,988.97
Tax and surcharge		**7,641,451.52**	4,846,146.85
Selling expenses		**113,602,599.27**	100,736,566.01
Administrative expenses		**92,869,506.73**	98,100,860.04
Research and development expenses		**93,754,766.17**	96,126,247.33
Finance costs		**-14,325,509.44**	4,271,112.25
Add: Other revenue		**16,040,869.60**	4,751,207.72
Add: Investment income	5	**92,880,340.41**	268,789,479.26
Loss on changes in fair value		**70,836.84**	18,289.76
Impairment loss on credit		**1,045,305.03**	-4,907,638.21
Impairment loss on assets		**-8,129,046.44**	-3,945,478.57
Gain on disposal of assets		**–**	1,643,113.94
Operating profit		**307,701,188.51**	314,358,841.98
Add: Non-operating income		**551,752.34**	600,157.85
Less: Non-operating expenditure		**4,002,619.97**	520,868.08
Total profit		**304,250,320.88**	314,438,131.75
Less: Income tax expenses		**–**	1,518,161.63
Net profit		**304,250,320.88**	312,919,970.12
Profit from continued operation		**304,250,320.88**	312,919,970.12
Other comprehensive income after tax		**18,876,765.00**	2,456,092.12
Total comprehensive income		**323,127,085.88**	315,376,062.24

The attached notes to the financial statement formed an integral part of these financial statements.

2024 (Expressed in Renminbi)

	Note V	2024	2023
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		**1,839,755,707.53**	1,598,511,228.94
Refund of taxes and levies		**59,244,074.17**	64,617,568.74
Other cash receipts relating to operating activities	53	**38,866,739.00**	48,112,446.89
Sub-total of cash inflows from operating activities		**1,937,866,520.70**	1,711,241,244.57
Cash paid for goods and services		**947,163,064.11**	1,012,942,431.30
Cash paid to and on behalf of employees		**324,463,329.81**	266,908,164.53
Payments of taxes and levies		**68,036,795.83**	61,220,039.02
Other cash payments relating to operating activities	53	**206,785,920.53**	206,561,842.68
Sub-total of cash outflows from operating activities		**1,546,449,110.28**	1,547,632,477.53
Net cash flows from operating activities		**391,417,410.42**	163,608,767.04
Cash flows from investing activities:			
Cash receipts from investment		**–**	42,002,700.89
Cash receipts from investment income		**1,326,781.20**	1,524,686.69
Cash received from disposals of fixed assets, intangible assets and other long-term assets		**5,307.00**	5,542,268.60
Cash received from disposal of subsidiaries and other operating units		**31,467,845.26**	261,125,592.64
Other cash receipts relating to investment activities	53	**650,873,559.85**	412,935,985.00
Sub-total of cash inflows from investing activities		**683,673,493.31**	723,131,233.82
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**75,481,909.47**	86,636,746.36
Cash paid for investment		**16,500,000.00**	13,385,620.00
Net Cash paid for acquisition of subsidiary and other business operations units		**52,660,537.72**	35,159,551.40
Other cash payment relating to investment activities		**653,902,700.00**	414,936,000.00
Sub-total of cash outflows from investing activities		**798,545,147.19**	550,117,917.76
Net cash flows from investing activities		**-114,871,653.88**	173,013,316.06

2024 (Expressed in Renminbi)

	Note V	2024	2023
Cash flows from financing activities			
Cash receipts from borrowings		**413,636,666.67**	217,611,035.52
Sub-total of cash inflows from financing activities		**413,636,666.67**	217,611,035.52
Cash repayments of borrowings		**544,877,179.41**	240,521,416.70
Cash payments for interest expenses, distribution of dividend or profits		**203,065,503.36**	149,750,866.13
Other Cash payments relating to financing activities	53	**7,906,444.38**	40,214,135.44
Sub-total of cash outflows from financing activities		**755,849,127.15**	430,486,418.27
Net cash flows from financing activities		**-342,212,460.48**	-212,875,382.75
Impact on cash by changes in foreign exchange rates		**-4,982,129.13**	-2,567,054.73
Net increase in cash and cash equivalents		**-70,648,833.07**	121,179,645.62
Add: Cash and cash equivalents at beginning of the period		**610,732,095.28**	489,552,449.66
Cash and cash equivalents at end of the period		**540,083,262.21**	610,732,095.28

The attached notes to the financial statement formed an integral part of these financial statements.

2024 (Expressed in Renminbi)

	Note XV	**2024**	2023
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		**1,633,899,975.84**	1,364,218,747.60
Refund of taxes and levies		**37,744,699.26**	42,121,644.25
Other cash receipts relating to operating activities		**64,773,518.39**	55,911,708.25
Sub-total of cash inflows from operating activities		**1,736,418,193.49**	1,462,252,100.10
Cash paid for goods and services		**1,240,704,843.31**	983,079,078.50
Cash paid to and on behalf of employees		**156,122,281.11**	138,022,748.10
Payments of taxes and levies		**13,829,192.39**	9,795,553.84
Other cash payments relating to operating activities		**253,805,659.49**	140,309,810.97
Sub-total of cash outflows from operating activities		**1,664,461,976.30**	1,271,207,191.41
Net cash flows from operating activities		**71,956,217.19**	191,044,908.69
Cash flows from investing activities:			
Cash receipts from investment		**–**	42,002,700.89
Cash receipts from investment income		**91,326,781.20**	18,923,231.31
Cash received from disposals of fixed assets, intangible assets and other long-term asset		**5,307.00**	5,542,268.60
Net cash received from disposal of subsidiaries and other business units		**24,362,168.92**	200,012,850.40
Other cash receipts relating to investment activities		**630,765,026.14**	412,935,985.00
Sub-total of cash inflows from investing activities		**746,459,283.26**	679,417,036.20
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		**19,625,757.46**	24,920,795.44
Cash paid for investment		**11,889,847.42**	31,634,012.64
Other cash payment relating to investment activities		**630,902,700.00**	414,936,000.00
Sub-total of cash outflows from investing activities		**662,418,304.88**	471,490,808.08
Net cash flows from investing activities		**84,040,978.38**	207,926,228.12

2024 (Expressed in Renminbi)

	Note XV	2024	2023
Cash flows from financing activities			
Cash received from borrowings		**365,060,000.00**	80,000,000.00
Sub-total of cash inflows from financing activities		**365,060,000.00**	80,000,000.00
Cash repayments of borrowings		**396,935,600.00**	199,310,000.00
Cash payments for interest expenses, distribution of dividend or profits		**202,918,214.96**	147,934,964.18
Other cash repayments relating to financing activities		**2,123,616.53**	34,807,197.28
Sub-total of cash outflows from financing activities		**601,977,431.49**	382,052,161.46
Net cash flows from financing activities		**-236,917,431.49**	-302,052,161.46
Impact or cash by changes in foreign exchange rates		**-4,196,986.86**	-2,327,789.22
Net increase in cash and cash equivalents		**-85,117,222.78**	94,591,186.13
Add: Cash and cash equivalents at beginning of the period		**554,194,517.08**	459,603,330.95
Cash and cash equivalents at end of the period		**469,077,294.30**	554,194,517.08

The attached notes to the financial statement formed an integral part of these financial statements.

2024 (Expressed in Renminbi)

	2024						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Ending balance of previous year	415,788,100.00	393,801,164.14	-1,382,900.13	72,469,704.17	186,552,329.98	7,610,888.53	1,074,839,286.69
Opening balance of current year	415,788,100.00	393,801,164.14	-1,382,900.13	72,469,704.17	186,552,329.98	7,610,888.53	1,074,839,286.69
Changes for current period	-	-	14,110,073.76	30,425,032.09	126,200,872.11	-1,748,047.22	168,987,930.74
Comprehensive income	-	-	14,110,073.76	-	339,505,814.80	1,755,986.11	355,371,874.67
Appropriations	-	-	-	30,425,032.09	-30,425,032.09	-	-
Distribution of profits	-	-	-	-	-182,879,910.60	-	-182,879,910.60
Others	-	-	-	-	-	-3,504,033.33	-3,504,033.33
Ending balance for current period	415,788,100.00	393,801,164.14	12,727,173.63	102,894,736.26	312,753,202.09	5,862,841.31	1,243,827,217.43

The attached notes to the financial statement formed an integral part of these financial statements.

Consolidated Statement of Movement on Equity

2024 *(Expressed in Renminbi)*

	2023						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	Total shareholders' equity
Ending balance of previous year	432,216,600.00	411,681,704.56	-9,245,749.95	41,177,707.16	195,894,562.63	228,916.55	1,071,953,740.95
Opening balance of current year	432,216,600.00	411,681,704.56	-9,245,749.95	41,177,707.16	195,894,562.63	228,916.55	1,071,953,740.95
Changes for current period	-16,428,500.00	-17,880,540.42	7,862,849.82	31,291,997.01	-9,342,232.65	7,381,971.98	2,885,545.74
Comprehensive income	–	–	7,862,849.82	–	168,903,408.36	-772.31	176,765,485.87
Repurchase of shares	-16,428,500.00	-16,191,703.80	–	–	–	–	-32,620,203.80
Appropriation	–	–	–	31,291,997.01	-31,291,997.01	–	–
Transfer to reserve	–	–	–	–	-146,953,644.00	–	-146,953,644.00
Others	–	-1,688,836.62	–	–	–	7,382,744.29	5,693,907.67
Ending balance for current period	415,788,100.00	393,801,164.14	-1,382,900.13	72,469,704.17	186,552,329.98	7,610,888.53	1,074,839,286.69

The attached notes to the financial statement formed an integral part of these financial statements.

2024 (Expressed in Renminbi)

	2024					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Ending balance of previous year	415,788,100.00	395,638,793.55	-3,960,701.50	72,469,704.17	135,943,555.30	1,015,879,451.52
Opening balance of current year	415,788,100.00	395,638,793.55	-3,960,701.50	72,469,704.17	135,943,555.30	1,015,879,451.52
Changes for current period ("–" decrease)	–	–	18,876,765.00	30,425,032.09	90,945,378.19	140,247,175.28
Total comprehensive income	–	–	18,876,765.00	–	304,250,320.88	323,127,085.88
Appropriations	–	–	–	30,425,032.09	-30,425,032.09	–
Distribution of profits	–	–	–	–	-182,879,910.60	-182,879,910.60
Ending balance for current period	415,788,100.00	395,638,793.55	14,916,063.50	102,894,736.26	226,888,933.49	1,156,126,626.80

The attached notes to the financial statement formed an integral part of these financial statements.

Statement of Movement on Equity

2024 (Expressed in Renminbi)

	2023					
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Ending balance of previous year	432,216,600.00	411,830,497.35	-6,416,793.62	41,177,707.16	1,269,226.19	880,077,237.08
Opening balance of current year	432,216,600.00	411,830,497.35	-6,416,793.62	41,177,707.16	1,269,226.19	880,077,237.08
Changes for current period	-16,428,500.00	-16,191,703.80	2,456,092.12	31,291,997.01	134,674,329.11	135,802,214.44
Total comprehensive income	–	–	2,456,092.12	–	312,919,970.12	315,376,062.24
Repurchase of shares	-16,428,500.00	-16,191,703.80	–	–	–	-32,620,203.80
Appropriation	–	–	–	31,291,997.01	-31,291,997.01	–
Distribution of profits	–	–	–	–	-146,953,644.00	-146,953,644.00
Ending balance for current period	415,788,100.00	395,638,793.55	-3,960,701.50	72,469,704.17	135,943,555.30	1,015,879,451.52

The attached notes to the financial statement formed 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 1 August 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 of 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. As of 26 June 2019, the total number of shares of the Company was 360,180,500 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.

On 28 June 2023, at the annual general meeting, the H-share shareholders' meeting and the domestic shareholders' meeting of the Company, shareholders approved the resolution on granting the general authorization of the company's board of directors to repurchase the Company's H shares: The total face value of the Repurchase of H shares will not exceed 10% of the total face value of the H shares issued by the company on that date passing that special resolution. From 14 August 2023, the Company has gradually repurchased the shares issued. As of 30 November 2023, the Company has repurchased 16.42.85 million shares. As of 30 November 2023, all the repurchased shares have been cancelled, and the total number of shares of the Company from 432,216,6000 shares changed to 415,788,100 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.

I. GENERAL INFORMATION OF THE COMPANY (Continued)

(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; lease of own property; engage in advertising business; 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) Scope of consolidated financial statements

During the period, 32 entities were consolidated in the consolidated financial statements, details see NOTE VII EQUITY INTERESTS IN OTHER ENTITIES. There were 7 additions and 2 reduction of entities in the consolidated financial statements during the period and the details of changes in the entities that were included in the consolidated financial statements during the period were set out in "Note VI, CHANGE IN THE SCOPE OF CONSOLIDATION".

(IV) Approval of the financial statements

These financial statements were approved by the Board of Directors on 25 March 2025.

II. 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 2023).

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. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(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.

(III) Accounting basis and pricing principles

The company's accounting is based on the accrual system. Except for some financial instruments measured at fair value, this property. The statement is based on historical cost. If the asset is impairment, the corresponding impairment standard shall be calculated in accordance with the relevant regulations. Prepare.

III. 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) Business cycle

The business cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. Our company take 12 months as a business cycle and use it as the liquidity classification standard for assets and liabilities.

(IV) Functional currency

Renminbi is the functional currency. 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.

(V) Method and selection basis for determining importance standards

Project	Importance Standard
Accounts receivable write-off	Over 720,000.00
Other receivables write-off	Over 720,000.00
Important construction in progress	Over 720,000.00

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) 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;

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

Enterprises participating in the merger are not subject to the final control of the same party or the same party before and after the merger, and are not under the same 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Business combinations involving entities under common control (Continued)

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.

3. Business combinations involving entities not under common control

Enterprises participating in the merger are not subject to the final control of the same party or the same party before and after the merger, and are not under the same control. Business merger.

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; first of all, the fair value of the identifiable assets, liabilities and contingent liabilities of the purchased party and the measurement of the combined cost are reviewed. After the review, if the consolidated cost is still less than the share of the fair value of the identifiable net assets of the acquiree obtained in the business combination, such difference after review shall be recognized in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) 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.

(VII) Judgment criteria of control and preparation of consolidated financial statements

1. Judgment criteria of control

Control means that the investor has the power over the invested party and enjoys variable return by participating in the relevant activities of the invested party.

The company judges whether to control the invested party on the basis of comprehensive consideration of all relevant facts and circumstances. Very short time If changes in relevant facts and circumstances lead to changes in the relevant elements involved in the control definition, the company will make a new evaluation. Relevant facts and circumstances mainly include:

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Judgment criteria of control and preparation of consolidated financial statements (Continued)

1. Judgment criteria of control (Continued)

(1) The purpose of the establishment of the invested party.

(2) The relevant activities of the invested party and how to make decisions on the relevant activities.

(3) Whether the rights enjoyed by the investor enable him to dominate the relevant activities of the investor at present.

(4) Whether the investor enjoys a variable return by participating in the relevant activities of the invested party.

(5) Whether the investor has the ability to use the power of the invested party to affect the amount of return.

(6) The relationship between the investor and other parties.

2. 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 Company) are included in the consolidated financial statements.

3. 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Preparation of consolidated financial statements (Continued)

3. Procedures (Continued)

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 the book value of the ultimate controller's financial statement as basis to adjust their own financial statements.

Where as 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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Preparation of consolidated financial statements (Continued)

3. Procedures (Continued)

(1) Addition of subsidiary or business (Continued)

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Preparation of consolidated financial statements (Continued)

3. 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 disposals 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 fulfilled 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 occurrence of a transaction is dependent on occurrence of at least one transaction;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Preparation of consolidated financial statements (Continued)

3. 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 losing control, treat it as the same as transactions for not losing 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 losing 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.

(VIII) 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. Joint operation means that the joint operation parties enjoys the arrangement that relates to assets and bears the liabilities related to the arrangement. The joint venture refers to the joint venture arrangement in which the joint venture party only has the right to the net assets of the arrangement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) 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.

(X) 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Translation of foreign currency statements (Continued)

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.

(XI) 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).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

1. Classification, recognition and measurement of financial assets

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

1. Classification, recognition and measurement of financial assets (Continued)

(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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

1. Classification, recognition and measurement of financial assets (Continued)

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

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.

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

For initial recognition, 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 there is no provision for impairment. When the financial asset terminates the recognition, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income and included in the retained income. During the period of the Company's investment in the equity instrument, when the Company's right to collect dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be reliably measured, the dividend income will be recognized and included in the current profit and loss. The Company reports on 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).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

1. Classification, recognition and measurement of financial assets (Continued)

(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.

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 individual financial assets irrevocable in nature can be designated as financial assets measured at fair value through profit or loss.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

2. Classification, recognition 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

2. Classification, recognition 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 recognition amount after deducting the accumulated amortization amount during the guarantee period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) 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 for the period.

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 profit and loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) 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 (i.e., 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 sum of the consideration received for the transfer of financial assets and 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 financial assets of the income).

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) 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 sum of 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).

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; Unless the financial asset has a sales limit period for the asset itself. For financial assets restricted to the asset itself, it shall be determined according to the quotation in the active market after deducting the amount of compensation claimed by the market participants for assuming the risk that the financial assets cannot be sold on the open market during the specified period. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

5. Determination of the fair value of financial assets and financial liabilities (Continued)

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.

6. Impairment of financial instruments

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 of those loan commitments of financial liabilities not measured at fair value but its changes are included in the current profit or loss, financial liabilities not measured at fair value and its changes are included in the current profit or loss, and financial liabilities formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets.

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.

The Company for all the contract assets and Bills and accounts receivables, and lease receivables/ Financial lease receivables/Business lease receivables formed by the transactions regulated by the income standard, measures 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

6. Impairment of financial instruments (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

6. Impairment of financial instruments (Continued)

(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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

6. Impairment of financial instruments (Continued)

(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 of that financial asset resulting from 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Financial instruments (Continued)

6. Impairment of financial instruments (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 contract cash flow collectable by the Company 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) Financial assets written down

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) 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.

(XII) Bills receivable

The Company's determination method and accounting treatment method of the expected credit loss of bills receivable are detailed in Note (XI) 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
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 fulfill 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 expected credit loss
Commercial Acceptance bill	The drawer has a high credit rating, has not historically defaulted on a bill, has a high credit loss risk, and has an uncertainty to fulfill 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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) 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 III / (IX) 6. Impairment of financial instruments.

For credit risk of certain accounts receivables that are obviously different from group basis credit risk, the Company shall considers the expected credit loss on individual basis. For those expected credit losses which sufficient evidence can be assessed at a reasonable cost at the level of a single method, the Company recognised them as credit losses separately.

