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LAUNCH

深圳市元征科技股份有限公司

LAUNCH TECH COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2488)

2021 ANNUAL RESULTS

The board of directors (the “Board”) of Launch Tech Company Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	Note	2021	2020
Current assets:			
Bank balances and cash		415,351,929.70	396,936,278.13
Trading financial asset		37,808.52	—
Bills receivable		27,764,778.36	45,073,109.36
Accounts receivable	4	172,519,012.10	125,731,287.93
Accounts receivable financing		11,519,813.00	25,009,778.78
Prepayments		56,974,078.27	40,074,512.74
Other receivables	5	24,010,754.40	21,328,217.30
Inventories	6	212,761,497.39	159,383,049.28
Other current assets		20,278,651.37	18,774,729.38
		<u>941,218,323.11</u>	<u>832,310,962.90</u>
Total current assets			

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2021	2020
Non-current assets:			
Long-term equity investment		4,652,625.31	2,179,780.15
Investment in other equity instruments		4,060,969.31	3,110,736.90
Investment property		58,778,940.80	63,752,935.43
Fixed assets		196,880,113.55	212,939,923.58
Construction in progress		219,587,444.62	190,604,603.70
Right-in-use assets		3,084,632.89	5,120,957.22
Intangible assets		100,654,681.18	84,223,514.62
Goodwill		1,139,412.80	1,139,412.80
Deferred income tax assets		4,337,673.52	5,136,323.13
Other non-current assets		21,178,500.00	470,155.00
		<hr/>	<hr/>
Total non-current assets		614,354,993.98	568,678,342.53
		<hr/>	<hr/>
Total assets		1,555,573,317.09	1,400,989,305.43
		<hr/>	<hr/>
Current liabilities:			
Short-term borrowings		395,571,616.82	275,837,641.62
Bills payable		–	132,856,923.79
Accounts payable	7	216,985,326.36	135,088,247.99
Contract liabilities		84,132,257.21	101,318,189.50
Employee remuneration payable		22,245,140.50	10,793,537.87
Tax payables		15,789,064.62	4,271,098.56
Other payables		27,735,215.26	16,652,328.48
Non-current liabilities due within one year		3,118,677.41	2,906,685.82
Other current liabilities		35,854,963.81	53,575,250.29
		<hr/>	<hr/>
Total current liabilities		801,432,261.99	733,299,903.92
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2021	2020
Non-current liabilities:			
Lease liabilities		199,685.48	2,605,018.48
Deferred income		8,164,889.81	11,268,142.28
Deferred tax liabilities		223,730.87	188,014.06
		<hr/>	<hr/>
Total non-current liabilities		8,588,306.16	14,061,174.82
		<hr/>	<hr/>
Total liabilities		810,020,568.15	747,361,078.74
		<hr/>	<hr/>
Shareholders' equity:			
Share capital		432,216,600.00	432,216,600.00
Capital reserve		411,681,704.56	410,939,296.47
Other comprehensive income		-7,810,218.31	-6,603,868.55
Surplus reserve		41,036,682.03	41,036,682.03
Undistributed profit		-131,800,935.89	-224,189,399.81
		<hr/>	<hr/>
Total owners' equity attributable to parent company		745,323,832.39	653,399,310.14
Minority shareholders' equity		228,916.55	228,916.55
		<hr/>	<hr/>
Total shareholders' equity		745,552,748.94	653,628,226.69
		<hr/>	<hr/>
Total liabilities and shareholders' equity		<u>1,555,573,317.09</u>	<u>1,400,989,305.43</u>

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2021	2020
Operating income	3	1,344,814,373.50	1,068,653,993.45
Less: Operating costs		817,198,942.85	590,106,457.78
Tax and surcharge		9,131,225.36	7,985,791.64
Selling expenses		120,060,016.44	133,201,320.58
Administrative expenses		83,731,077.86	68,204,277.96
Research and development expenses		197,089,016.79	269,494,455.76
Finance costs		20,811,934.63	39,182,147.73
Add: Other revenue		27,657,941.51	30,951,712.56
Gain on investments		251,675.44	1,746,659.56
Loss on changes in fair value		-6,963.12	—
Impairment loss on credit		-15,196,516.80	-94,122,214.35
Impairment loss on assets		-7,505,595.22	-25,349,260.52
Gain on disposals of assets		216,708.03	8,386,973.46
Operating profit		102,209,409.41	-117,906,587.29
Add: Non-operating income		2,355,442.48	1,440,229.84
Less: Non-operating expenses		2,495,919.28	2,828,763.26
Total profit		102,068,932.61	-119,295,120.71
Less: Income tax expenses	9	9,680,468.69	1,166,175.87
Net profit		92,388,463.92	-120,461,296.58
Profit from continued operation		92,388,463.92	-120,461,296.58
Other comprehensive income		-1,206,349.76	243,283.08
Total comprehensive income		91,182,114.16	-120,218,013.50
Earnings per share:			
Basic earnings per share	10	0.2138	-0.2787

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	2021	2020
Net cash flows from operating activities		<u>-14,170,133.28</u>	<u>203,840,464.25</u>
Net cash flows from investing activities		<u>-71,373,345.69</u>	<u>-42,782,820.52</u>
Net cash flows from investing activities		<u>125,478,033.68</u>	<u>-249,129,491.72</u>
Impact on cash by changes in foreign exchange rates		<u>1,788,174.00</u>	<u>-8,745,574.66</u>
Net increase in cash and cash equivalents		41,722,728.71	-96,817,422.65
Add: Cash and cash equivalents at beginning of the period		<u>373,617,200.99</u>	<u>470,434,623.64</u>
Cash and cash equivalents at end of the period		<u><u>415,339,929.70</u></u>	<u><u>373,617,200.99</u></u>
Restricted bank balances and cash – bank deposit		<u>12,000.00</u>	<u>23,319,077.14</u>
Bank balances and cash		<u><u>415,351,929.70</u></u>	<u><u>396,936,278.13</u></u>

CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

	2021
Opening balance of current year	653,628,226.69
Comprehensive income	91,182,114.16
Other	742,408.09
	<hr/>
Ending balance for current year	<u><u>745,552,748.94</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the unaudited financial statements (the “Financial Statements”) internally prepared in 2021.

The financial statements of the Company were prepared according to the transactions and matters actually occurred, and recognitions and measurements were made in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (hereinafter collectively referred to as the “Accounting Standards for Enterprises”) on this basis, in conjunction with the provisions of the China Securities Regulatory Commission, “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting” (revised in 2014).

The Company carried out assessment on the going concern for the 12 months’ period after the report date, and did not recognize any matters or situation which leading to material doubt on the continuity of operation. Therefore this financial report is based on recognition and measurement on a going concern basis.

In addition, the Financial Statements have also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting period

The accounting period is from 1 January to 31 December.

(2) Reporting currency

Renminbi was adopted as the reporting currency. The Company’s foreign subsidiaries choose their reporting currencies the basing on the primary economic environment in which they operate and converted into when preparing financial statements.

(3) Method of preparing consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is determined on the basis of control. All subsidiaries are included in the consolidated financial statements.

Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information.

All subsidiaries within the scope of consolidation of the consolidated financial statements shall adopt accounting policies and financial period consistent with the Company. When there is any inconsistency on the accounting policies or financial period adopted by the subsidiaries and the Company, the financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company as necessary.

When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

3. REVENUE

Revenue from main operations includes the net value of the received and receivable for the sales of different types of vehicle maintenance equipment, and provision of internet upgrade service as follows:

	Current year	Previous year
Revenue from main operations	1,294,900,916.40	1,026,460,172.10
Revenue from other operations: rent	49,913,457.10	42,193,821.35
	<u>1,344,814,373.50</u>	<u>1,068,653,993.45</u>

4. ACCOUNTS RECEIVABLE

The Company basically used credit terms when dealing with customers and normally offered credit period from 30 days to 210 days. Should a customer possessed long and good records or in case of being a major customer, or under the circumstances that the Company would like to maintain prolong operational relationship, and then a different credit period might be considered.

	At the period end	At the beginning of the period
Accounts receivables	246,986,652.71	210,121,914.25
Less: provision for bad debts	74,467,640.61	84,390,626.32
Net amount	<u>172,519,012.10</u>	<u>125,731,287.93</u>

Ageing	At the period end	At the beginning of the period
Within 1 year	179,131,804.11	113,723,621.55
Includes: Within 90 days	171,399,443.75	101,116,188.74
91-180 days	7,715,010.52	7,587,984.77
181-270 days	6,482.30	2,312,731.87
271-365 days	10,867.54	2,706,716.17
1-2 years	4,687,596.41	35,387,694.88
2-3 years	30,630,814.81	45,385,412.31
3-4 years	18,580,684.48	1,663,989.59
4-5 years	216,768.50	1,813,547.25
Over 5 years	13,738,984.40	12,147,648.67
Subtotal	<u>246,986,652.71</u>	<u>210,121,914.25</u>
Less: provision for bad debts	74,467,640.61	84,390,626.32
Total	<u>172,519,012.10</u>	<u>125,731,287.93</u>