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

(XIV) Receivables financing

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

(XV) 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 (XI) 6. Impairment of financial instruments.

For other receivables that are carrying significantly different credit risk from the credit risk of group of other receivables, the Company calculates the expected credit loss on an individual basis. The Company separately determines its credit losses for other receivables that have significant single amounts and have undergone credit impairment after initial recognition.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) 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	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

(XVI) Inventories

1. Inventory categories, issuance pricing method, inventory system, amortization method of low-value consumables and packaging inventories categories

1. Inventory categories

Inventories refer to the finish goods 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, in house semi-finished products and finished goods (merchandizes in stock) and work in progress.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Inventories (Continued)

1. Inventory categories, issuance pricing method, inventory system, amortization method of low-value consumables and packaging inventories categories (Continued)

3. Inventory system

Perpetual inventory system is adopted.

4. 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.

2. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) 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 (XI) 6. Impairment of financial instruments.

(XVIII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Long-term equity investments (Continued)

2. Subsequent measurement and profit or loss recognition

(1) Cost method

The Company adopts the cost method to record the long-term equity investment which is available for the investee to implements control, using consideration cost as the initial investment cost, and the subsequent additions and disposals would be adjusted to long-term equity investment cost.

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 in the owners' equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Long-term equity investments (Continued)

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

(2) Equity method (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) 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)

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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Long-term equity investments (Continued)

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

(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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Long-term equity investments (Continued)

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

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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Long-term equity investments (Continued)

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

(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.

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.

(XIX) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) 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/ amortization %
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.

(XX) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) 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.

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.

Fixed assets financed by special reserve shall be deducted the cost of fixed assets from special reserve and same amount shall be recognised in the cumulative depreciation. Those fixed assets will no longer be subject to depreciation in the future.

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.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Fixed assets (Continued)

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

(1) Depreciation of fixed assets (Continued)

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) Impairment of fixed assets

For details of the impairment test method of fixed assets and the method of impairment provision, please refer to this note (XXV) long-term asset impairment.

(4) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) Constructions 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.

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.

For details of the impairment test method of construction in progress and the method of impairment provision, please refer to this note (XXV) long-term asset impairment.

(XXII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) 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 ceased.

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 ceased.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) 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.

The Company, in accordance with the provisions of Enterprise Accounting Standard No. 8 – Asset Impairment, determines whether impairment occurred on the right of use assets and accounts for any identified impairment losses. For details, please refer to Note (XXV) Impairment of long-term asset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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, patent and proprietary technology.

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 merger or acquisition of entities under common control, the entry value is determined by the carrying amount of the combined party; for intangible asset obtained through business merger or acquisition 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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	3-10 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 the period. If necessary, corresponding adjustments would be made.

(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 not identifiable.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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. If it is impossible to distinguish between the expenditure belongs to research stage or development stage, all the R&D expenditures will be included in the current profit and loss. The cost of intangible assets formed by internal development activities only includes the total expenditures incurred upon capitalization conditions are met that intangible assets for intended purpose. The expenditures that has been expensed into profit and loss before the capitalization conditions of the same intangible asset in the development process will not be adjusted.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) 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 goodwill formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Long-term expectation of amortization of expenses

1. Amortization method

Long-term amortization refers to the expenditure incurred by the Company should be charged to the current and subsequent periods if the amortization period is over one year. The long-term amortization expenses shall be amortized in installments according to the straight-line method during the beneficial periods.

(XXVII) Contract Liability

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

(XXVIII) 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 Company's post-employment benefits are categorized as defined contribution plans and defined benefit plans.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Employee Compensation (Continued)

2. Post-employment benefits (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) 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.

(XXX) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Income (Continued)

1. General principles of revenue recognition (Continued)

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Income (Continued)

2. 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.

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 obligations of the Company;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Income (Continued)

2. Specific methods for revenue recognition (Continued)

– 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Income (Continued)

2. 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.

③ Software product sales: the Company's software upgrade products and control has been delivered to customers, and revenue is recognized after completion of related services.

3. Principles of revenue processing for specific transactions

(1) For sales with sales return terms, the company 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. The original book value of the goods is expected to be returned, and the balance after deducting the estimated cost of recovering the goods (including the impairment of the value of the returned commodity) recognized as an asset, the net carry-over cost of the above-mentioned asset cost shall be deducted according to the book value at the time of transfer of the transferred goods.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Income (Continued)

3. Principles of revenue processing for specific transactions (Continued)

(2) Contracts with quality assurance clauses

For quality assurance provides a separate service in addition to goods sold 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 company will account for the quality assurance responsibility in accordance with the provisions of Enterprise Accounting Standard No. 13 - Contingencies.

(3) Sales contract with the customer's additional purchase option

Customers' additional purchase options include sales incentives, customer reward points, renewal options, and future goods, or other discounts of the service, etc., For the additional purchase option that provides customers with significant rights, the company will take it as single performance obligation. When the customer exercises the option to purchase the right to obtain control of relevant goods or services in future, or the option expires, the corresponding income will be recognized. If the individual price of the customer's additional purchase option cannot be directly observed, the relevant information including the difference between the discount that the customer can exercise the option or not, and the possibility of the customer exercising the option, etc., estimations will be comprehensively considered by the Company.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) 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.

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

For assets related to contract cost stated above, 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 cost stated above, 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 accessed, 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Government subsidies

1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. 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.

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 should be offset from the book value of related assets or recognized as deferred income. 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 subsidies 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Government subsidies (Continued)

3. Accounting treatment (Continued)

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 the recognized government subsidies need to be returned, if the book value of the relevant assets is deducted at the time of initial recognition, the book value of the assets shall be adjusted; If there is a relevant deferred income balance, the book balance of the relevant deferred income shall be deducted, and the excess part shall be included in the current profit or loss; for case that no relevant deferred income is matched , shall be directly included in the current profit or loss.

(XXXIII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIII) Deferred tax assets and deferred tax liabilities (Continued)

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.

(XXXIV) 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. Split 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. Merge 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Lease (Continued)

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 (XXIII) Right-of-use assets and Note (XXIX) Lease liabilities

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Lease (Continued)

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

(1) Classification of lease (Continued)

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.

(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;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Lease (Continued)

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

(2) Accounting treatment of financial lease (Continued)

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.

(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.

(XXXV) Changes in key accounting policies and accounting estimates

1. Changes in accounting policies

Content and reasons for changes in accounting policies	Remarks
The Company has implemented the Enterprise Accounting Standard Interpretation No. 17 from 1 January 2024, which was issued by the Ministry of Finance in 2023	(1)
The Company has implemented the Interim Provisions on Accounting Treatment of Enterprise Data Resources from 1 January 2024, which was issued by the Ministry of Finance on 21 August 2023	(2)
The Company has implemented the Enterprise Accounting Standard Interpretation No. 18 from 1 January 2024, which was issued by the Ministry of Finance in 2024	(3)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in accounting policies (Continued)

Explanation of the changes in accounting policies:

(1) Impact of the implementation of Enterprise Accounting Standard Interpretation No. 17 on the Company

On 25 October 2023, the Ministry of Finance issued the Interpretation of Enterprise Accounting Standards No. 17 (Accounting [2023] No. 21, hereinafter referred to as "Explanation No. 17"). The Company has implemented Explanation No. 17 from 1 January 2024 (the "Implementation Day").

The implementation of Explanation No. 17 had no significant impact on the financial statements for the reporting period.

(2) Impact of the implementation of Interim Provisions on Accounting Treatment of Enterprise Data Resources on the Company

The Company has implemented the Interim Provisions on Accounting Treatment of Enterprise Data Resources (hereinafter referred to as the "Interim Provisions") from 1 January 2024. The implementation of the Interim Provisions had no significant impact on the financial statements for the reporting period.

(3) Impact of the implementation of Enterprise Accounting Standard Interpretation No. 18 on the Company

On 6 December 2024, the Ministry of Finance issued the Interpretation of Enterprise Accounting Standards No. 18 (Accounting [2024] No. 24, hereinafter referred to as "Explanation No. 18"). The Company has implemented Explanation No. 18 from the date of its issuance. The implementation of Explanation No. 18 had no significant impact on the financial statements for the reporting period.

2. Changes in accounting estimates

There is no change in the significant accounting estimates during the reporting period.

IV. TAXATION

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

Tax type	Basis of taxation/revenue types	Tax rate
Value-added tax	Sales of goods	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%

2024 (Expressed in Renminbi)

IV. TAXATION (Continued)

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

Tax rates of different tax entities:

Name	Tax Rate
The Company	15.00%
Launch Software	15.00%
Launch Europe GmbH	19.00%
Golo IOV	15.00%
Xi'an Launch	25.00%
PJS	25.00%
Launch International	16.50%
Nanjing Launch	25.00%
Launch Future	25.00%
NJG	25.00%
Hainan Launch	25.00%
Launch Italy GmbH	24.00%
SYXLH	25.00%
SYKLC	12.50%
Foshan Yi Da	25.00%
Launch Information	25.00%
Yisheng New Energy	25.00%
LAUNCH NORTH AMERICAN CORP	29.84%
LAUNCH TECH (USA)	29.84%
Launch Japan Co.,Ltd.	15.00%
SYXYY	Exempted
Launch Investment	25.00%
Launch Consulting	25.00%
SMRDT	15.00%
SMRZK	25.00%
SXG Consulting	25.00%
SXBT	25.00%
SQigao	25.00%
LT Korea	9.00%
LTIM	0.00%

IV. TAXATION (Continued)

(II) Preferential tax policies and basis

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), SYXYY, SYKLC is subject to value-added tax of 13% at statutory tax rate, and for any effective tax of value-added tax burden exceeding 3%, tax refund is immediate given upon collection.

Launch Tech Co., Ltd. is recognized as a high-tech enterprise and has obtained a high-tech enterprise certificate no. GR202244200065. According to the provisions of the Enterprise Income Tax Law of the People's Republic of China, the applicable income tax rate of Launch Tech Co., Ltd. in 2024 is 15%.

Launch Software is recognized as a high-tech enterprise and has obtained a high-tech enterprise certificate numbered GR202344202448. According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China", the applicable tax rate for Launch Software in 2024 was 15%.

Golo IOV was recognized as a new and high technology enterprise with new and high technology enterprise certificate number GR202344201993; according to the provisions of the Law of the People's Republic of China on Enterprise Income Tax, the applicable tax rate for Golo IOV for 2024 was 15%.

SMRDT was recognized as a high-tech enterprise and obtained the number GR202244205865 High-tech enterprise certificate, according to the provisions of the Enterprise Income Tax Law of the People's Republic of China, SMRDT. The applicable income tax rate of Technology Co., Ltd. in 2024 is 15%.

SYXYY Software is an eligible software enterprise, which will calculate the advantage from the profit year before 31 December 2024. During the favorable period, enterprise income tax will be exempted from the first to the second year, and enterprise income tax will be halved from the statutory tax rate of 25% from the third to the fifth year, and until the expiration of the period. 2024 is the first year of exemption from enterprise income tax for Shenzhen Yixin Yiyi Software Development Co., Ltd.

SYKLC is an eligible software enterprise. The preferential period will be calculated from the profit year before 31 December 2024. From the first year to the second year, it will be exempted from enterprise income tax. From the third year to the fifth year, the enterprise income tax will be reduced by half according to the legal tax rate of 25%, and until the expiration of the period, 2024 is the first year that SYKLC is halfly exempted from enterprise income tax.

2024 (Expressed in Renminbi)

V. EXPLANATORY NOTES FOR MAIN ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(The following amounts were in RMB if not otherwise specified. Ending period represents 31 December 2024, and beginning period 1 January 2024, ending of last period represents 31 December 2023.

(1) Bank balances and cash

Item	Ending balance	Beginning balance
Cash on hand	771,478.29	791,838.98
Bank deposit	537,994,370.90	605,706,119.59
Other bank balances and cash	8,999,857.53	13,029,075.87
Total	547,765,706.72	619,527,034.44
Including: total amount of deposits overseas	30,067,592.84	35,622,620.70

The details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Restricted bank deposits	26,268.02	28,146.01
Guarantee deposit	194,864.20	194,864.20
Letter of credit margin	7,410,838.09	8,571,428.57
ETC deposits	500.61	500.38
Bank foreign exchange trading deposit	50,000.00	–
Total	7,682,512.09	8,794,939.16

2024 (Expressed in Renminbi)

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

(2) Trading financial assets

Item	Ending balance	Beginning balance
Subtotal of financial assets classified as fair value through profit or loss	9,624,004.27	6,052,715.96
Equity instrument investment	46,726.20	21,866.64
Financial products	502,577.28	–
Others	9,074,700.79	6,030,849.32
Total	9,624,004.27	6,052,715.96

(3) Bills receivable

1. Categories of bills receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	12,781,983.59	31,565,229.82
Commercial acceptance bills	1,099,851.49	259,848.56
Total	13,881,835.08	31,825,078.38

2024 (Expressed in Renminbi)

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

(3) Bills receivable (Continued)

2. Disclosure by categories of bad debts provision methods

	Book balance		Provision		Book value
Categories	Amount	Proportion (%)	Amount	Provision (%)	
Ending balance					
Provision on individual basis	–	–	–	–	–
Provision on portfolio basis	13,939,722.00	100.00	57,886.92	0.42	13,881,835.08
Including: Bank acceptance bills	12,781,983.59	91.69			12,781,983.59
Commercial acceptance bills	1,157,738.41	8.31	57,886.92	5.00	1,099,851.49
Total	13,939,722.00	100.00	57,886.92		13,881,835.08

Continued

	Book balance		Provision		Book value
Categories	Amount	Proportion (%)	Amount	Provision (%)	
Opening					
Provision on individual basis	–	–	–	–	–
Provision on portfolio basis	31,838,754.62	100.00	13,676.24	0.04	31,825,078.38
Including: Bank acceptance bills	31,565,229.82	99.14			31,565,229.82
Commercial acceptance bills	273,524.80	0.86	13,676.24	5.00	259,848.56
Total	31,838,754.62	100.00	13,676.24	0.04	31,825,078.38

2024 (Expressed in Renminbi)

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

(3) Bills receivable (Continued)

Bad debt provisions on portfolio basis

	Ending balance		
Group name	Book balance	Provision	Provision (%)
Bank acceptance bills	12,781,983.59		
Commercial acceptance bills	1,157,738.41	57,886.92	5.00
Total	13,939,722.00	57,886.92	0.04

3. Bad debts provision made, recovered or reversed in the current period

Categories	Beginning balance	Movement				Ending balance
		Provision	Recovered/ reversed	Written off	Others	
Provision on individual basis	–	–	–	–	–	–
Provision on portfolio basis	13,676.24	44,210.68	–	–	–	57,886.92
Including: Bank acceptance bills	–	–	–	–	–	–
Commercial acceptance bills	13,676.24	44,210.68	–	–	–	57,886.92
Total	13,676.24	44,210.68	–	–	–	57,886.92

4. At the end of the period, bills receivable not yet due on the balance sheet date endorsed or discounted by the Company

Item	Terminated at the period end	Unterminated at the period end
Bank acceptance bills	–	8,208,411.94
Total	–	8,208,411.94

2024 (Expressed in Renminbi)

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

(4) Accounts receivable

1. Classified as disclosure according to bad debt provision method

Aging	Ending balance	Beginning balance
Within 1 year	324,006,854.06	237,798,305.76
Includes: Within 90 days	313,810,979.67	228,809,129.16
91-180 days	5,994,518.68	4,609,891.64
181-270 days	2,645,602.42	
271-365 days	1,555,753.29	4,379,284.96
1—2 years	2,740,508.71	4,128,377.63
2—3 years	2,678,204.90	6,720,181.22
3—4 years	5,558,271.14	2,233,889.66
4—5 years	515,390.30	64,380.87
Over 5 years	2,605,063.16	2,540,930.79
Subtotal	338,104,292.27	253,486,065.93
Less: provision for bad debts	30,685,482.54	25,549,487.67
Total	307,418,809.73	227,936,578.26

2024 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

2. Disclosed by provision categories

	Ending balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision on individual basis	9,199,845.00	2.72	9,199,845.00	100.00	–
Provision on portfolio basis	328,904,447.27	97.28	21,485,637.54	6.53	307,418,809.73
Includes: Aging group	328,904,447.27	97.28	21,485,637.54	6.53	307,418,809.73
Total	338,104,292.27	100.00	30,685,482.54		307,418,809.73

Continued:

	Beginning balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision on individual basis	2,532,822.00	1.00	2,532,822.00	100.00	–
Provision on portfolio basis	250,953,243.93	99.00	23,016,665.67	9.17	227,936,578.26
Includes: Aging group	250,953,243.93	99.00	23,016,665.67	9.17	227,936,578.26
Total	253,486,065.93	100.00	25,549,487.67	10.08	227,936,578.26

2024 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

2. Disclosed by provision categories (Continued)

Bad debts provision made on individual basis

	Ending balance			
Name	Book balance	Provision	Scale (%)	Reasons
Tianjin Zhonghe Zhixin Technology Co., Ltd.	1,449,106.00	1,449,106.00	100	Expected to be cover
Hangzhou Chitutong Information Technology Co., Ltd.	72,002.00	72,002.00	100	Expected to be cover
R&Launch Corporation	7,678,737.00	7,678,737.00	100	Expected to be cover
Total	9,199,845.00	9,199,845.00		

Bad debts provisions made on portfolio basis

1. Aging Portfolio

	Ending balance		
Aging	Accounts receivable	Bad debts provision	Proportion (%)
Under 1 year	322,819,429.61	16,140,971.53	5.00
1-2 years	1,480,703.38	740,351.73	50.00
2-3 years	956,833.45	956,833.45	100.00
3-4 years	1,042,417.67	1,042,417.67	100.00
4-5 years	–	–	100.00
Over 5 years	2,605,063.16	2,605,063.16	100.00
Total	328,904,447.27	21,485,637.54	

2024 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

2. Disclosed by provision categories (Continued)

Bad debts provision made on portfolio basis (Continued)

1. Aging Portfolio (Continued)

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.