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

Items	Ending balance			Beginning balance		
	Carrying balance	Provision	Book value	Carrying balance	Provision	Book value
Not past due	151,195,920.70	7,559,796.03	143,636,124.67	83,669,204.31	4,183,460.22	79,485,744.09
overdue	<u>95,790,732.01</u>	<u>66,907,844.58</u>	<u>28,882,887.43</u>	126,452,709.94	80,207,166.10	46,245,543.84
Total	<u><u>246,986,652.71</u></u>	<u><u>74,467,640.61</u></u>	<u><u>172,519,012.10</u></u>	<u>210,121,914.25</u>	<u>84,390,626.32</u>	<u>125,731,287.93</u>

5. OTHER RECEIVABLES

Aging	Ending balance	Beginning balance
Within 1 year	25,432,010.51	16,141,818.42
1-2 years	5,718,079.06	10,757,223.41
2-3 years	7,816,227.21	2,741,167.09
3-4 years	2,265,615.06	946,806.52
4-5 years	448,178.39	155,418.00
Over 5 years	1,970,941.97	1,942,508.97
Subtotal	43,651,052.20	32,684,942.41
Less: provision for bad debts	<u>19,640,297.80</u>	<u>11,356,725.11</u>
Total	<u><u>24,010,754.40</u></u>	<u><u>21,328,217.30</u></u>

6. INVENTORIES

Item	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	28,072,382.16	2,627,475.27	25,444,906.89	21,975,766.43	4,632,079.21	17,343,687.22
Work in progress	3,509,687.12	502,436.13	3,007,250.99	7,436,948.78	4,239,177.05	3,197,771.73
Finished goods	<u>192,062,484.50</u>	<u>7,753,144.99</u>	<u>184,309,339.51</u>	152,579,503.88	13,737,913.55	138,841,590.33
Total	<u><u>223,644,553.78</u></u>	<u><u>10,883,056.39</u></u>	<u><u>212,761,497.39</u></u>	<u>181,992,219.09</u>	<u>22,609,169.81</u>	<u>159,383,049.28</u>

7. ACCOUNTS PAYABLE

Item	Ending balance	Beginning balance
Under 1 year	211,721,706.66	129,528,458.83
1-2 years	681,859.87	3,075,124.95
2-3 years	2,236,207.15	315,484.54
Over 3 years	2,345,552.68	2,169,179.67
Total	<u>216,985,326.36</u>	<u>135,088,247.99</u>

8. UNDISTRIBUTED PROFITS

	Current year
As at the beginning of the period	-224,189,399.81
Add: net (loss) profit attributable to shareholders of the parent company in the current year	<u>92,388,463.92</u>
As at the end of the period	<u>-131,800,935.89</u>

9. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	8,881,819.08	305,356.13
Adjustment of deferred tax	<u>798,649.61</u>	<u>860,819.74</u>
Total	<u>9,680,468.69</u>	<u>1,166,175.87</u>

	Applicable tax rate
The Company	25%
Launch Software	15%
Shanghai Launch	25%
Launch Europe Gmbh	19%
Hesvit	25%
Golo IOV	15%
Xi'an Launch	25%
PJS	25%
Launch International	16.5%
Nanjing Launch	25%
Launch Future	25%
NJG	25%
Hainan Launch	25%
Launch Italy Gmbh	24%
SYXLH	25%
SYKLC	25%
Foshan Yi Da	25%
Launch Information	25%

10. EARNINGS PER SHARE (-LOSS)

(1) Basic earnings (-loss) per share

Basic earnings (-loss) per share is calculated by dividing the consolidated net profit (-loss) for holder of ordinary share of the parent company by average weighted number of outstanding ordinary share of the parent company.

Items	Current year	Previous year
Consolidated net profit (-loss) for holder of ordinary share of the parent company	92,388,463.92	-120,461,296.58
Average weighted number of outstanding ordinary share of the parent company	432,216,600.00	432,216,600.00
Basic earnings (-loss) per share (RMB/share)	<u>0.2138</u>	<u>-0.2787</u>

(2) Diluted earnings (-loss) per share

As there was no ordinary shares with dilutive potential for the year 2021 and 2020, thus no diluted earnings (-loss) per share was presented.

11. DIVIDEND

The Board do not recommend distribution of final dividend.

12. SUBSIDIARIES

Name of the corporation	Shareholding	Business nature	Registered capital
Shanghai Launch Mechanical Equipment Co., Ltd. ("Shanghai Launch")	100%	Manufacturing of equipment and machines for maintenance of automobiles	USD18,000,000
Launch Software Development Co., Ltd. ("Launch Software")	100%	Software development	RMB40,000,000
Launch Europe GmbH	100%	Sales of LAUNCH products	EURO25,564.59
Xi'an Launch Software Technology Co., Ltd. ("Xi'an Launch")	100%	Software development	RMB100,000,000
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. ("Golo IOV")	100%	Automotive warranty equipment industry	RMB10,000,000
Shenzhen PengJuShu Information Technology Co., Ltd. ("PJS")	100%	Technology development	RMB2,000,000
Launch Tech International Co., Ltd. ("Launch International")	100%	Automotive warranty equipment industry	HKD50,000
Nanjing Launch Intelligent Technology Co., Ltd. ("Nanjing Launch")	100%	Technology development	RMB50,000,000
Shenzhen Launch Future Auto Techonology Co., Ltd. ("Launch Future" previously known as "SLH")	100%	Technology research and development	RMB1,000,000
Nanjing Golo Big Data Technology Co., Ltd. ("NJG")	100%	Software and information technology services	RMB10,000,000
Launch Italy GmbH	100%	Software and information technology services	EURO50,000.00
Hainan Launch Education Technology Co., Ltd. ("Hainan Launch")	70%	Software and information technology services	RMB10,000,000
Foshan Yi Da Vehicle Data Technology Co., Ltd. ("Foshan Yi Da")	60%	Software and information technology services	RMB3,000,000
Shenzhen Launch Information Technology Development Co., Ltd. ("Launch Information")	100%	Software and information technology services	RMB5,000,000
Shenzhen Yuan Xiang Li Heng Technology Co., Ltd. ("SYXLH")	100%	Software and information technology services	RMB1,000,000
Shenzhen Yi Kong Li Chu Software Development Co., Ltd. ("SYKLC")	100%	Software and information technology services	RMB10,000,000

13. CONTINGENT LIABILITY

As at 31 December 2021, the Group has patent disputes with three companies that are scheduled for trial and it is expected that these cases may be scheduled for trial in the second half of 2022 or the first half of 2023 involving an amount of approximately RMB20 million.

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

14. PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged properties and buildings and land use rights with original value approximately amounted to approximately 285,000,000 (2020: 285,000,000) for certain bank borrowings.

15. CAPITAL COMMITMENTS

As at 31 December 2021, the Company does not have material capital commitments that have not been disclosed.

16. LEASE COMMITMENTS

As at 31 December 2021, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	3,242,111.19	5,742,195.17
2 to 5 years	201,576.00	7,830,768.30
	<u>3,443,687.19</u>	<u>13,572,963.47</u>

17. POST-BALANCE SHEET EVENTS

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

II. MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

2021 Review

In 2021, the global economy ushered a restorative growth. According to data released by the National Bureau of Statistics, China's gross domestic product (GDP) in 2021 exceeded RMB110 trillion, representing a year-on-year increase of 8.1% year-on-year. The GDP of major developed countries in Europe and the United States also experienced a year-on-year growth in 2021. The overall automotive market grew at a steady pace in 2021, despite a markedly divergent and uneven economic recovery. According to MarkLines and the China Association of Automobile Manufacturers (CAAM), global vehicle sales in 2021 amounted to approximately 80,577,000 units, up 4.6% year-on-year. Benefiting from the recovery of the automotive market and the steady growth of major economies of the world, the Group continued to grow steadily.

Financial

In 2021, the Group's sales revenue was RMB1,345,000, representing an increase of 26% over the same period last year. Of which, revenue from diagnostic equipment increased by 25% to RMB1,136,000,000 year-on-year, representing 84.5% of the Group's sales revenue; revenue from maintenance equipment increased by 45% to RMB60,000,000 year-on-year, representing 4.5% of the Group's sales revenue; revenue from diagnostic software increased by 27% to RMB149,000,000 year-on-year, representing 11% of the Group's sales revenue, the revenue share by segment is similar to last year.

The Group's gross profit was approximately RMB528,000,000, representing an increase of approximately 10% over the same period last year. The consolidated gross profit margin dropped 5% to approximately 40%, mainly attributed to the global shortage of semiconductors, high shipping prices and significant increases in raw materials, including chips, resulting in higher costs.