The aging of the book balance of accounts receivable classified by not-past-due and overdue (since invoice date) are as follows:

	Ending balance			Beginning balance		
Items	Book balance	Provision	Book value	Book balance	Provision	Book value
Not past due	276,783,283.65	13,839,164.18	262,944,119.47	201,753,057.41	10,087,652.87	191,665,404.54
Overdue	61,321,008.62	16,846,318.36	44,474,690.26	51,733,008.52	15,461,834.80	36,271,173.72
Total	338,104,292.27	30,685,482.54	307,418,809.73	253,486,065.93	25,549,487.67	227,936,578.26

2024 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

3. Bad debts provision made, recovered/reversed in the currant period (Continued)

Categories	Beginning balance	Movement during the year				Ending balance
		Provision made	Recovered or reversed	Written off	Other movement	
Provision on individual basis	2,532,822.00	7,678,737.00	600,000.00	411,714.00	–	9,199,845.00
Provision on portfolio basis	23,016,665.67	699,197.96	518,730.00	1,594,877.91	116,618.18	21,485,637.54
Including: Aging Portfolio	23,016,665.67	699,197.96	518,730.00	1,594,877.91	116,618.18	21,485,637.54
Total	25,549,487.67	8,377,934.96	1,118,730.00	2,006,591.91	116,618.18	30,685,482.54

4. Accounts receivable written off during the reporting period

Item	Amounts written off
Accounts receivable written off	2,006,591.91

2024 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

5. Top five accounts receivable by ending balances

Name	Ending balance	Proportion in ending balance already of accounts receivable (%)	Bad debts provision
Guangdong Taide Zhilian Technology Co., Ltd.	30,414,125.77	9.01	1,520,706.29
Shenzhen Lianke Technology Co., Ltd.	25,577,791.00	7.57	1,278,889.55
Harbor Freight	17,035,386.90	5.04	851,769.35
Chery Automobile Co., Ltd.	15,226,648.18	4.50	761,332.41
AvtoServisTorg LLC-RMB	9,918,210.11	2.93	495,910.51
Total	98,172,161.96	29.04	4,908,608.11

(5) Accounts receivable financing

1. Accounts receivable financing by categories

Item	Ending balance	Beginning balance
Bank acceptance bill	9,637,013.80	7,522,612.37
Total	9,637,013.80	7,522,612.37

2. At the end of the period, bills receivable not yet due on the balance sheet date endorsed or discounted by the Company

Item	Terminated at the period end	Unterminated at the period end
Bank acceptance bills	21,302,800,97	–
Total	21,302,800,97	–

2024 (Expressed in Renminbi)

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

(6) Prepayments

1. Classification based on aging

Aging	Ending balance Amount	Ending balance Proportion (%)	Beginning balance Amount	Beginning balance Proportion (%)
Under 1 year	73,748,505.97	98.98	29,979,134.48	97.92
1-2 years	191,509.78	0.26	357,697.83	1.17
2-3 years	308,787.12	0.41	253,108.77	0.83
Over 3 years	259,295.43	0.35	25,500.00	0.08
Total	74,508,098.30	100.00	30,615,441.08	100.00

2. Top five prepayments by ending balances

Name	Ending balance	Proportion in total prepayment (%)	Year of prepayment	Reasons
Shenzhen Xinxin Intelligent Co., Ltd.	26,135,490.42	35.08	Within 1 year	Not yet delivered
Shenzhen Yuantong Automotive Electronics Co., Ltd.	20,042,451.06	26.90	Within 1 year	Not yet delivered
JVD, Inc.	12,996,914.73	17.44	Within 1 year	Not yet delivered
Shenzhen Dingyuan Intelligent Technology Co., Ltd.	2,724,668.52	3.66	Within 1 year	Not yet delivered
Shenzhen Yijian Car Service Technology Co., Ltd.	1,927,594.80	2.59	Within 1 year	Not yet delivered
Total	63,827,119.53	85.67		

2024 (Expressed in Renminbi)

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

(7) Other receivables

Items	Ending	Beginning
Interests receivables		
Dividends receivables		
Other receivables	18,608,061.99	46,965,396.13
Total	18,608,061.99	46,965,396.13

(I) Other receivables

1. Disclosure by aging

Aging	Ending balance	Beginning balance
Within 1 year	14,388,241.87	27,791,744.54
1-2 years	9,380,214.26	47,420,949.26
2-3 years	10,268,501.28	2,711,041.86
3-4 years	2,237,295.71	826,852.39
4-5 years	817,944.32	4,267,430.23
Over 5 years	6,795,227.23	2,560,036.11
Subtotal	43,887,424.67	85,578,054.39
Less: provision for bad debts	25,279,362.68	38,612,658.26
Total	18,608,061.99	46,965,396.13

2024 (Expressed in Renminbi)

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

(7) Other receivables (Continued)

(I) Other receivables (Continued)

2. Disclosure by categories

Natures	Ending balance	Beginning balance
Equity transfer fund	2,628,280.10	35,771,591.80
Deposits	6,767,116.29	5,239,389.26
Imprests	971,967.60	544,426.31
Tax refund receivables	4,982,502.58	3,361,518.03
Company borrowings	11,585,788.79	17,631,885.65
Others	16,951,769.31	23,029,243.34
Sub-total	43,887,424.67	85,578,054.39
Less: provisions	25,279,362.68	38,612,658.26
Total	18,608,061.99	46,965,396.13

3. Disclosure by bad debt provision methods

	Ending Balance				
	Book balance		Bad debt provisions		Book value
Categories	Amount	Scale (%)	Amount	Scale (%)	
Bad debts provision on individual basis	8,221,400.70	18.73	8,221,400.70	100.00	–
Bad debts provision on portfolio basis	35,666,023.97	81.27	17,057,961.98	47.83	18,608,061.99
Including: aging portfolio	30,683,521.39	69.92	17,057,961.98	55.59	13,625,559.41
Risk free portfolio	4,982,502.58	11.35	–	–	4,982,502.58
Total	43,887,424.67	100.00	25,279,362.68		18,608,061.99

2024 (Expressed in Renminbi)

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

(7) Other receivables (Continued)

(I) Other receivables (Continued)

3. Disclosure by bad debt provision methods (Continued)

	Beginning Balance				
	Book Balance		Provisions		Book Value
Categories	Amount	Proportion (%)	Amount	Proportion (%)	
Individually basis	11,021,400.70	12.88	11,021,400.70	100.00	
Bad debts provision on portfolio basis	74,556,653.69	87.12	27,591,257.56	37.01	46,965,396.13
Including: Aging by portfolio	71,195,135.66	83.19	27,591,257.56	38.75	43,603,878.10
Risk free portfolio	3,361,518.03	3.93	–	–	3,361,518.03
Total	85,578,054.39	100.00	38,612,658.26	45.12	46,965,396.13

Bad debts provision on individual basis

Name	Book balance	Provision	Ending Provision (%)	Reasons
Beijing Beimai Technology Co., Ltd.	2,446,444.44	2,446,444.44	100.00	Expected to be irrecoverable
Shenzhen Yuantong Automotive Electronics Co., Ltd.	1,997,872.52	1,997,872.52	100.00	Expected to be irrecoverable
Shenzhen Haofanda Hardware Products Co., Ltd.	1,900,000.00	1,900,000.00	100.00	Expected to be irrecoverable
Shenzhen Ganxinhui Microelectronics Co., Ltd.	700,000.00	700,000.00	100.00	Expected to be irrecoverable
Guangdong Vision Precision Hardware Co., Ltd.	632,750.74	632,750.74	100.00	Expected to be irrecoverable
Shenzhen Jinyuantai Packaging Materials Co., Ltd.	300,000.00	300,000.00	100.00	Expected to be irrecoverable
Shenzhen Heju Rubber Seal Co., Ltd.	200,000.00	200,000.00	100.00	Expected to be irrecoverable
Subtotal of other small companies	44,333.00	44,333.00	100.00	Expected to be irrecoverable
Total	8,221,400.70	8,221,400.70	100.00	

2024 (Expressed in Renminbi)

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

(7) Other receivables (Continued)

(I) Other receivables (Continued)

3. Disclosure by bad debt provision methods (Continued)

Bad debts provision on portfolio basis

(1) Aging groups

Aging Group	Ending Balance Book balance	Provision	Provision (%)
Within one year	9,405,739.29	470,286.96	5.00
1 - 2 years	9,380,214.26	4,690,107.18	50.00
2 - 3 years	6,437,878.02	6,437,878.02	100.00
3 - 4 years	846,594.11	846,594.11	100.00
4 - 5 years	28,647.03	28,647.03	100.00
Over 5 years	4,584,448.68	4,584,448.68	100.00
Total	30,683,521.39	17,057,961.98	

Bad debts provision according to the general model of expected credit losses

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	27,591,257.56	–	11,021,400.70	38,612,658.26
Beginning balance which	–	–	–	–
– transfer to second stage	–	–	–	–
– transfer to third stage	–	–	–	–
– reverse to second stage	–	–	–	–
– reverse to first stage	–	–	–	–
Provision for the period	-10,224,469.47	–	–	-10,224,469.47
Reversal during the period	–	–	–	–
Recovered during the period	–	–	–	–
Written off during the period	200,000.00	–	2,800,000.00	3,000,000.00
Others	108,826.11	–	–	108,826.11
Ending balance	17,057,961.98	–	8,221,400.70	25,279,362.68

2024 (Expressed in Renminbi)

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

(7) Other receivables (Continued)

(I) Other receivables (Continued)

4. Bad debts provisions made, recovered or reversed in the current period

Categories	Beginning Balance	Movements during the period: Provisions made	Recovered/ reversed	Written off	Others	Ending Balance
Bad debts provision on individual basis	11,021,400.70			2,800,000.00		8,221,400.70
Bad debts provision on portfolio basis	27,591,257.56	-10,224,469.47		200,000.00	108,826.04	17,057,961.98
Including: aging portfolio	27,591,257.56	-10,224,469.47		200,000.00	108,826.04	17,057,961.98
Risk free portfolio						
Total	38,612,658.26	-10,224,469.47		3,000,000.00	108,826.04	25,279,362.68

5. Other receivables written off during the reporting period

Item	Amounts written off
Other receivables written off	3,000,000.00

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
Shenzhen Andian Technology Co., Ltd	Prepaid materials	1,700,000.00	irrecoverable	Management Approved	No
Shenzhen Huaxiang Technology Co., Ltd	Prepaid materials	700,000.00	irrecoverable	Management Approved	No
Total		2,400,000.00			

2024 (Expressed in Renminbi)

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

(7) Other receivables (Continued)

(I) Other receivables (Continued)

6. Top five other receivables by ending balance

Name	Nature	Ending balance	Aging	Proportion in the ending balance of other receivables (%)	Provision for bad debts of ending balance
Software tax refund receivable	Software tax refund receivable	4,982,502.58	With one years	11.35	
German Revenue Service	Others	4,515,420.00	With 1-2 years	10.29	2,257,710.00
Yunshan Outpatient Department of Shenzhen Yunshan Medical Management Co., Ltd.	Temporary fund	4,102,222.23	With 3 years	9.35	3,254,722.23
China (Nanjing) Software Valley Management Committee	Deposits	4,000,000.00	Over 5 years	9.11	4,000,000.00
Shi Xin	Temporary fund	3,537,122.12	1-3 years	8.06	2,687,122.12
Total		21,137,266.93		48.16	12,199,554.35

2024 (Expressed in Renminbi)

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

(8) Inventories

1. Categories

Items	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	15,552,365.58	2,872,368.11	12,679,997.47	26,390,673.63	4,475,349.98	21,915,323.65
Work in progress	741,883.39	–	741,883.39	10,217,623.60		10,217,623.60
Finished Goods	207,217,512.55	23,447,596.39	183,769,916.16	175,563,665.43	14,883,927.32	160,679,738.11
Consigned processing materials	12,326,623.99	109,466.91	12,217,157.08	11,971,985.52	260,079.04	11,711,906.48
In-house WIP	3,816,552.04	456,686.04	3,359,866.00	3,675,444.64	1,024,276.12	2,651,168.52
Total	239,654,937.55	26,886,117.45	212,768,820.10	227,819,392.82	20,643,632.46	207,175,760.36

2. Impairment on inventories

Items	Beginning balance	Additions in the period: Provision	Additions in the period: Other	Reductions in the period: Transfer	Reductions in the period: Resale	Reductions in the period: Other	Ending balance
Raw materials	4,475,349.98	1,040,190.34	–	–	2,643,172.21	–	2,872,368.11
Finished goods	14,883,927.32	14,076,616.26	–	–	5,512,947.19	–	23,447,596.39
Consigned processing materials	260,079.04	547,301.16	–	–	697,913.29	–	109,466.91
In-house WIP	1,024,276.12	-451,646.76	–	–	115,943.32	–	456,686.04
Total	20,643,632.46	15,212,461.00	–	–	8,969,976.01	–	26,886,117.45

2024 (Expressed in Renminbi)

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

(9) Other current assets

Items	Ending balance	Beginning balance
Retained for VAT deduction	30,745,734.93	27,070,399.23
Input tax pending for certification	959,936.21	864,643.35
Input tax to be deducted	82,361.50	14,283.92
Others	893,480.67	
Total	32,681,513.31	27,949,326.50

Note: Others are mainly Undeposited Funds, which are cheques received but not yet presented at the bank.

(10) Long term equity investment

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

2024 (Expressed in Renminbi)

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

(11) Investment in other equity instruments

1. Other equity instruments

	Ending balance	Beginning balance
SYYC	888,073.69	1,412,326.38
元瑞一號私募基金 ("YR No. 1")	30,729,200.00	262,926.62
SZYJ	9,902,181.45	6,105,804.37
GDGW	9,999,502.15	9,999,570.43
SZYC	4,054,496.30	2,613,381.49
NBBDT	96,641.18	196,222.28
Total	55,670,094.77	20,590,231.57

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
SYYC	Non-tradable equity investment			111,926.31		
YR No. 1	Non-tradable equity investment		4,629,200.00			
SZYJ	Non-tradable equity investment	1,326,781.20	9,152,181.45			
GDGW	Non-tradable equity investment			497.85		
SZYC	Non-tradable equity investment		54,496.30			
NBBDT	Non-tradable equity investment			3,358.82		
Total		1,326,781.20	13,835,877.75	115,782.98		

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

(11) Investment in other equity instruments (Continued)

3. Other explanations on other equity instruments investment

On 17 November 2017, the Company signed a contract with Tibet Ruidong Wealth Investment Co., Ltd. to jointly establish the Yuanrui No. 1 Private Investment Fund. As of 31 December 2024, the company and its subsidiary Shenzhen Yuanzheng Investment Co., Ltd. hold a total of 19.2 million shares of the private investment fund, with a holding ratio of 100.00%. The Company designates the investment to be measured by changes in fair value and its changes are included in other Financial instruments with comprehensive income.

深圳市易檢車服有限公司 ("SZYJ") was established on 6 December 2019 with a registered capital of 6,246,799.00. As of 31 December 2024, the Company holds 12.0061% of its equity. The Company designates the investment to be measured at fair value changes and the changes are included in Other financial instruments with comprehensive income.

廣東高梧致遠創業投資合夥企業(有限合夥)("GDGW") was established on 11 November 2021 with a registered capital of RMB225 million. As of 31 December 2024, the Company's subsidiary SZCYL holds a share of 10.2606%. The Company designates the investment as a financial instrument measured by changes in fair value and included in other comprehensive income.

深圳市易成自動駕駛技術有限公司("SZYC") was established on 30 March 2017 with a registered capital of 54,238,500. As of 31 December 2024, the Company's subsidiary Shenzhen Yixin Zhicheng Consulting Limited Partnership (Limited Partnership) holds 7.3748% of the equity. The Company designated the investment as a financial instrument measured by changes in fair value and included in other comprehensive income.

深圳市易優成科技有限公司("SYYC") was established on 15 December 2017 with a registered capital of RMB5,154,600. As of 31 December 2024, Shenzhen Launch Investment Co., Ltd., a subsidiary of the company, holds 19.40% of the equity. The Company designates the investment as a financial instrument measured by changes in fair value and its changes are included in other comprehensive income.

南京棕牛數字科技有限公司("NBBDT") was established on 12 July 2022, with a registered capital of RMB1.15 million. As of 31 December 2024, the Company's subsidiary Shenzhen Mingrui Data Technology Co., Ltd. holds 8.6957% equity. The Company designates the investment as a financial instrument measured with changes in fair value and its changes included in other comprehensive income.

2024 (Expressed in Renminbi)

V. 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	294,682,336.55
Transfer from construction in progress	294,682,336.55
3. Decrease for the period	–
4. Ending balance	425,576,932.93
2. Accumulated depreciation	
1. Beginning balance	82,063,644.84
2. Increase for the period	8,698,480.79
Provisions	8,698,480.79
Transfer from construction in progress	–
3. Decrease for the period	–
4. Ending balance	90,762,125.63
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	334,814,807.30
2. Beginning of period	48,830,951.54

2024 (Expressed in Renminbi)

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

(12) Investment property (Continued)

2. Investment properties leased out through operating leases

Operating lease payments in the next five years:

Remaining tenancy	Ending balance	Beginning balance
Within 1 year	45,321,318.27	35,862,019.09
1-2 years	57,386,411.74	37,323,379.89
2-3 years	58,967,019.59	38,843,195.02
3-4 years	61,000,620.70	40,423,802.87
4-5 years	24,389,082.08	42,067,635.04
Over 5 years	196,917,241.02	5,517,272.44
Total	443,981,693.40	200,037,304.35

3. Other explanations

The original value of investment real estate for mortgage at the end of the period is 130,894,596.38. For details of the mortgage, please refer to Note XII (1).2 Other significant financial commitments.

(13) Fixed assets at cost and accumulated depreciation

Items	Ending	Beginning
Fixed assets	100,227,529.98	106,771,660.27
Disposals		
Total	100,227,529.98	106,771,660.27

Note: The fixed assets in the above table refer to the fixed assets after deducting the disposals of fixed assets.

2024 (Expressed in Renminbi)

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

(13) Fixed assets at cost and accumulated depreciation

(I) 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	134,087,212.99	18,150,620.22	26,585,022.17	32,756,124.35	48,189,121.53	259,768,101.26
2. Increase for the period		342,070.99	4,402,513.25	2,118,972.19	2,449,057.58	9,312,614.01
Purchase		110,555.50	3,988,508.86	2,196,068.09	2,481,547.74	9,438,100.18
Exchange difference arising from foreign financial statements		231,515.49	414,004.39	−77,095.90	−32,490.16	−125,486.17
3. Decrease for the period		13,274.34	255,201.20	2,716,051.85	2,290,956.18	5,275,483.57
Disposal or scrapping		13,274.34	255,201.20	2,716,051.85	2,290,956.18	5,275,483.57
Disposal of subsidiary						
4. Ending balance	134,087,212.99	18,479,416.87	30,732,334.22	32,159,044.69	48,347,222.94	263,805,231.71
II. Accumulated depreciation						
1. Beginning balance	54,620,463.45	15,862,388.47	22,372,739.51	23,993,247.12	36,147,602.44	152,996,440.99
2. Increase for the period	6,186,260.81	342,720.78	1,675,992.94	3,083,428.70	4,288,791.00	15,577,194.23
Provisions for the period	6,186,260.81	351,851.99	1,663,701.91	3,133,803.62	4,303,220.99	15,638,839.32
Exchange difference arising from foreign financial statements		-9,131.21	12,291.03	-50,374.92	-14,429.99	-61,645.09
3. Decrease for the period		735.63	242,441.14	2,561,323.81	2,191,432.91	4,995,933.49
Disposal or scrapping		735.63	242,441.14	2,561,323.81	2,191,432.91	4,995,933.49
Disposal of subsidiary						
4. Ending balance	60,806,724.26	16,204,373.62	23,806,291.31	24,515,352.01	38,244,960.53	163,577,701.73
III. Provision for impairment						
1. Beginning balance	–	–	–	–	–	–
2. Additions	–	–	–	–	–	–
Provision for the period	–	–	–	–	–	–
3. Reduction for the period	–	–	–	–	–	–
4. Ending balance	–	–	–	–	–	–
IV. Total Book value						
1. Book value at the end of the period	73,280,488.73	2,275,043.25	6,926,042.91	7,643,692.68	10,102,262.41	100,227,529.98
2. Book value at the beginning of the period	79,466,749.54	2,288,231.75	4,212,282.66	8,762,877.23	12,041,519.09	106,771,660.27

2024 (Expressed in Renminbi)

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

(13) Fixed assets at cost and accumulated depreciation (Continued)

(I) Fixed assets (Continued)

2. Fixed assets leased out through operating leases

Item	**Ending book value**
Buildings	2,024,523.53
Total	2,024,523.53

Operating lease payments in the next five years:

Remaining tenancy period	Ending balance	Beginning balance
Within 1 year	299,184.00	344,184.00
1-2 years		299,184.00
Total	299,184.00	643,368.00

3. Fixed assets for which the title certificate has not been completed at the end of the period

Item	**Book value**	**Reasons for not getting the title certificate**
Buildings	4,405,561.19	Shenzhen Talent Flats
Total	4,405,561.19	

4. Other explanations on fixed assets

The original book value of the pledged fixed assets at the end of the period was RMB122,992,871.41, see Note XII(I) 2. Other significant financial commitments for details.

2024 (Expressed in Renminbi)

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

(14) Construction in progress

Items	Ending	Beginning
Constructions in progress	63,422,681.73	309,069,055.81
Construction materials		
Total	63,422,681.73	309,069,055.81

Note: The construction in progress in the table above refers to the construction in progress after deducting construction materials.

(I) Construction in progress

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				267,143,199.91		267,143,199.91
LAUNCH Intelligent Center	63,422,681.73		63,422,681.73	41,925,855.90		41,925,855.90
Total	63,422,681.73		63,422,681.73	309,069,055.81		309,069,055.81

Changes in significant construction in progress

Name	Beginning balance	Increase	Transfer to fixed assets during current period	Decrease	Ending balance
Xian Launch building	267,143,199.91	27,539,136.64		294,682,336.55	
Launch Intelligent Centre	41,925,855.90	21,496,825.83			63,422,681.73
Total	309,069,055.81	36,701,149.04		282,347,523.12	63,422,681.73

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

(14) Construction in progress (Continued)

(I) Construction in progress (Continued)

1. Construction in progress (Continued)

Changes in significant construction in progress (Continued)

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	33,462.50	88.06	100.00	–	–	–	Self-financing
Launch Intelligent Centre	30,000.00	21.14	60.00	–	–	–	Self-financing
Total	63,462.50			–	–	–	

2024 (Expressed in Renminbi)

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

(15) Right-of-use asset

Item	Property and plant
I. Original book value	
1. Beginning balance	26,979,267.90
2. Increase in the period	207,858.58
Tenancy	587,789.11
Exchange difference arising from foreign financial statements	-379,930.53
3. Decrease in the period	–
Tenancy expired	–
4. Ending balance	27,187,126.48
II. Accumulated depreciation	
1. Beginning balance	10,985,396.97
2. Increase in the period	7,092,954.20
Provision for the period	7,236,434.70
Exchange difference arising from foreign financial statements	-143,480.50
3. Decrease in the period	–
Tenancy expired	–
4. Ending balance	18,078,351.17
III. Impairment	
1. Beginning balance	–
2. Increase in the period	–
Provision for the period	–
Other increase	–
3. Decrease in the period	–
Tenancy expired	–
Other decrease	–
4. Ending balance	–
IV. Book value	
1. Ending book value	9,108,775.31
2. Beginning book value	15,993,870.93

2024 (Expressed in Renminbi)

V. 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	60,837,620.75	60,524,882.39	109,866,478.38	1,177,350.41	232,406,331.93
2. Increase for the period		38,611,400.00	18,113,595.19		56,724,995.19
Purchase			18,113,595.19		18,113,595.19
Combinations of enterprises not under same control		38,286,300.00			38,286,300.00
3. Decrease for the period		60,524,882.39	111,493,458.37		172,018,340.76
Disposals		60,524,882.39	111,493,458.37		172,018,340.76
4. Ending balance	60,837,620.75	38,286,300.00	16,486,615.20	1,177,350.41	116,787,886.36
II. Accumulated amortization					
1. Beginning balance	12,924,268.30	57,307,826.42	101,676,042.67		171,908,137.39
2. Increase for the period	1,420,497.96	1,791,333.33	12,986,714.94		16,198,546.23
Provisions	1,420,497.96	1,791,333.33	12,987,606.07		16,199,437.36
Exchange difference arising from foreign financial statements			-891.13		-891.13
3. Decrease for the period		57,307,826.42	111,493,458.37		168,801,284.79
Disposals		57,307,826.42	111,493,458.37		168,801,284.79
4. Ending balance	14,344,766.26	1,791,333.33	3,169,299.24		19,305,398.83
III. Provisions for impairment					
1. Beginning balance	–	3,217,055.97	–	1,177,350.41	4,394,406.38
2. Increase for the period	–	–	–	–	–
Provisions for the period	–	–	–	–	–
3. Decrease for the period	–	3,217,055.97	–	–	3,217,055.97
4. Ending balance	–	–	–	1,177,350.41	1,177,350.41
IV. Total Book value					
1. Book value at the end of the period	46,492,854.49	36,516,640.00	13,317,315.96		96,326,810.45
2. Book value at the beginning of the period	47,913,352.45		8,190,435.71		56,103,788.16

2. Other explanations on intangible asset

The original value of intangible assets used for mortgage at the end of the period is 9,951,912.75. For details of the mortgage, please refer to the notes XI (I).2 and other significant financial commitments.

2024 (Expressed in Renminbi)

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

(17) Goodwill

1. Original book value of goodwill

Investee/item with goodwill formed	Beginning balance	Increase From business combination	Decrease Disposal	Ending balance
Launch Europe GmbH	1,139,412.80	–	–	1,139,412.80
Launch Tech (USA), Inc.	65,694,416.33	–	–	65,694,416.33
SYXZC	21,976,663.47	–	–	21,976,663.47
SMRDC	14,066,015.31	–	–	14,066,015.31
SMYZR		9,791,902.72	–	9,791,902.72
SXG Consulting		1,337,134.52	–	1,337,134.52
SXBT		4,010,576.76	–	4,010,576.76
SQigao		1,225,275.40	–	1,225,275.40
Total	102,876,507.91	16,364,889.40	–	119,241,397.31

2. Provision for goodwill impairment

The name of the invested unit or the matter of forming goodwill	Beginning	Additions Provisions	Other additions	Reductions Disposals	Other reductions	Ending
LAUNCH TECH (USA), INC.	14,689,236.55					14,689,236.55
Total	14,689,236.55					14,689,236.55

3. Other Explanations on Goodwill

1. Launch Europe GmbH

As of 31 December 2024, the company measured the impairment of the goodwill formed by the acquisition of Launch Europe GmbH at a discount rate of 12.30% according to the expected cash flow. After testing, no signs of impairment were found, and there was no need to make provision for impairment for the goodwill balance.

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

(17) Goodwill (Continued)

3. Other Explanations on Goodwill (Continued)

2. LAUNCH TECH (USA), INC.

As of 31 December 2024, the Company appointed Shenzhen Changji Asset Appraisal Real Estate Land Valuation Co., Ltd. to perform goodwill impairment assessment for LAUNCH TECH (USA), INC. with the objective to ascertain the recoverable amount of the asset group by using current value of the expected future cash flow of the asset group is calculated by the income method.

According to The financial budget approved by LAUNCH TECH (USA), INC.'s management, to forecast future cash flow, and the management prepared the above financial budget based on past performance and its expectations for market development. The pre-tax discount rate used to calculate the present value of future cash flow is 13.64%. After testing, no signs of impairment were found, and there was no need to make an impairment provision for the above-mentioned goodwill balance.

According to the evaluation results of the Changgi's Review Report (2024) No. 019 "Asset Evaluation Report" issued by Shenzhen Changji Asset Evaluation Real Estate Land Valuation Co., Ltd. hired by the Company, as of 31 December 2024, the current value of the future cash flow of the asset group containing goodwill is expected to be RMB54,850,000, which is higher than the book value of the asset group including goodwill of RMB53,280,300.

3. 深圳市易心志成諮詢有限合夥企業(有限合夥)("SYXZC")

As of 31 December 2024, the company engaged Shenzhen Changji Asset Evaluation Real Estate Land Valuation Co., Ltd. to conduct an impairment test on the goodwill formed by the acquisition, and used the fair value less handling expenditure to evaluate the recoverable amount of the asset group.

According to the evaluation results of the Asset Assessment Report (2024) No. 019 [2024] issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2023, the estimated future cash flow value of the asset group including goodwill is RMB27,777,600, which is higher than the book value of the asset group including goodwill of RMB25,623,800, and the goodwill is not subject to impairment.

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

(17) Goodwill (Continued)

3. Other Explanations on Goodwill (Continued)

4. 深圳市明睿達諮詢企業(有限合夥)("SMRDC")

As of 31 December 2024, the Company engaged Shenzhen Changji Asset Evaluation Real Estate Land Valuation Co., Ltd. to conduct an impairment test on the goodwill formed by the acquisition, and used the fair value less handling expenditure to evaluate the recoverable amount of the asset group.

According to the evaluation results of the Asset Assessment Report No. [2025] No. [018] issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2024, the current value of the future cash flow of the asset group including goodwill is RMB21,186,100, higher than the book value of the asset group containing goodwill of RMB18,892,400, and the goodwill is not subject to impairment.

5. 深圳市明元至睿諮詢有限合夥(有限合夥) ("SMZR")

As of 31 December 2024, Shenzhen Mingyuan Zhirui Consulting Limited Partnership (Limited Partnership) and Shenzhen Mingruida Consulting Enterprise (Limited Partnership) have both invested in Shenzhen Mingrui Data Co., Ltd., and the goodwill formed by the acquisition of Shenzhen Mingyuan Zhirui Consulting Limited Partnership (Limited Partnership) refers to Shenzhen Shiming Ruida Consulting Enterprise (Limited Partnership) measures whether the value is depreciated or not. After testing, no signs of impairment were noted, and there was unnecessary to make impairment provision.

6. 深圳市新關諮詢有限公司("SXG Consulting")和深圳市新系區塊鏈技術有限公司("SXBT")

As of 31 December 2024, the company will calculate whether the goodwill formed by the acquisition of Shenzhen New Blockchain Technology Co., Ltd. will be discounted at a discount rate of 12.37% according to the expected cash flow. After testing, no signs of impairment were found, and there was unnecessary to make an impairment provision. Shenzhen Xinguan Consulting Co., Ltd. mainly invests in Shenzhen Xinjie Blockchain Technology Co., Ltd. The goodwill of Shenzhen Xinjie Blockchain Technology Co., Ltd. shows no signs of impairment, so the goodwill of Shenzhen Xinguan Consulting Co., Ltd. shows no signs of impairment.

2024 (Expressed in Renminbi)

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

(17) Goodwill (Continued)

3. Other Explanations on Goodwill (Continued)

7. 深圳市啟高科技有限公司("SQigao")

As of 31 December 2024, the company will calculate whether the goodwill formed by the acquisition of Shenzhen New Blockchain Technology Co., Ltd. will be discounted at a discount rate of 15.47% according to the expected cash flow. After testing, no signs of impairment were found, and there was no need to make an impairment provision for the goodwill balance.

(18) Long-term Deferred Expenditure

Item	Beginning balance	Additions	Amortization	Transfers	Ending balance
Renovation fee for rented premises	500,986.35	142,715.68	119,798.75	21,849.68	502,053.60
Total	500,986.35	142,715.68	119,798.75	21,849.68	502,053.60

(19) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets not written off

	Ending balance		Beginning balance	
Item	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment loss on credit	2,682,865.16	349,964.07	9,649.73	2,412.43
Impairment loss on asset	11,928,012.52	1,555,412.84		
Accrued staff salaries	6,370,785.56	830,750.44		
Deductible expenses for coming years	1,015,844.07	243,802.58	817,067.27	155,242.78
Total	21,997,507.31	2,979,929.93	826,717.00	157,655.21

2024 (Expressed in Renminbi)

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

(19) Deferred tax assets and deferred tax liabilities (Continued)

2. Unrecognized deferred tax assets

Item	Ending balance	Beginning balance
(1) Deductible temporary differences	79,530,918.31	89,746,278.20
Bad debt provision – accounts receivable	28,271,210.17	25,539,837.94
Bad debt provision – other receivables	25,010,769.90	38,612,658.26
Bad debt provision – bills receivable	57,886.92	13,676.24
Inventory provision	14,958,104.93	20,643,632.46
Provision for impairment of intangible assets	1,177,350.41	4,394,406.38
Provision for impairment of long term equity impairment	542,066.92	542,066.92
Lease liabilities	9,513,529.06	16,493,052.44
(2) Deductible losses	674,392,588.70	851,716,315.26
(3) Internal unrealised profits	114,406,485.34	84,227,662.18
Total	868,329,992.35	1,042,183,308.08

3. Deductible loss in the above unrecognised deferred assets will be expired in the year

Item	Ending balance	Beginning balance	Note
2026	18,658,739.41	18,658,739.41	
2027			
2028		161,660,537.72	
2029	329,707,284.29	332,732,624.65	
2030	232,729,082.81	234,965,470.92	
2031	38,189,269.71	40,466,311.90	
2032	26,543,655.65	34,667,499.72	
2033	13,806,870.00	13,807,444.11	
2034	14,757,686.83	14,757,686.83	
Total	674,392,588.70	851,716,315.26	

2024 (Expressed in Renminbi)

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

(20) Other non-current assets

	Ending balance			Beginning balance		
Item	Book Amount	Provisions	Book Value	Book Amount	Provisions	Book Value
Prepayment for equipment	2,172,897.36		2,172,897.36	57,815.00		57,815.00
Prepayment for equity acquired				3,385,620.00		3,385,620.00
Total	2,172,897.36		2,172,897.36	3,443,435.00		3,443,435.00

(21) Short-term borrowings

1. Categories of short-term borrowings

Item	Ending balance	Beginning balance
Guaranteed loan	31,000,000.00	30,000,000.00
Credit loan		785,920.00
Undue interest payable	33,687.50	1,445,508.33
Unexpired bills discounted	48,854,096.05	145,760,257.74
Total	79,887,783.55	177,991,686.07

2. Explanation of short-term borrowings

See Note XI (5) 4. Guarantee and Note XII (1) 2. relevant notes on other significant financial commitments for the detailed explanation of the guaranteed borrowings and the unexpired bills.

2024 (Expressed in Renminbi)

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

(22) Bills payable

Categories	Ending balance	Beginning balance
Letter of credit	7,410,838.09	
Total	7,410,838.09	

(23) Accounts payable

Item	Ending balance	Beginning balance
Under 1 year	201,140,325.62	152,768,960.48
1-2 years	308,540.13	492,214.09
2-3 years	74,991.47	10,625,026.51
Over 3 years	12,686.75	12,686.75
Total	201,536,543.97	163,898,887.83

2024 (Expressed in Renminbi)

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

(24) Contract liabilities

1. Contract liabilities

Items	Ending balance	Beginning balance
Receipt in advance	159,390,608.82	95,860,921.38
Total	159,390,608.82	95,860,921.38

(25) Employee remuneration payables

1. Employee remuneration payables

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	46,399,930.15	303,116,240.84	294,809,858.74	54,706,312.25
Retirement benefits – Defined contributions plan	5,449.52	28,601,105.24	28,601,537.18	5,017.58
Termination benefit		2,614,560.01	2,532,180.01	82,380.00
Total	46,405,379.67	334,331,906.09	325,943,575.93	54,793,709.83

2024 (Expressed in Renminbi)

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

(25) Employee remuneration payables (Continued)

2. Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Salaries, bonus, allowance and subsidies	46,369,073.96	263,322,863.50	255,000,706.60	54,691,230.86
Staff welfare	2,087.86	14,678,206.19	14,678,371.68	1,922.37
Social insurance fees	117.50	12,961,632.79	12,961,642.10	108.19
Including: Basic medical insurance fees		9,486,672.85	9,486,672.85	
Supplementary insurance fees		1,808,408.06	1,808,408.06	
Injury insurance fees		608,447.20	608,447.20	
Maternity	117.50	757,448.73	757,458.04	108.19
Other insurance fees		300,655.95	300,655.95	
Housing provident fund		11,528,143.64	11,528,143.64	
Union funds and employee education funds	28,650.83	625,394.72	640,994.72	13,050.83
Total	46,399,930.15	303,116,240.84	294,809,858.74	54,706,312.25

3. Defined contribution plans

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension insurance	5,449.52	26,916,537.76	26,916,969.70	5,017.58
Unemployment insurance premium		1,448,517.59	1,448,517.59	
Annual subscription by Enterprise		236,049.89	236,049.89	
Total	5,449.52	28,601,105.24	28,601,537.18	5,017.58

2024 (Expressed in Renminbi)

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

(26) Tax payables

Item	Ending balance	Beginning balance
VAT	7,406,059.51	6,025,084.73
EIT	10,316,617.40	560,637.09
Personal income tax	1,409,246.34	1,267,700.58
Urban maintenance and construction tax	320,170.87	167,763.52
Education surcharge	228,632.74	119,831.07
Stamp duty	196,405.74	112,200.97
Property tax	785,052.21	
Environment protection tax	21,496.12	
Others	192.00	
Total	20,683,872.93	8,253,217.96

(27) Other payables

Items	Ending balance	Beginning balance
Interests payable	–	–
Dividends payable	4,360,036.37	12,648,000.00
Other payables	28,242,633.28	19,918,026.85
Total	32,602,669.65	32,566,026.85

Note: Other accounts payable refer to other accounts payable after deducting interest and dividends payable.

2024 (Expressed in Renminbi)

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

(27) Other payables (Continued)

(I) Dividends payable

Item	Ending	Beginning	Reasons for non-payment for more than a year
Ordinary share dividend	4,360,036.37	12,648,000.00	
Total	4,360,036.37	12,648,000.00	

(II) Other accounts payable

1. Presentation of other payables by aging

Aging	Ending balance	Beginning balance
Under 1 year	16,173,495.77	7,616,946.26
1-2 years	6,750,336.98	712,361.86
2-3 years	653,877.62	2,503,333.63
Over 3 years	4,664,922.91	9,085,385.10
Total	28,242,633.28	19,918,026.85

2. Major Other payables with aging over 1 year

Name	Ending balance	Reasons
Zhongcheng Abao Technology Development (Shenzhen) Co., Ltd.	4,820,005.69	Deposit not yet due
Total	4,820,005.69	

2024 (Expressed in Renminbi)

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

(28) Non-current liabilities due within one year

Items	Ending balance	Beginning balance
Long term borrowings due within one year	3,937,440.00	19,260,000.00
Lease liabilities within one year	4,741,665.86	7,242,346.37
Total	8,679,105.86	26,502,346.37

(29) Other current liabilities

Items	Ending balance	Beginning balance
Output tax pending for carry-over	11,770,110.90	11,541,818.06
Bank acceptance bills not yet due at balance sheet date endorsed	8,208,411.94	24,326,455.72
Total	19,978,522.84	35,868,273.78

(30) Long-term loan

Types	Ending balance	Beginning balance
Guarantee + mortgage + pledge loan	162,419,400.00	195,295,000.00
Interest payable undue	128,582.03	244,661.24
Less: Long-term loans due within one year	3,937,440.00	19,260,000.00
Total	158,610,542.03	176,279,661.24

Long-term loan explanation:

For details of the end-of-period guarantee loan and guarantee + mortgage + pledge loan, please refer to Note XI (5) 4. Related guarantees and notes XII (1) 2. Relevant explanation on other significant financial commitments.

2024 (Expressed in Renminbi)

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

(31) Lease liabilities

Remaining lease term	Ending balance	Beginning balance
Within one year	5,046,247.18	7,833,073.21
1-2 years	3,629,791.54	4,943,658.84
2-3 years	866,964.91	3,511,822.94
3-4 years	352,668.75	799,059.64
4-5 years	96,328.95	368,297.20
Over 5 years		100,597.74
Subtotal	9,992,001.33	17,556,509.57
Less: Unrecognized financing costs	478,472.27	1,063,457.13
Subtotal of present value of lease payments	9,513,529.06	16,493,052.44
Less: lease liabilities within 1 year	4,741,665.86	7,242,346.37
Total	4,771,863.20	9,250,706.07

The interest cost of the recognized lease liability in this period is RMB588,623.74.

(32) Deferred income

Items	Beginning balance	Increase	Decrease	Ending balance	Reasons
Asset-related government subsidies	7,502,455.77		3,037,743.63	4,464,712.14	For details, see Note VIII. Government Subsidies (2)
Total	7,502,455.77	–	3,037,743.63	4,464,712.14	

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

(32) Deferred income (Continued)

1. Deferred income in relation to government subsidies

For details of the company's government subsidies, please refer to Note VIII. Government subsidies (II) Debt items involving government subsidies.

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. Of which he amount of forming electronic equipment is 14.46 million, which will be amortized for 5 years from 1 January 2016, and 5.54 million will be amortized for 20 years from 1 January, 2016.

b. Representing the amount of RMB3.00 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 passed the acceptance in August 2020. Of which 2,050,000.00 related to assets will be amortized according to the remaining useful life of assets for 60 months from 1 August 2020.

c. Representing the amount of RMB1.00 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 R&D project has passed the acceptance inspection in 1 June 2021, of which 0.5 million is related to assets. It will start to be amortized according to the 47-month remaining useful life of assets from 1 June 2021.

2024 (Expressed in Renminbi)

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

(32) Deferred income (Continued)

2. Other explanations of deferred income (Continued)

d. Representing the amount of RMB3.00 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 R&D project passed the acceptance inspection on 1 July 2021, of which 3 million related to assets began to be amortized according to the 38-month remaining useful life of assets from 1 July 2021.

e. According to the document No. 12599 of Shenzhen Science and Technology Innovation [2022], the Company received in 2022 and 2023 a major special subsidy of RMB3.0 million from the Shenzhen Science and Technology Innovation Commission. The fund is mainly for sourcing of project related equipment for the key technology research and development project of the 5G-based Launch Tech's automobile diagnosis system Chong202211 which began to be amortized according to the 56-month remaining useful life of assets from 1 May 2024.

(33) Share capital

		Increase(+)/Decrease(-) in current period					
Items	Beginning balance	Issuance of new shares	Bonus shares	Transfer from reserve	Others	Sub-total	Ending balance
Total number of shares	415,788,100.00	–	–	–	–	–	415,788,100.00

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

(34) Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium (share premium)	393,801,164.14	–	–	393,801,164.14
Total	393,801,164.14	–	–	393,801,164.14

2024 (Expressed in Renminbi)

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

(35) Other comprehensive income

Items	Beginning balance	Transactions during the period: Amount before tax	Less: profit tax	Profit after tax attributable to parent company	Less: Previous other comprehensive income transfer to current 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	-3,878,320.39	18,193,788.88	–	18,601,113.81	–	14,722,793.42
2. Other comprehensive income reclassified to profit or loss						
1. Foreign currency statement translation difference	2,495,420.26	-4,491,040.05		-4,491,040.05		-1,995,619.79
Total other comprehensive income	-1,382,900.13	14,110,073.76		14,110,073.76		12,727,173.63

(36) Surplus reserves

Items	Beginning balance	Addition	Reduction	Ending balance
Statutory surplus reserve	72,469,704.17	30,425,032.09		102,894,736.26
Total	72,469,704.17	30,425,032.09		102,894,736.26

Explanation of surplus reserve:

According to the provisions of the Company Law and the articles of association, the Company withdraws the statutory surplus reserve at 10% of the net profit. If the statutory surplus reserve reaches more than 50% of the Company's registered capital, it will no longer be withdrawn.

(37) Undistributed profits

Items	Current period	Previous Period
Undistributed profits at the end of last period before adjustment	186,552,329.98	195,894,562.63
Adjusted opening undistributed profits	186,552,329.98	195,894,562.63
Add: Net profit attributable to the owner of the parent company in this period	339,505,814.80	168,903,408.36
Less: Transfer to the statutory surplus reserve	30,425,032.09	31,291,997.01
Ordinary shares dividends payable	182,879,910.60	146,953,644.00
Undistributed Profits at the end of period	312,753,202.09	186,552,329.98

2024 (Expressed in Renminbi)

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

(38) Operating income and operating costs

1. Operating income and operating costs

	Current period		Previous period	
Items	Income	Cost	Income	Cost
Principal operation	1,824,507,041.15	967,420,642.41	1,513,039,475.79	856,415,122.28
Other operations	57,537,118.57	19,543,681.07	85,313,135.77	55,439,071.18
Total	1,882,044,159.72	986,964,323.48	1,598,352,611.56	911,854,193.46

(39) Taxes and surcharges

Items	Current period	Previous period
City maintenance and construction tax	3,773,690.43	2,743,404.91
Education surcharge	2,694,339.04	1,959,558.75
Property tax	3,391,808.03	2,345,071.75
Land use tax	184,861.43	177,756.56
Others	2,422,848.22	404,288.54
Total	11,708,453.18	7,630,080.51

2024 (Expressed in Renminbi)

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

(40) Selling expenses

Items	Current period	Previous period
Remuneration	155,111,249.92	123,530,615.09
Depreciation expenses	1,115,275.57	931,856.14
Amortization right to use assets	5,723,583.89	5,339,814.55
Rental expenses	2,801,012.42	3,140,469.57
Office expenses	4,274,161.35	2,749,677.61
Exhibition expenses	7,302,394.74	6,478,083.52
Advertising and promotion expenses	6,427,590.92	12,462,909.45
Travelling expenses	12,015,001.78	8,288,814.09
Vehicle expenses	4,295,369.38	4,348,150.17
Entertainment	1,047,657.66	904,372.38
Postage	1,915,397.45	1,538,885.13
Business expenses	22,280,355.40	18,473,903.90
Training expenses	18,102,077.90	7,254,084.44
Consultancy Fees	4,253,859.44	2,741,559.07
Annual forum expenses	1,372,816.01	914,777.13
Others	6,068,909.16	8,620,963.45
Total	254,106,712.99	207,718,935.69

2024 (Expressed in Renminbi)

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

(41) Administrative expenses

Items	Current period	Previous period
Remuneration	46,785,519.41	44,235,612.59
Office expenses	5,423,549.28	3,835,860.98
Travelling expenses	4,950,859.18	7,257,758.71
Entertainment	10,420,760.58	12,278,263.58
Security fund for disabled	195,988.49	172,898.60
Inventories losses	9,357,230.82	5,957,646.00
Amortization of low-cost consumables	56,302.85	228,063.82
Legal and auditing expenses	15,241,648.10	17,903,090.45
Depreciation expenses	8,723,454.55	8,972,452.16
Vehicles and storage and transportation costs	1,521,448.12	1,593,504.53
Repairs and maintenance expenses	2,062,664.70	591,252.73
Amortization of intangible assets	3,211,831.29	1,420,497.96
Patent application and inspection certification fees	32,460.40	360.00
Technical Service fee	1,258,223.84	3,983,382.46
Other expenses	4,171,275.34	3,171,540.37
Total	113,413,216.95	111,602,184.94

2024 (Expressed in Renminbi)

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

(42) Research and development expenses

Items	Current period	Previous period
Remuneration	120,634,499.22	109,579,625.72
Materials	6,709,046.70	3,705,372.39
Testing	264,136.17	850,582.27
Technical services	41,984,098.29	25,069,756.58
Inspection and testing	2,558,850.18	1,571,927.27
Rental	1,408,330.74	580,343.03
Depreciation	2,454,360.74	2,423,832.97
Amortization of intangible assets	12,985,160.47	18,229,350.22
Office expenses and communications	4,273,452.23	4,660,182.39
Travelling expenses	3,419,369.35	2,683,363.19
Entertainment	55,426.25	121,140.59
Other expenses	4,736,938.10	3,266,435.10
Total	201,483,668.44	172,741,911.72

2024 (Expressed in Renminbi)

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

(43) Finance costs

Categories	Current period	Previous period
Interest expenses	13,554,856.28	15,923,882.12
Less: Interest income	11,900,107.83	8,669,271.73
Exchange differences	-11,936,387.55	4,262,051.52
Bank charges	1,911,456.69	1,805,748.20
Unrecognised financing charges	588,623.74	855,253.57
Others	393,114.68	561,927.34
Total	-7,388,443.99	14,739,591.02

Explanation on finance costs:

Increase in the exchange gain mainly caused by fluctuation in foreign exchange difference compared with the previous period.

(44) Other Income

1. Other income details

Items	Current period	Previous period
Government subsidies	39,576,191.10	28,195,780.90
Including: VAT refund	32,677,652.28	21,635,662.75
Tax handling chase refund	237,699.10	167,597.35
Total	39,813,890.20	28,363,378.25

2. Government subsidies included in other income

For details of the Company's government subsidies, please refer to Note VIII. Government subsidies (3) Government subsidies included in the current profit and loss.

2024 (Expressed in Renminbi)

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

(45) Investment income

1. Details of investment income

Items	Current period	Previous period
Long-term equity investment income under equity method	1,905,003.56	3,371,456.24
Investment income from disposal of long-term equity investments	-20,776.18	-1,253,041.56
Others	433,910.53	49,311.64
Total	2,318,137.91	2,167,726.32

(46) Revenue from Change in fair value

Sources of revenue from changes in fair value	Current Period	Previous Period
Trading financial assets	82,137.63	18,289.76
Total	82,137.63	18,289.76

(47) Impairment loss on credit

Items	Current period	Previous period
Bad debts	3,439,783.78	-4,304,337.29
Total	3,439,783.78	-4,304,337.29

2024 (Expressed in Renminbi)

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

(48) Asset impairment losses

Items	Current period	Previous period
Inventory provision	-15,212,461.00	-12,329,770.59
Impairment loss on goodwill		-14,689,236.55
Total	-15,212,461.00	-27,019,007.14

(49) Gain on disposal of assets

Items	Current period	Previous period
Gain/loss on disposals of fixed assets	-55,455.18	1,643,113.94
Total	-55,455.18	1,643,113.94

(50) Non-operating income

Items	Current period	Previous period	Amount recorded in non-recurring gain or loss
Income from penalty	200,114.30	316,265.08	200,114.30
Payment waived	309,390.83	26,788.80	309,390.83
Insurance compensation	235,108.07		235,108.07
Others	364,586.54	277,426.45	364,586.54
Total	1,109,199.74	620,480.33	1,109,199.74

2024 (Expressed in Renminbi)

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

(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	235,927.14	278,570.46	235,927.14
Including: Loss on disposals of fixed assets	235,927.14	278,570.46	235,927.14
Donations	140,000.00	110,000.00	140,000.00
Compensations, penalties and fines	2,210,801.35	42,054.35	2,210,801.35
Fine for late payment	1,715,582.56	51,470.64	1,715,582.56
Others	55,847.66	229,552.99	55,847.66
Total	4,358,158.71	711,648.44	4,358,158.71

(52) Income tax expenses

1. Income tax expenses

Items	Current period	Previous period
Deferred income tax expenses	10,459,175.37	4,087,349.89
Current income tax expenses	-2,805,999.91	-146,275.99
Total	7,653,175.46	3,941,073.90

2024 (Expressed in Renminbi)

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

(52) Income tax expense (Continued)

2. Accounting profit and income tax expense adjustment process

Item	Transactions in the period
Total profit	348,914,976.37
Income tax expense at statutory/applicable tax rate	52,337,246.46
The impact of different tax application of subsidiaries	14,269,800.71
Adjust the impact of previous income taxes	220,022.49
Non-deductible costs, expenses and loss impact	9,185,558.58
Impact of deductible losses on deferred income tax assets not recognized in the previous period	-29,532,990.22
Impact of deductible temporary differences or deductible losses for deferred income tax assets not recognized in the current period	8,253,755.26
Development expenses plus deduction impact	-27,131,541.27
Approved Software-enterprises tax exemption	-19,949,641.52
Impact on deferred tax resulting from change in tax rate	964.97
Income tax expense	7,653,175.46

(53) Notes to in cash flow statement

1. Cash flow related to operating activities

(1) Other cash receipts relating to operating activities

Items	Current period	Previous period
Interest income	11,900,107.83	8,669,271.73
Government subsidies	3,860,794.48	6,633,789.59
Tax handling charges refund	237,699.10	159,144.87
Other non-operating income	472,696.56	620,418.88
Current accounts	22,395,441.03	32,029,821.82
Total	38,866,739.00	48,112,446.89

2024 (Expressed in Renminbi)

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

(53) Notes to in cash flow statement (Continued)

1. Cash flow related to operating activities (Continued)

(2) Other cash payments relating to operating activities

Items	Current period	Previous period
Administrative expenses	47,025,163.03	54,006,272.45
R&D expenses	69,706,611.55	43,059,647.83
Selling expenses	82,805,554.93	78,979,259.30
Bank charges and others	2,304,571.36	2,367,675.52
Non-operating expenses	3,944,189.07	433,077.98
Other current accounts	999,830.59	27,715,909.60
Total	206,785,920.53	206,561,842.68

2. Cash flow related to investing activities

(1) Other cash received relating to investing activities

Items	Current period	Previous period
Redemption of financial products	157,553,559.85	
Others	493,320,000.00	412,935,985.00
Total	650,873,559.85	412,935,985.00

(2) Other cash outflows for investment activities

Items	Current period	Previous period
Purchase of financial products	160,582,700.00	2,000,000.00
Others	493,320,000.00	412,936,000.00
Total	653,902,700.00	414,936,000.00

2024 (Expressed in Renminbi)

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

(53) Notes to in cash flow statement (Continued)

3. Other cash paid relating to financing activities

Items	Current period	Previous period
Lease liabilities	7,906,444.38	7,593,931.64
Repurchase of shares		32,620,203.80
Total	7,906,444.38	40,214,135.44

(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	341,261,800.91	168,902,636.05
Add: Provision for credit loss	-3,439,783.78	4,304,337.29
Provision for impairment on assets	15,212,461.00	27,019,007.14
Depreciation of fixed assets, oil and gas assets and productive biological assets	24,337,320.12	20,051,561.27
Amortization of right-of-use assets	7,236,434.70	6,803,160.99
Amortization of intangible assets	16,177,790.37	19,657,184.98
Amortization of deferred expenditures	119,798.75	106,756.17
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for gains)	55,455.18	-1,643,113.94
Losses on scrapping of fixed assets ("-" for gains)	235,927.14	278,570.46
Losses from changes in fair value ("-" for gains)	-82,137.63	-18,289.76
Finance costs ("-" for gains)	18,384,190.67	20,480,417.14
Investments losses ("-" for gains)	-2,318,137.91	-2,167,726.32
Decrease in deferred tax assets ("-" for increase)	-2,822,274.72	-150,702.72
Increase in deferred liabilities ("-" for decrease)		–
Decrease in inventories ("-" for increase)	-11,835,544.73	34,188,230.67
Decrease in operating receivables ("-" for increase)	-133,533,714.21	-165,667,987.76
Increase in operating payables ("-" for decrease)	122,427,824.56	31,464,725.38
Net cash flows from operating activities	391,417,410.42	163,608,767.04

2024 (Expressed in Renminbi)

V. 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
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	540,083,262.21	610,732,095.28
Less: Cash at the beginning of the period	610,732,095.28	489,552,449.66
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	-70,648,833.07	121,179,645.62

2. Current period's Net cash inflow from acquisition

Item	Current period
Cash paid for acquisition of subsidiary	53,199,780.00
Including: SMYZR	7,899,780.00
SXG Consulting	8,000,000.00
SXBT	24,000,000.00
SQigao	13,300,000.00
Less: Cash held by subsidiary on acquisition date	539,242.28
Including: SMYZR	68,065.47
SXG Consulting	224.40
SXBT	81,154.43
SQigao	389,797.98
Add: Cash paid during current period for previous period's acquisition	
Net cash inflow from acquisition	52,660,537.72

2024 (Expressed in Renminbi)

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

(54) Supplementary Information of Cash Flow Statement (Continued)

3. Net cash outflow for disposal of subsidiary

Item	Current period
Cash received from disposals of subsidiary	–
Less: Cash held by subsidiary on disposal date	–
Add: Cash received during current period for previous period's disposals	31,467,845.26
Net cash outflow for disposal of subsidiary	31,467,845.26

4. Composition of cash and cash equivalents

Items	Ending balance	Beginning balance
1. Cash	540,083,262.21	610,732,095.28
Including: Cash deposits	771,482.71	791,838.98
Available-for-use-bank deposit	537,994,366.48	605,677,973.58
Available-for-use-other currency fund	1,317,413.11	4,262,282.72
2. Cash equivalents		
Including: bond investment maturing within three months	–	–
3. Cash and cash equivalents as at the end of the period	540,083,262.21	610,732,095.28
Including: Restricted cash and cash equivalent in the parent company or subsidiaries in the Group	–	–

2024 (Expressed in Renminbi)

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

(55) Assets with restricted ownership or use rights

Items	Book balance at the end of the period	Book value at the end of the period	Restrictions details
Bank and cash	7,682,512.09	7,682,512.09	Restricted bank deposits, letter of guarantee deposit, letter of credit deposit, ETC deposit and deposit for foreign exchange trading
Fixed assets	122,992,871.41	72,511,619.74	Mortgage loan
Intangible asset	9,951,912.75	6,165,422.22	Mortgage loan
Investment properties	130,894,596.38	43,856,956.91	Mortgage loan
Total	271,521,892.63	130,216,510.96	

2024 (Expressed in Renminbi)

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

(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	16,532,787.44	7.1884	118,844,307.99
EUR	1,835,684.64	7.5257	13,814,811.89
HKD	143,313.90	0.92604	132,714.40
JPY	5,436,737.00	0.04623	251,356.66
KRW	101,975,786.00	0.00494	503,534.40
RMB	7,176,392.90	0.0661	474,358.19
Accounts receivable			
Including: USD	17,032,487.13	7.1884	122,436,330.49
EUR	9,854,429.21	7.5257	74,161,477.91
Other Receivables			
Including: USD	410,766.49	7.1884	2,952,753.84
EUR	924,630.24	7.5257	6,958,489.80
HKD	5,764.18	0.92604	5,337.86
JPY	3,010,800	0.04623	139,198.32
AED	6,400	1.9711	12,615.31
Accounts payable			
Including: USD	2,074,847.62	7.1884	14,914,834.63
EUR	795,124.20	7.5257	5,983,866.19
Other payables			
Including: USD	9,006.00	7.1884	64,738.73
EUR	862,709.67	7.5257	6,492,494.16
HKD	753,537.83	0.92604	697,806.17
JPY	385,374.00	0.04623	17,817.00

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

(57) Leasing

1. The leasing activities involved by the Company as a lessee are all operational leasing, and the leasing content is mainly business plant leasing and office housing leasing.

   (1) Business plant leasing and office leasing mainly include:

Lessor	Lease term from	Lease term until	Contract amount	Unpaid rent at the beginning of the period	Unpaid rent at the end of the period
Liguo Enterprise Development (Shanghai) Co., Ltd.	2023/6/1	2025/5/31	581,688.00	302,728.55	60,545.71
Shenzhen Hengtaizhou Industrial Co., Ltd.	2023/5/1	2025/4/30	447,280.44	310,613.28	77,653.32
Guangzhou Baorun Property Management Co., Ltd.	2022/3/1	2025/2/28	646,466.32	277,200.00	46,200.00
Liaoning Zhongjin Gold Co., Ltd.	2023/5/7	2025/5/6	119,971.43	59,985.72	
Shenzhen Quansen Property Management Co., Ltd.	2023/1/1	2026/12/31	5,701,464.00	4,343,976.00	2,986,488.00
Taiyang Island Industrial Operation (Xi'an) Co., Ltd.	2024/11/6	2027/11/5	587,789.11		509,064.20
Chen Lihua	2023/10/15	2025/4/14	230,400.00	153,600.00	
JJGlobal Management LLC (Landlord)	2022/4/1	2025/3/31	5,541,532.53	2,443,531.50	495,999.60
Zhome, LLC	2022/3/1	2025/2/28	2,633,031.56	1,155,764.90	168,499.12
Aurelis10.ObjektbesitzKerpenGmbH	2022/1/1	2026/8/31	1,054,908.59	4,741,672.90	2,837,789.45
GewerbehofVermietungsgesellschaftmbHCo.KG	2022/1/1	2028/8/31	111,318.24	614,066.33	462,006.93
NYKORPILOTPENITALIASRL	2022/1/1	2027/11/30	302,140.00	1,602,750.23	1,142,890.43
MIBEN S.A.S DI PELOSO MICHELE & C.	2023/9/1	2029/8/31	115,200.00	855,080.97	674,302.72
Total			17,949,290.22	17,556,509.58	9,992,001.33

2024 (Expressed in Renminbi)

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

(57) Leasing (Continued)

1. The leasing activities involved by the Company as a lessee are all operational leasing, and the leasing content is mainly business plant leasing and office housing leasing. (Continued)

   (2) The Company does not have a future potential cash outflow that is not included in the measurement of lease liabilities.

   (3) The Company does not have any restrictions or commitments caused by leasing.

2. The leasing activities involved by the Company as a lessor are all operational leasing. The Company has been used as investment properties and fixed assets accounted for by cost method. For details, please refer to Note 5 (XII) Investment properties and Note (XIII) Fixed Assets.

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

(I) Business combination under different control

1. Current periods business combination under different control

Acquired party	Recognition date	Acquisition cost	% acquired (%)	Way of acquisition	Acquisition date	Basis of recognition of acquisition	Post acquisition revenue	Post acquisition profit
深圳市明元至睿諮詢有限合夥(有限合夥)SMYZR	2024.1.31	11,285,400.00	73.33%	Purchase	2024.1.31	Control obtained		1,680,568.37
深圳市新關諮詢有限公司 SXG Consulting	2024.4.30	8,000,000.00	100.00%	Purchase	2024.4.30	Control obtained		-207.71
深圳市新系區塊鏈技術有限公司 SXBT	2024.4.30	24,000,000.00	75.00%	Purchase	2024.4.30	Control obtained	3,362,821.65	-335,202.25
深圳市啟高科技有限公司 SQigao	2024.12.31	13,300,000.00	100.00%	Purchase	2024.12.31	Control obtained		

2024 (Expressed in Renminbi)

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business combination under different control (Continued)

2. Acquisition cost and goodwill

Acquisition Costs	SMYZR	SXG Consulting	SXBT	SQigao
Cash	11,285,400.00	8,000,000.00	24,000,000.00	13,300,000.00
Non-monetary assets' fair value				
Others				
Total Acquisition costs	11,285,400.00	8,000,000.00	24,000,000.00	13,300,000.00
Less: fare value of share of identifiable net assets obtained	1,493,497.28	6,744,140.48	20,233,248.24	12,074,724.60
Goodwill/acquisition cost lower than fare value of share of identifiable net assets obtained	9,791,902.72	1,255,859.52	3,766,751.76	1,225,275.40

3. Identifiable Assets and liabilities of acquiree on the acquisition date

	SMYZR		SQigao	
Items	Fair value at acquisition date	Book value at acquisition date	Fair value at acquisition date	Book value at acquisition date
Bank balances and cash	68,065.47	68,065.47	389,797.98	389,797.98
Other receivables			10,195.40	10,195.40
Intangible assets			11,741,400.00	11,741,400.00
Long term equity investment	3,447,742.85	3,447,742.85		
Less: accrued staff salaries	–	–	66,668.78	66,668.78
Other accounts payable	1,479,128.55	1,479,128.55	–	–
Net assets	2,036,679.77	2,036,679.77	12,074,724.60	12,074,724.60
Less: Minority interests	543,182.49	543,182.49		
Net assets acquired	1,493,497.28	1,493,497.28	12,074,724.60	12,074,724.60

2024 (Expressed in Renminbi)

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business combination under different control (Continued)

3. Identifiable Assets and liabilities of acquiree on the acquisition date (Continued)

Cont'd:

Items	SXG Consulting Fair value on acquisition	Book value on acquisition	SXBT Fair value on acquisition	Book value on acquisition
Bank balances and cash	224.40	224.40	81,154.43	81,154.43
Accounts receivable			595,380.17	595,380.17
Prepayment			56,053.26	56,053.26
Other receivables			44,384.04	44,384.04
Intangible assets			26,544,900.00	
Long term equity investment	6,663,141.08	26,916.08		
Less: Accrued staff salaries			321,960.00	321,960.00
Tax payable			63,950.16	63,950.16
Other payables	500.00	500.00	283,397.42	283,397.42
Net assets	6,662,865.48	26,640.48	26,652,564.32	107,664.32
Less: Minority interest			6,663,141.08	26,916.08
Net assets acquired	6,662,865.48	26,640.48	19,989,423.24	80,748.24

2024 (Expressed in Renminbi)

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business combination under different control (Continued)

4. Income, net profit and cash flow of the acquired entity from the date of acquisition to the end of the reporting period

Items	SMYZR Post-acquisition to current period end	SXG Consulting Post-acquisition to current period end	SXBT Post-acquisition to current period end
Turnover			3,362,821.65
Net profit	1,680,568.37	-207.71	-335,202.25
Net cash flow from operating activities	-1,256.91	-207.71	185,214.08
Net cash flow from investment activities			
Net cash flow from fund-raising activities			
Cash and net cash equivalents	-1,256.91	-207.71	185,214.08

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(II) Changes in the scope of consolidation for other reasons

1. Acquisition of subsidiaries through investment establishment or investment, etc.

Name	Type	Registration place	Business Nature	Registered capital	Major operation
深圳市易啟信息技術諮詢有限公司(SYQ)	Wholly owned	Shenzhen	Business service	RMB10 million	Information consulting services; engage in investment activities with their own funds; technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; financial consulting; enterprise management consulting.
Launch Tech Korea Co., Ltd.	Wholly owned	Korea	Sales and services of auto diagnostics products	USD0.5 million	Sales and services of automotive diagnosis, testing, maintenance and maintenance equipment
Launch Tech International Mena DMCC	Wholly owned	United Arab Emirates	Sales and services of auto diagnostics products	USD0.5 million	Sales and services of automotive diagnosis, testing, maintenance and maintenance equipment

2024 (Expressed in Renminbi)

VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(II) Changes in the scope of consolidation for other reasons (Continued)

1. Acquisition of subsidiaries through investment establishment or investment, etc. (Continued)

Cont'd

Name	Share holding (%)	Voting right (%)	Invested amount at period end	Subject to consolidation
深圳市易啟信息技術諮詢有限公司	100.00	100.00		Yes
Launch Tech Korea Co., Ltd.	100.00	100.00	548,585.05	Yes
Launch Tech International Mena DMCC	100.00	100.00		Yes

1. Hainan Launch Education Technology Company Limited ("Hainan Launch") a subsidiary of the Company, was cancelled on 30 January 2024. Shenzhen Pengjushu Information Technology Co., Ltd., a subsidiary of the company, has been cancelled on 11 December 2024.

2024 (Expressed in Renminbi)

VII. EQUITY INTERESTS IN OTHER ENTITIES

(I) Equity interests in subsidiaries

1. Composition of the Group

Name of subsidiaries	Known as	Principal place of operation	Registration place	Type of enterprise	Business nature	Shareholding proportion (%) Direct	Indirect	Way of acquisition
西安元征軟件科技有限責任公司	Xi'an Launch	Xi'an	Xi'an	Limited liability	Software and information technology services	100.00	-	Establishment
深圳市元征軟件開發有限公司	Launch Software	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Business combination under common control
LaunchEuropeGmbH	Launch Europe GmbH	Germany	Germany		Sales of computer software and hardware, electronic products and technical information consulting services	100.00	-	Business combination not under common control
深圳市軲轆車聯數據技術有限公司	Golo IOV	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Establishment
元征科技國際有限公司	Launch International	Hong Kong	Hong Kong	Limited liability	Car diagnosis, testing, sales of maintenance equipment, information network services	100.00	-	Establishment
南京元征智能科技有限公司	Nanjing Launch	Nanjing	Nanjing	Limited liability	Research and experimental development	100.00	-	Establishment
深圳市元征未來汽車技術有限公司	Launch Future	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Establishment
深圳市元征信息技術開發有限公司	Launch Information	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Establishment
南京軲轆大數據科技有限公司	NJG	Nanjing	Nanjing	Limited liability	Internet and related services	100.00	-	Establishment
LaunchItalyGmbH	Launch Italy GmbH	Italy	Italy	Limited liability	Sales of computer software and hardware, electronic products and technical information consulting services	100.00	-	Establishment
深圳市元享利行科技有限公司	SYXLH	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Establishment
深圳市易孔立出軟件開發有限公司	SYKLC	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00	-	Establishment
上海元征易升新能源科技有限公司	Yisheng New Energy	Shanghai	Shanghai	Limited liability	Professional technology services	100.00		Establishment

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VII. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(I) Equity interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiaries	Known as	Principal place of operation	Registration place	Type of enterprise	Business nature	Shareholding proportion (%) Direct	Indirect	Way of acquisition
LAUNCH NORTH AMERICAN CORP	LAUNCH NORTH AMERICAN CORP	USA	USA	Limited liability	Sales and services of auto diagnostic products	100.00		Establishment
LAUNCH TECH (USA), INC.	LAUNCH TECH (USA)	USA	USA	Limited liability	Sales and services of auto diagnostic products	100.00		Business combination from different control
深圳市易新億意軟件開發有限公司	SYXYY	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00		Establishment
深圳市元征投資有限公司	Launch Investment	Shenzhen	Shenzhen	Limited liability	Business services	100.00		Establishment
深圳市眾誠盈力管理咨詢合夥企業(有限合夥)	SZCYL	Shenzhen	Shenzhen	Limited partnership	Business services	100.00		Combination from different control
深圳市元征咨詢管理有限公司	Launch Consulting	Shenzhen	Shenzhen	Limited liability	Business services	100.00		Establishment
深圳市元征一號咨詢管理合夥企業(有限合夥)	Launch No.1	Shenzhen	Shenzhen	Limited partnership	Business services	100.00		Establishment
深圳市易心志成咨詢有限合夥企業(有限合夥)	SYXZC	Shenzhen	Shenzhen	Limited partnership	Business services	99.75		Combination from different control
深圳市明睿達咨詢企業(有限合夥)	SMRDC	Shenzhen	Shenzhen	Limited partnership	Software and information technology services	100.00		Combination from different control
深圳市明睿數據科技有限公司	SMRDT	Shenzhen	Shenzhen	Limited liability	Software and information technology services	71.81		Combination from different control
深圳市明睿智科科技有限公司	SMRZK	Shenzhen	Shenzhen	Limited liability	Software and information technology services	71.81		Combination from different control
LAUNCH TECH (Japan)	LAUNCH TECH (Japan)	Japan	Japan		Sales and services of auto diagnostic products	100.00		Establishment
Launch Tech Korea Co., Ltd.	LT KOREA	Republic of Korea	Republic of Korea		Sales and services of auto diagnostic products	100.00		Establishment
Launch Tech International Mena DMCC	LTUAE	United Arab Emirates	United Arab Emirates		Sales and services of auto diagnostic products	100.00		Establishment
深圳市易啟信息技術諮詢有限公司	SYQ	Shenzhen	Shenzhen	Limited liability	Business services	100.00		Establishment

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VII. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(I) Equity interests in subsidiaries (Continued)

1. Composition of the Group (Continued)

Name of subsidiaries	Known as	Principal place of operation	Registration place	Type of enterprise	Business nature	Shareholding proportion (%) Direct	Indirect	Way of acquisition
深圳市明元至睿諮詢有限合夥(有限合夥)	SMYZR	Shenzhen	Shenzhen	Limited partnership	Business services	73.33		Combined from different control
深圳市新關諮詢有限公司	SXG Consulting	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00		Combined from different control
深圳市新系區塊鏈技術有限公司	SXBT	Shenzhen	Shenzhen	Limited liability	Software and information technology services	100.00		Combined from different control
深圳市啟高科技有限公司	SQlgao	Shenzhen	Shenzhen	Limited liability	Other services	100.00		Combined from different control

(II) Joint operation and associate

1. The Company's jointly controlled company is as follows:

NAME	Place of business	Place of registration	Business nature	Shareholding (%) Direct	Indirect	Accounting method
R&LAUNCH Corporation	Korea	Korea	Sales and marketing	50.00		Equity method

Other notes:

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 USD174,287.32 (translated as 200,000,000 KRW, 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.

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VIII. GOVERNMENT SUBSIDY

(I) Government subsidies recognized by the amount receivable at the end of the reporting period

As of 31 December 2024, the Company has received a Government subsidy receivables of RMB4,982,502.58.

(II) Liabilities involving government subsidies

Subsidy projects	Beginning	New subsidies for the current period	Accounted for non-operating income is included in this period	Accounted as Other revenue in this period	The amount of offset costs during this period	Add: other movement	Ending	Asset related/ Revenue related
A. Research on key technologies of comprehensive performance testing of automobiles and the development of series products and their industrialization	3,324,000.00			277,000.00			3,047,000.00	Asset related
B. City-Robot Indoor Wireless Positioning and Cluster Control System Key Technology Research and Development	341,666.67			341,666.67				Asset related
C. District – Research and development of key technologies for robot indoor wireless positioning and cluster control system	170,212.70			127,659.60			42,553.10	Asset related
D. Industrial Design Center Accreditation and Funding Scheme Projects	666,576.40			550,741.92			115,834.48	Asset related
E. Research and development project of key technologies of automotive remote diagnosis system based on 5G	3,000,000.00			1,740,675.44			1,259,324.56	Asset related
Total	7,502,455.77			3,037,743.63			4,464,712.14	

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VIII. GOVERNMENT SUBSIDY (Continued)

(III) Government subsidies included in the current profit and loss

Subsidy projects	Accounting subjects	Current period	Previous period	Asset related/ Revenue related
Amortization of deferred income	Other revenue	3,037,743.63	1,567,305.27	Asset related
VAT refunds	Other revenue	32,677,652.28	21,635,662.75	Revenue related
Shenzhen Longgang District Science and Technology Innovation Bureau Science and Technology Enterprise R&D Investment Funding	Other revenue	1,000,000.00		Revenue related
Shenzhen Municipal Bureau of Industry and Information Technology Digital Economy Industry Subsidy	Other revenue	950,000.00		Revenue related
Shenzhen Municipal Bureau of Industry and Information Technology Steady Growth Subsidy	Other revenue	545,000.00		Revenue related
Special subsidies for the high-quality development of the software industry	Other revenue	360,000.00		Revenue related
Shenzhen Municipal Bureau of Industry and Information Technology provided subsidies for steady growth in the fourth quarter	Other revenue	350,000.00		Revenue related
Shenzhen Municipal Bureau of Commerce export credit insurance premium subsidy	Other revenue	220,000.00		Revenue related
The Public Affairs Center of Bantian Street, Longgang District, Shenzhen absorbs social security subsidies for people who have been lifted out of poverty	Other revenue	135,831.40	173,990.62	Revenue related
Job stabilization subsidy	Other revenue	86,063.79	37,619.16	Revenue related
Shenzhen National Intellectual Property Invention Patent Authorization Subsidy	Other revenue	82,400.00		Revenue related
Funding for foreign invention patent authorization	Other revenue	74,500.00		Revenue related
Shenzhen Science and Technology Innovation Commission high-tech enterprise cultivation subsidy	Other revenue	50,000.00	240,000.00	Revenue related
Subsidies for job expansion	Other revenue	7,000.00	4,000.00	Revenue related
Shenzhen Municipal Bureau of Industry and Information Technology Industrial Enterprises Expansion and Efficiency Enhancement Awards	Other revenue		590,000.00	Revenue related
Subsidy for export credit insurance premiums from the Shenzhen Municipal Bureau of Commerce	Other revenue		448,187.00	Revenue related

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VIII. GOVERNMENT SUBSIDY (Continued)

(III) Government subsidies included in the current profit and loss (Continued)

Subsidy projects	Accounting subjects	Current period	Previous period	Asset related/ Revenue related
Shenzhen Longgang District Bureau of Industry and Information Technology Special Support Subsidy for Industrial Steady Growth	Other revenue		768,000.00	Revenue related
Shenzhen Municipal Administration for Market Regulation special fund approval project subsidy in the field of intellectual property rights	Other revenue		3,000.00	Revenue related
National High-tech Support Project of Science and Technology Innovation Bureau of Longgang District, Shenzhen	Other revenue		100,000.00	Revenue related
Shenzhen Science and Technology Innovation Commission Shenzhen Science and Technology Award	Other revenue		500,000.00	Revenue related
The Public Affairs Center of Bantian Street, Longgang District, Shenzhen has provided employment subsidies in Shenzhen for the first time	Other revenue		10,500.00	Revenue related
Subsidy for graduates hired by Beijing Municipal Social Insurance Fund Administration	Other revenue		1,500.00	Revenue related
Shenzhen Futian District Investment Promotion and Enterprise Service Center for scientific and technological innovation R&D investment support subsidy	Other revenue		772,316.10	Revenue related
Shenzhen Longgang District Science and Technology Innovation Bureau Science and Technology Enterprise R&D Investment Incentive	Other revenue		42,200.00	Revenue related
Shenzhen Longgang District Bureau of Industry and Information Technology Software Industry High-quality Development Project Support	Other revenue		1,300,000.00	Revenue related
Subsidy for graduates hired by Shenzhen Social Insurance Fund Administration	Other revenue		1,500.00	Revenue related
Total		39,576,191.10	28,195,780.90	

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. For long-term receivables, the Company comprehensively considers the settlement period, the repayment term agreed in the contracts, the financial position of the debtors and the economic situations of the debtors' industry, and then makes a reasonable assessment of the expected credit loss after adjusting the above forward-looking information.

As of 31 December 2024, the book value of the underlying assets and the expected credit impairment losses are as follows:

Items	Book value	Impairment loss provision
Trading financial assets		
Accounts receivable financing		
Bills receivable	9,637,013.80	–
Accounts receivable	13,939,722.00	57,886.92
Other receivables	338,104,292.27	30,685,482.54
Investment	43,887,424.67	25,279,362.68
Total	405,568,452.74	56,022,732.14

As of 31 December 2024, receivables of top five customers of the Company accounted for 15.12% (2023: 17.54%) 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 2023, the Company has bank credit lines provided by various domestic banks, amounting to RMB1,435,000,000, of which RMB322,470,800 has been utilized.

As of 31 December 2024, all the financial assets and financial liabilities and of balance sheet guarantees of the Company are presented at undiscounted contractual cash flows by remaining life of contracts as follows:

	Ending balance						
Item	Fall due	Within 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
Short-term borrowings	79,921,465.28						79,921,465.28
Bills payable	7,410,838.09						7,410,838.09
Accounts payable	201,536,543.97						201,536,543.97
Other payables	28,242,633.28						28,242,633.28
Other current liabilities – Bills endorsed have not yet fall due	8,208,411.94						8,208,411.94
Lease liabilities (including current portion)			591,793.16	1,143,160.36	3,006,712.34	4,771,863.20	9,513,529.06
Long-term borrowing (including current portion)			328,120.00	656,240.00	2,953,080.00	158,481,960.00	162,419,400.00
Sub-total	325,319,892.56	1,048,495.19	1,799,400.36	5,959,792.34	163,253,823.20		497,381,403.65

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IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks

1. Exchange rate risk

The operation of the Company are located in all over the world and the major businesses are settled in RMB, USD and EUR. 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 UR) 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 2024, 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	JPY	HKD	RUB	KRW	AED	Total
Foreign currency financial assets:								
Bank balance and cash	118,844,307.99	13,814,811.89	251,356.66	132,714.40	474,358.19	503,534.40		134,021,083.53
Accounts receivable	122,436,330.49	74,161,477.91						196,597,808.40
Other receivables	2,952,753.84	6,958,489.80	139,198.32	5,337.86			12,615.31	10,068,395.13
Sub-total	244,233,392.32	94,934,779.60	390,554.98	138,052.26	474,358.19	503,534.40	12,615.31	340,687,287.06
Foreign currency financial liabilities:								
Accounts payable	14,914,834.63	5,983,866.19						20,898,700.82
Other payables	64,738.73	6,492,494.16	17,817.00	697,806.17				7,272,856.06
Sub-total	14,979,573.36	12,476,360.35	17,817.00	697,806.17				28,171,556.88

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks (Continued)

1. Exchange rate risk (Continued)

(3) Sensitivity analysis:

As of 31 December 2024, for the financial assets and financial liabilities of the Company in USD, EUR, HKD, JPY, RUB, KRW and AED, if RMB appreciates by 10% against USD, EUR, HKD, JPY, RUB, KRW and AED with other factors remaining unchanged, the net profits of the Company will reduce by approximately 23,747,047.31 (2023: RMB23,826,129.11). If the RMB depreciates by 10.00% against the USD, EUR, HKD, JPY, RUB, KRW and AED, and other factors remain unchanged, the Company will increase its net profit by approximately 29,024,168.96 (2023: approximately RMB28,505,597.11).

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 2024, the Company's long-term interest-bearing debt is the contract with floating interest rate dominated in RMB, and the value is RMB162,419,400.00. See Note V (30) for details.

(3) Sensitivity analysis:

As of 31 December 2024, 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 RMB320,327.15 (2023: approximately RMB990,037.15).

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.

IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(III) Market risks (Continued)

3. Price risks

Price risk refers to the risk of volatility caused by changes in market prices other than exchange rate risk and interest rate risk, mainly from changes in commodity prices, stock market indexes, equity instrument prices, and other risks.

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 2024 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.

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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	3,114,018.77	6,509,985.50		9,624,004.27
Accounts receivable financing			9,637,013.80	9,637,013.80
Investment in other equity instruments			55,670,094.77	55,670,094.77
Total	3,114,018.77	6,509,985.5	65,307,108.57	74,931,112.84

(III) Basis for determining the market price of continuous and non-sustainable first-level fair value measurement projects

Unadjusted quotation of the same assets or liabilities available on the measurement day in the active market.

(IV) For projects of continuous and non-continuous second-level fair value measurement, qualitative and quantitative information of valuation technology and important parameters

It is a direct or indirect observable input value of relevant assets or liabilities in addition to the input value of the first level;

The second level of input values includes: 1) quotations of similar assets or liabilities in the active market; 2) quotations of similar assets or liabilities in non-active markets; 3) other observable input values other than quotations, including interest rate and yield curves, implied volatility and credit interest that can be observed during the normal quotation interval. Differences; 4) Input values of market verification, etc.

X. FAIR VALUE (Continued)

(V) Qualitative and quantitative information on the valuation techniques used and important parameters for the continuous and non-continuous third-level fair value measurement projects

For certain projects invested in other equity instruments that are not traded in an active market, valuation techniques are used to determine their fair value. The valuation model used is mainly a discounted cash flow model.

For certain projects invested in other equity instruments that are not traded in an active market, since the Company holds relatively low equity in the investee, it has no significant impact, and it is not feasible to use the income method or the market method to evaluate the equity value of the investee, and recently, there is the no information relating to introduction of new external investors nor transfer of equity between shareholders of the investee, as a reference for determining the fair value. In addition, the Company has not found that significant change in the internal and external environment of the investee during the year, so the book value of the net assets of the investee is used as the basis for assessing its fair value.

(VI) Continuous fair value measurement project, the conversion between various levels in the current period, the reason for the conversion and the policy to determine the time of conversion

The company's above-mentioned continuous fair value measurement items have not been converted between various levels this year.

(VII) Valuation technology changes and reasons for changes during the current period

The fair value valuation technology of the company's financial instruments has not changed this year.

(VIII) 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 in material.

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 VII (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 VII (2) 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:

The name of Associated or jointly controlled company	Relationship
R&LAUNCH Corporation	Jointly controlled company

(4) Other related parties

Name	Relation
Liu Jun	Brother of beneficial controller
Shi Xin	The brother-in-law of the Beneficial controller
北京北邁科技股份有限公司("BJBM")	The Yuan Rui 1 Fund established by the Company holds 10% of its equity
深圳市易成自動駕駛技術有限公司 ("SZYC")	Held by beneficial controlling person
深圳市易優成科技有限公司("SYYC")	Launch Investment, a subsidiary of the Company, holds 19.40% of its equity
深圳市浪曲科技開發有限公司 ("SZ Langqu")	Shareholder
SMRDT	The Company's Associate
深圳市易檢車服科技有限公司("SZYJ")	The Company holds 12.21% of its equity
深圳市極數知來技術諮詢有限公司 ("SZJSZL")	Shareholders of SYXZC, a subsidiary of the Company

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XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(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
SZYJ	Supplies of goods	32,274,182.83	31,029,732.82
SZYC	Supplies of goods		683,628.32
Total		32,274,182.83	31,713,361.14

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	1,187,016.25	1,168,602.24
SMRDT	Sale of goods		384,589.38
SYYC	Sales of goods	219,433.95	
Total		1,406,450.20	1,553,191.62

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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	Amount borrowed	Commencement date	Maturity date	Completed or not
a	Liu Xin, Liu Jun, Launch Software	80,000,000.00	10,000,000.00	2024/1/29	2027/1/29	Not
			1,000,000.00	2025/5/9	2028/5/9	Not
b	Liu Xin, Liu Jun, Launch Software	75,000,000.00	20,000,000.00	2025/4/26	2028/4/26	Not
c	Liu Xin, Liu Jun, Launch Software	350,000,000.00	164,060,000.00	2027/8/12	2030/8/12	Not
	Total	505,000,000.00	195,060,000.00			

Explanation of guarantee with related parties

The "Financing Facility Agreement BC2023111400002053" signed by the Company with the Shenzhen Branch of Shanghai Pudong Development Bank Co., Ltd. (the maximum comprehensive credit limit is RMB80 millions, and the term is from 5 January 2024 to 14 November 2024)), in addition, the BC2024102200001761 "Financing Amount Agreement" signed with the bank (the maximum comprehensive credit limit is RMB80 millions, from 23 October 2024 to 22 October 2025). As of 31 December 2024, the short-term loan balance under the financing amount contracts was total RMB11 millions. For details, please refer to Note V, Note 21.

The Company and Zhuhai China Resources Bank Co., Ltd. signed the "Comprehensive Credit Contract" No. 109 of China Bank (2024) Shenzhen Comprehensive Character (Luohu Branch) (the maximum comprehensive credit limit is RMB75 millions, from 3 April 2024 to 3 April 2025). As of December 31, 2024, the total short-term loan balance under the comprehensive credit contract was RMB20 millions. For details, please refer to Note V, Note 21.

2024 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

4. Guarantee with related parties (Continued)

(1) The Company as warrantee (Continued)

The Company signed the 006202024K00017 "credit contract" signed with Qianhai Branch of Shenzhen Rural Commercial Bank Co., Ltd. (the maximum comprehensive credit limit is RMB350,000,000 and the period is from 12 August 2024 to 12 August 2027), up to On 31 December 2024, the total long-term loan balance under the financing quota contract was RMB162,419,400. For details, please refer to Note V Note 30. Guarantee + mortgage + pledge loan in long-term loan.

5. Provision of fund to Related parties

Provisional fund to Related Parties

Related parties	Beginning balance	Provision of fund	Repayment	Interests	Ending balance
BJBM	2,446,444.44				2,446,444.44
Shi Xin	4,678,706.57		1,141,584.45		3,537,122.12
Total	7,125,151.01		1,141,584.45		5,983,566.56

2024 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

6. Key management personnel remuneration

(1) Remunerations of Directors and supervisors

Item	Current period	Previous period
Key management personnel remunerations	10,675,531.10	7,589,179.00

Remuneration for directors and supervisors in 2024 are as follows:

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin		4,281,906.00	74,567.14	4,356,473.14
Jiang Shiwen		2,358,095.04	74,567.14	2,432,662.18
Huang Zhaohuan		2,358,095.04	-	2,358,095.04
Liu Guozhu		900,000.00	68,300.74	968,300.74
Non-executive directors				
Peng Jian	100,000.00			100,000.00
Independent non-executive directors				
Zhang Yanxiao	100,000.00			100,000.00
He Xujin	100,000.00			100,000.00
Bin Zhichao	100,000.00			100,000.00
Supervisors				
Guo Chaohui	80,000.00			80,000.00
Lei Zhiwei	80,000.00			80,000.00
Total	560,000.00	9,898,096.08	217,435.02	10,675,531.10

2024 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

6. Key management personnel remuneration (Continued)

(2) Five highest paid personnels

2024, 3 directors were included in the 5 highest paid personnels.

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin		4,281,906.00	74,567.14	4,356,473.14
Jiang Shiwen		2,358,095.04	74,567.14	2,432,662.18
Huan Zhaohuan		2,358,095.04		2,358,095.04
Non-directors and Non-supervisors				
Xue Erjun		2,644,859.28	64,021.04	2,708,880.32
Tao Shichun		2,393,717.32		2,393,717.32
Total		14,036,672.68	213,155.32	14,249,828.00

2024 (Expressed in Renminbi)

XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

7. Amount due from/to related parties

(1) Amount due from related parties

Item	Related parties	Ending balance		Beginning balance	
		Book value	Provision	Book value	Provision
Accounts receivables	R&LAUNCH Corporation	7,678,737.00	7,678,737.00	7,466,928.12	5,445,428.33
	BJBM	80,000.00	80,000.00	80,000.00	80,000.00
	SZYYC	610,675.00	389,705.00	610,675.00	305,337.50
	SZYJ	60,505.00	48,805.00	60,505.00	38,275.00
Prepayments	SZYJ	1,927,594.80		1,060,284.36	
	SZYC			88,871.68	
Other receivables	BJBM	2,446,444.44	2,446,444.44	2,446,444.44	2,446,444.44
	Liu Xin			22,986.60	1,149.33
	ShiXin	3,537,122.12	2687122.12	4,678,706.57	1,574,353.29

(2) Amounts payable to related parties

Item	Related parties	Ending balance	Beginning balance
Accounts payable	SZYJ	–	57,073.27

2024 (Expressed in Renminbi)

XII. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(I) Significant commitments

1. Ongoing lease agreements and related financial impacts

As at 31 December 2024, the amount payables of irrevocable operating lease under the signed lease agreements during the following period are as follows:

Aging	Current period	Previous period
Within 1 year	5,046,247.18	7,833,073.21
2-5 years	4,945,754.15	9,723,436.37
Total	9,992,001.33	17,556,509.58

2. Other significant financial commitments

(1) Pledge of assets

The Company uses houses and buildings with an original value of RMB130,894,596.38 and investment real estate with an original value of RMB130,894,596.38 and land use right assets with an original value of RMB9,951,912.75 as collateral, and Qianhai Branch of Shenzhen Rural Commercial Bank Co., Ltd. The 006202024K00006 "Credit Contract" signed by the bank (the credit limit is RMB525 million, and the term is from 12 August 2024 to 12 August 2027) provides a mortgage guarantee. As of 31 December 2024, under the above-mentioned Credit Contract, the balance of the long-term loan is RMB162,419,400. For details, please refer to Note V (30). Guarantee + mortgage + pledge loan in long-term loan.

The Company uses properties with the original value of RMB10,276,351.66 as collateral, and provides a mortgage guarantee for the HTZ442008007QTLX2024N004 "crediting contract" (the credit limit is RMB150 millions, the term is from 25 June 2024 to 21 June 2025) signed with the Shenzhen Branch of China Construction Bank Co., Ltd. No borrowing made in this period under the above-mentioned "credit contract".

XII. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(I) Significant commitments (Continued)

2. Other significant financial commitments (Continued)

(2) Pledge of assets

The Company takes the property income right of Shenzhen real estate No. 6000343449 as the pledge, and the 006202024K00017 "Credit Contract" signed by Qianhai Branch of Shenzhen Rural Commercial Bank Co., Ltd. (the credit limit is RMB525 million, and the term is from 12 August 2024 to 12 August 2027), the mortgage guarantee is provided. As of 31 December 2024, the long-term loan balance under the above-mentioned Credit Contract is RMB162,419,400.00. For details, please refer to Note V (30). Guarantee + mortgage + pledge loan in long-term loan.

Except for the above commitments, as of 31 December 2024, the Company has no other material commitments that is required to be disclosed.

(II) Note on Contingencies on date of Financial report

As of 31 December 2024, the Company has no other material contingent matters that is required to be disclosed.

XIII. POST-BALANCE SHEET EVENTS

(I) Profit distribution

According to the 2024 profit distribution proposal approved by the Company's board of directors, based on the total share capital of 415,788,100.00, a dividend of RMB0.45 (tax inclusive) per share will be distributed to all shareholders, with a total dividend of RMB187,104,645.00 (tax inclusive).

Other than the above-mentioned balance sheet future matters, 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.

XIV. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Determination criterion and accounting policies for reporting segments

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 segments based on the operating segments, and the operating segments that meets any of the following conditions is determined as the reporting segments:

(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.

XIV. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

1. Determination criterion and accounting policies for reporting segments (Continued)

Where the proportion of the total external revenue of the operating segments determined to be reporting segments according to the accounting policies above does not reach 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 reporting 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, Europe Overseas Sales segment and US. overseas sales segment. The automotive diagnosis segment covers research and development, production and sales of automotive diagnostic and inspection products. The Europe Overseas Sales segment covers development and maintenance of European distributors and customers. The U.S. Overseas Sales segment covers development and maintenance of distributors and customers in the Americas.

2024 (Expressed in Renminbi)

XIV. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

3. Financial information of the reporting segments

Currency unit: RMB

		Ending balance/Current period				
Item		Automotive diagnosis	Overseas Sales – Europe	Overseas Sales – U.S.	Eliminations	Total
I.	Operating income	1,997,807,678.87	226,825,684.72	226,825,684.72	-569,414,888.59	1,882,044,159.72
	Including: Revenue from external transaction	1,436,376,389.11	226,825,684.72	218,842,085.89	–	1,882,044,159.72
	Revenue from inter-segment transaction	561,431,289.76	–	7,983,598.83	-569,414,888.59	–
II.	Operating expenses	1,632,873,941.50	219,195,226.94	238,206,194.66	-530,009,105.38	1,560,266,257.72
	Including depreciation and amortization	41,058,852.74	3,852,959.60	2,959,531.60		47,871,343.94
III.	Income from investment in associates and joint ventures	2,318,137.91				2,318,137.91
IV.	Impairment loss of credit	1,286,010.16	3,504,599.23	-1,350,825.61		3,439,783.78
V.	Impairment loss of assets	-8,129,046.44	-875,843.24	-6,592,914.34	385,343.02	-15,212,461.00
VI.	Operating profit (loss)	464,939,499.77	10,789,079.89	7,094,578.14	-133,908,181.43	348,914,976.37
VII.	Income tax expenses	215,489.00	7,518,583.21	-80,896.75	–	7,653,175.46
VIII.	Net profits (losses)	464,724,010.77	3,270,496.68	7,175,474.89	-133,908,181.43	341,261,800.91
IX.	Total assets	2,948,700,212.48	179,488,012.22	197,953,623.89	-1,329,470,176.52	1,996,671,672.07
X.	Total liabilities	1,381,844,266.35	96,937,598.08	199,742,323.45	-925,679,733.24	752,844,454.64
XI.	Other significant non-monetary items					–
	1. Capital expenditure	72,166,166.51	2,118,993.83	1,196,749.13		75,481,909.47

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY

(1) Accounts receivable

1. Accounts receivable by aging group

Aging	Ending balance	Beginning balance
Within 1 year	375,811,781.35	240,429,294.11
1 – 2 years	2,804,393.31	34,767,469.83
2 – 3 years	2,196,684.42	7,108,809.23
3 – 4 years	5,411,166.14	2,158,883.87
4 – 5 years	515,390.30	64,380.87
Over 5 years	2,605,063.16	2,540,930.79
Sub total	389,344,478.68	287,069,768.70
Less: provision	23,818,267.77	19,330,405.33
Total	365,526,210.91	267,739,363.37

2. Disclosure by bad debt provision methods

	Ending balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision on individually basis	9,199,845.00	2.36	9,199,845.00	100.00	
Provision on portfolio basis	380,144,633.68	97.64	14,618,422.77	3.85	365,526,210.91
Including: aging portfolio	205,797,133.47	52.86	14,618,422.77	7.10	191,178,710.70
Risk free portfolio	174,347,500.21	44.78			174,347,500.21
Total	389,344,478.68	100.00	23,818,267.77		365,526,210.91

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

2. Disclosure by bad debt provision methods (Continued)

Continued:

	Beginning balance				
	Carrying balance		Provision for bad debts		
Categories	Amount	Proportion (%)	Amount	Proportion (%)	Book value
Provision on individually basis	2,532,822.00	0.88	2,532,822.00	100.00	
Provision on portfolio basis	284,536,946.70	99.12	16,797,583.33	5.90	267,739,363.37
Including: aging portfolio	149,279,288.82	52.00	16,797,583.33	11.25	132,481,705.49
Risk free portfolio	135,257,657.88	47.12			135,257,657.88
Total	287,069,768.70	100.00	19,330,405.33	6.73	267,739,363.37

<u>Bad debt provision on Individual basis</u>

	Ending balance			
Name	Book balance	Provision	Provision (%)	Reasons
Tianjin Zhonghe Zhixin Technology Co., Ltd.	1,449,106.00	1,449,106.00	100.00	Expected to be irrecoverable
Hangzhou Chitutong Information Technology Co., Ltd.	72,002.00	72,002.00	100.00	Expected to be irrecoverable
R&Launch Corporation	7,678,737.00	7,678,737.00	100.00	Expected to be irrecoverable
Total	9,199,845.00	9,199,845.00		

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

2. Disclosure by bad debt provision methods (Continued)

Bad debts provision on portfolio basis

(1) Aging group

	Ending balance		
Aging	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	200,595,529.69	10,029,776.48	5.00
1-2 years	1,225,914.98	612,957.49	50.00
2-3 years	475,312.97	475,312.97	100.00
3-4 years	895,312.67	895,312.67	100.00
4-5 years	–	–	100.00
Over 5 years	2,605,063.16	2,605,063.16	100.00
Total	205,797,133.47	14,618,422.77	

3. Bad debts provision, recovered or reversal during the period

		Movement in the period			
Categories	Beginning balance	Provided	Recovered or reversed	Written off	Ending balance
Provision on individually basis	2,532,822.00	7,678,737.00	600,000.00	411,714.00	9,199,845.00
Provision on portfolio basis	16,797,583.33	-1,191,667.05	518,730.00	468,763.51	14,618,422.77
Including: aging portfolio	16,797,583.33	-1,191,667.05	518,730.00	468,763.51	14,618,422.77
Total	19,330,405.33	6,487,069.95	1,118,730.00	880,477.51	23,818,267.77

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(1) Accounts receivable (Continued)

4. Accounts receivable written off during the period

Item	Amount written off
Accounts receivable written off	880,477.51

5. Top five accounts receivable by ending balance

Name	Ending balance	Proportion in ending balance of accounts receivable (%)	Provision already made for bad debts
Launch Tech (USA), Inc.	149,921,340.38	38.51	
Guangdong Taide Zhilian Technology Co., Ltd	30,414,125.77	7.81	1,520,706.29
Shenzhen Lianke Technology Co., Ltd	25,577,791.00	6.57	1,278,889.55
Launch Europe GmbH	23,850,860.95	6.13	
Chery Automobile Co., Ltd	15,226,648.18	3.91	761,332.41
Total	244,990,766.28	62.93	3,560,928.25

(2) Other receivables

Items	Ending balance	Beginning balance
Interests receivable	–	–
Dividend receivable	–	–
Other receivables	499,006,110.10	436,171,591.70
Total	499,006,110.10	436,171,591.70

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

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

1. Other receivables by aging portfolio

Aging	Ending balance	Beginning balance
Within 1 year	182,918,598.61	167,242,298.22
1－2 years	94,410,338.39	105,796,763.43
2－3 years	75,003,851.67	27,266,688.05
3－4 years	26,961,729.77	42,728,432.87
4－5 years	27,117,276.71	31,895,463.36
Over 5 years	116,164,693.82	93,751,450.30
Sub total	522,576,488.97	468,681,096.23
Less: provisions	23,570,378.87	32,509,504.53
Total	499,006,110.10	436,171,591.70

2. By nature

Natures	Ending balance	Beginning balance
Equity transfer fund	2,604,223.82	26,507,288.10
Deposits	4,870,701.10	4,543,325.86
Imprests	841,034.34	507,426.31
Borrowings	501,355,891.88	416,860,114.64
Others	12,904,637.83	20,262,941.32
Subtotal	522,576,488.97	468,681,096.23
Less: provisions	23,570,378.87	32,509,504.53
Total	499,006,110.10	436,171,591.70

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

3. Disclosure by bad debt provision methods

	Ending Balance				
	Book Value		Provisions		
Categories	Amount	Proportion(%)	Amount	Proportion(%)	Carrying Value
Provision on individual basis	8,211,500.70	1.57	8,211,500.70	34.84	
Provision on portfolio basis	514,364,988.27	98.43	15,358,878.17	65.16	499,006,110.10
Including: aging portfolio	24,594,885.18	4.71	15,358,878.17	65.16	9,236,007.01
Risk free portfolio	489,770,103.09	93.72			489,770,103.09
Total	522,576,488.97	100.00	23,570,378.87	100.00	499,006,110.10

Continue:

	Beginning				
	Book value		Provision		
Categories	Amount	Proportion(%)	Amount	Proportion(%)	Carrying value
Provision on individual basis	11,021,400.70	2.35	11,021,400.70	100.00	
Provision on portfolio basis	457,659,695.53	97.65	21,488,103.83	4.70	436,171,591.70
Including: Aging portfolio	58,431,466.54	12.47	21,488,103.83	36.77	36,943,362.71
Risk free portfolio	399,228,228.99	85.18			399,228,228.99
Total	468,681,096.23	100.00	32,509,504.53	6.94	436,171,591.70

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

Bad debts provision on individual basis

Name	Ending balance Book balance	Provision	Proportion (%)	Reasons
Beijing Beimai Technology Co., Ltd	2,446,444.44	2,446,444.44	100.00	Irrecoverable
Shenzhen Yuantong Automotive Electronics Co., Ltd	1,997,872.52	1,997,872.52	100.00	Irrecoverable
Shenzhen Haofanda Hardware Products Co., Ltd	1,900,000.00	1,900,000.00	100.00	Irrecoverable
Shenzhen Ganxinhui Microelectronics Co., Ltd	700,000.00	700,000.00	100.00	Irrecoverable
Guangdong Yuanjian Precision Hardware Co., Ltd	632,750.74	632,750.74	100.00	Irrecoverable
Shenzhen Jinyuantai Packaging Materials Co., Ltd	300,000.00	300,000.00	100.00	Irrecoverable
Shenzhen Heju Rubber Seals Co., Ltd	200,000.00	200,000.00	100.00	Irrecoverable
Other companies subtotal	44,333.00	44,333.00	100.00	Irrecoverable
Total	8,221,400.70	8,221,400.70		

Bad debts provision by portfolio basis

(1) Aging group

Aging Portfolio	Ending Book balance	Provisions	Provision (%)
Within 1 year	4,969,841.04	248,492.05	5.00
1－2 years	9,029,316.06	4,514,658.04	50.00
2－3 years	6,171,508.41	6,171,508.41	100.00
3－4 years	56,528.17	56,528.17	100.00
4－5 years	24,738.00	24,738.00	100.00
Over 5 years	4,333,053.50	4,333,053.50	100.00
Total	24,584,985.18	15,348,978.17	

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XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

Provision for Expected credit losses by general models

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	21,488,103.83		11,021,400.70	32,509,504.53
Beginning balance which				
transfer to second stage				
transfer to third stage				
Reverse to second stage				
Reverse to first stage				
Provision for the period	-5,939,125.66			-5,939,125.66
Reversal during the period				
Recovered during the period				
Written off during the period	200,000.00		2,800,000.00	3,000,000.00
Others				
Ending balance	15,348,978.17		8,211,500.70	23,570,378.87

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XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

4. Bad debts provision made, recovered or reversed during the period

		Movement during the period				
Categories	Opening	Provisions	Recovery reversed	Written off	Others	Ending
Provision for bad debts by individual item	11,021,400.70			2,800,000.00		8,221,400.70
Provision for bad debts by group	21,488,103.83	-5,939,125.66		200,000.00		15,348,978.17
Including: aging group	21,488,103.83	-5,939,125.66		200,000.00		15,348,978.17
Total	32,509,504.53	-5,939,125.66		3,000,000.00		23,570,378.87

5. Other receivables written off during the reporting period

Item	Amounts written off
Other receivables written off	3,000,000.00

The significant other receivables are written off as follows:

Name	Nature	Written off amount	Reason	Verification procedure	Related party
Shenzhen Andian Technology Co., Ltd.	Prepaid materials	1,700,000.00	Irrecoverable	Approved by management	No
Shenzhen Huaxiang Technology Co., Ltd.	Prepaid materials	700,000.00	Irrecoverable	Approved by management	No
Shenzhen Junmingwei Technology Co., Ltd	Prepaid materials	400,000.00	Irrecoverable	Approved by management	No
Hangzhou Anheng Information Technology Co., Ltd	Others	200,000.00	Irrecoverable	Approved by management	No
Total		3,000,000.00			

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(2) Other receivables (Continued)

6. Top 5 other receivables by amounts

Name	Nature	Ending balance	Age	Proportion (%)	Ending balance of provision for bad debts
German tax office	Others	4,515,420.00	1-2 years	0.86	2,257,710.00
Yunshan Outpatient Department of Shenzhen Yunshan Medical Management Co., Ltd.	Temporary fund	4,102,222.23	Within 1 year	0.78	3,254,722.23
China (Nanjing) Software Valley Management Committee	Deposits	4,000,000.00	Over 5 year	0.77	4,000,000.00
Shi Xin	Temporary fund	3,537,122.12	1-3 years	0.68	2,687,122.12
Shanghai Anting United Investment Economic Development Co., Ltd.	Equity transfer fund receivable	2,604,223.82	Within 2 years	0.50	746,295.11
Total		18,758,988.17			12,945,849.46

(3) Long-term equity investment

Nature	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Investment in subsidiaries	219,765,453.08	11,042,014.50	208,723,438.58	208,427,301.50	11,042,014.50	197,385,287.00
Investment in associated and jointly controlled companies	4,831,940.13		4,831,940.13	3,543,301.32		3,543,301.32
Total	224,597,393.21	11,042,014.50	213,555,378.71	211,970,602.82	11,042,014.50	200,928,588.32

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(3) Long-term equity investment (Continued)

1. Investment in subsidiaries

Investee	Beginning balance	Additions	Reduction	Ending balance	Provision made for impairment for current period	Ending balance of provision for impairment
Xi'an Launch	70,000,000.00			70,000,000.00		
Launch Software	39,080,263.52			39,080,263.52		
Launch Europe GmbH	671,875.00			671,875.00		
PJS	551,695.84		551,695.84	–		
Golo IOV	10,000,000.00			10,000,000.00		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		
Launch Future	1,000,000.00			1,000,000.00		1,000,000.00
SYKLC	10,000,000.00			10,000,000.00		
LAUNCH NORTH AMERICAN CORP	5,547,440.00			5,547,440.00		
NJG	36,000,000.00			36,000,000.00		
Launch Investment	30,000,000.00			30,000,000.00		
SYXYY	100,000.00	9,900,000.00		10,000,000.00		
LAUNCH JAPAN CO., LTD	1,434,012.64	567,367.42		2,001,380.06		
Total	208,427,301.50	11,889,847.42	551,695.84	219,765,453.08		11,042,014.50

2024 (Expressed in Renminbi)

XV. EXPLANATORY NOTES FOR MAIN ITEMS IN FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(3) Long-term equity investment (Continued)

2. Investment in associated and jointly controlled companies

		Movement during the period		
Investee	Beginning balance	Gain/loss under equity method	Other comprehensive income adjustments	Ending balance
SMRDT	3,543,301.32	1,309,924.27	-21,285.46	4,831,940.13
Total	3,543,301.32	1,309,924.27	-21,285.46	4,831,940.13

(4) Operating income and operating costs

	Current period		Previous period	
Item	Income	Cost	Income	Cost
Principle operation	1,619,074,098.00	1,153,826,220.09	1,317,145,453.88	996,633,917.79
Other operations	49,628,210.72	15,540,391.31	87,018,335.65	55,439,071.18
Total	1,668,702,308.72	1,169,366,611.40	1,404,163,789.53	1,052,072,988.97

(5) Investment income

Items	Current period	Previous period
Long-term equity investment income under equity method	2,636,705.47	1,801,376.39
Long-term equity investment income calculated by cost method	90,000,000.00	267,079,604.16
Disposal of investment income from long-term equity investment	-92,591.20	-140,812.93
Others	336,226.14	49,311.64
Total	92,880,340.41	268,789,479.26

2024 (Expressed in Renminbi)

XVI. SUPPLEMENTARY INFORMATION

(1) Details of non-operating profit and loss for the period

Item	Amount	Note
Gains and losses on disposal of illiquid assets, including the write-off portion of the provision for impairment of assets	-76,231.36	
Government subsidies included in the current profit or loss, except for government subsidies that are closely related to the company's normal business operations, comply with national policies and regulations, are enjoyed in accordance with the determined standards, and have a continuous impact on the company's profit and loss	7,136,237.92	
In addition to the effective hedging business related to the normal operation of the company, the fair value change gains and losses arising from the holding of financial assets and financial liabilities by non-financial enterprises and the gains and losses arising from the disposal of financial assets and financial liabilities	516,048.16	
Capital occupation fees charged to non-financial enterprises through profit or loss for the current period	7,711,488.06	
Reversal of bad debt provision on individual basis	600,000.00	
Reversal of bad debt provisions for receivables that are tested on individual basis	-3,248,958.97	
Total	12,638,583.81	

(2) Return on net assets and earnings per share

Profits for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	27.37	0.8165	0.8165
Net profit after deducting non-recurring profit and loss attributable to ordinary shareholders of the Company	26.15	0.7861	0.7861

Financial Summary

RMB million

	2024	2023	2022	2021	2020
Operating revenue	1,882	1,598	1,177	1,345	1,069
Net Profit (loss)	341	169	328	92	-120
Adjusted EPS (RMB)	0.817	0.393	0.759	0.214	-0.279
Total Assets	1,997	1,855	1,987	1,556	1,401
Total Liabilities	753	780	915	810	747
Net Assets	1,244	1,075	1,072	746	654
Adjusted NAV per share (RMB)	2,991	2.585	2.480	1.726	1.534

DIRECTORS OF THE COMPANY

Executive Directors

Mr. Liu Xin *(Chairman and Chief executive officer)*
Mr. Jiang Shiwen
Ms. Huang Zhao Huan
Mr. Liu Guozhu

Non-executive Director

Mr. Peng Jian

Independent Non-executive Directors

Ms. Zhang Yanxiao
Mr. Bin Zhichao
Ms. He Xujin

SUPERVISORS

Mr. Lei Zhi Wei
Mr. Cheng Chi
Mr. Guo Zhao Hui

QUALIFIED ACCOUNTANT

Mr. Liu Chun Ming, FCCA

COMPANY SECRETARY

Mr. Liu Chun Ming, FCCA

REMUNERATION COMMITTEE

Ms. He Xujin (Chairman)
Mr. Bin Zhichao
Mr. Liu Xin

NOMINATION COMMITTEE

Ms. He Xujin (Chairman)
Mr. Bin Zhichao
Mr. Liu Xin

AUDIT COMMITTEE

Ms. Zhang Yanxiao (Chairman)
Mr. Bin Zhichao
Ms. He Xujin

COMPLIANCE OFFICER

Mr. Liu Xin

AUTHORISED REPRESENTATIVES

Mr. Liu Xin
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.

元征 LAUNCH

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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