The Group's net profit attributable to equity holders of the parent company was RMB91,000,000, representing an increase of approximately 178% over the same period last year. The significant increase in net profit mainly attributed to the increase in gross profit and the significant reduction in expenses.

Customers

In 2021, the Group's customer base exceeded 99,000; the number of users increased by approximately 17% year-on-year to approximately 4.40 million. The Big Data platform added 180 million automotive diagnostic reports and received a total of 820 million maintenance diagnostic reports, representing an increase of 28% over the same period last year.

With the enhancement of quality management capability, improvement and optimisation of the service system, and improvement in the quality of pre-sales, in-sales and after-sales services, the Group's product quality satisfaction rate rose to 88% and service satisfaction rate rose to 91%.

Internal operation

In 2021, the Group launched new products: the high-end Pad VII automotive diagnostic equipment, the tire pressure monitoring sensors, anti-theft programming device, super remote diagnosis platform, and "Cloud Diagnosis" (雲診車), all of which have been successfully delivered in mass production and continue to be refined.

The Group's delivery capability was effectively improved and enhanced with the improved level of supply chain operations, increased accuracy of sales forecasts and effective control of production and production planning.

Learning and growth

As of the end of 2021, the Group has accumulatively obtained 640 patents authorised by the State, including 530 invention patents. 2,998 patents were pending in application, including 2,742 invention patents, 342 PCT patents; and 252 certified software copyrights.

Through the optimisation of its training system and the promotion of intelligent training, the Group has provided a better learning platform for its employees. Meanwhile, through incentive reform, decentralisation and other management optimisation, employees are constantly encouraged to learn from themselves, to make suggestions, to participate in corporate management and grow together with the Company.

Major Financial Data for the profit changes

In 2021, even the gross profit increased as a result of rise in sales, the administrative and selling expenses increased marginally as a result of tight control implemented, while the research and development expenses decreased significantly. Exchange loss decreased due to the fluctuation of the exchange rate of US dollar. The relatively large impairment on assets and credit under the adverse impact of COVID-19 epidemic situation from last year have slightly stabilised this year, the profit after tax for the year was approximately 213,000,000 compared with last year.

	<i>RMB million</i>
Increase in gross profit	49
Increase in administrative and selling expenses	(4)
Decrease in R&D expenses	72
Decrease in finance cost mainly due to the decrease in exchange loss	18
Decrease in impairment on assets and credit	89
Increase in taxes	(8)
Others	(3)
	<hr/>
Increase in profit after tax	<u>213</u>

Principal Sources and Usage of Fund

	<i>RMB million</i>
Outflow from operations	(14)
Acquisition of fixed assets and investment in R&D	(49)
Increase in Loans	120
Interest paid	(12)
Others	(3)
	<hr/>
Change in cash	<u>42</u>

Total net cash inflow for the year was of 42,000,000 and the year ended balances of cash and cash equivalents was 415,000,000.

Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to 810,000,000, interests attributable to shareholders amounted to 746,000,000. Total assets amounted to 1,556,000,000. As at the end of the period, the gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 1.09 (2020: 1.14). The overall gearing ratio improved from last year, reaching our satisfactory gearing ratio level.

Customers and suppliers

Total revenue from the top five customers of the Company was approximately 357,000,000 (2020: 252,000,000), accounting for approximately 27% (2020: 25%) of total revenue for the year. The largest customer accounted for approximately 9% (2020: 7%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately 264,000,000 (2020: 205,000,000), accounting for approximately 32% (2020: 37%) of the total purchases for the year. The largest supplier accounted for approximately 14% (2020: 17%) of the total purchases for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the share capital of listed issuer) had any interest in any of the customers or the suppliers disclosed above.

FUTURE PROSPECTS

Looking ahead to 2022, the market environment will continue to be affected by many uncertainties such as the COVID-19 pandemic, the slowdown in global economic growth, the China-US trade friction, and the conflict between Russia and Ukraine. Yet, we remain confident in the medium to long-term prosperity of the Chinese economy and are firmly convinced of the opportunities presented by the electrification, networking, intelligence and sharing of the automotive industry. We believe that the impact of chip shortages, rising prices for raw materials and logistics will be ameliorated in 2022. The Group will closely monitor the market and industry trends, focus on business transformation and innovation, and advance its research and development as well as market layout in order to achieve a stable and sustainable development.

The Group will:

1. in respects of financial, continue to expand its global business to achieve steady growth in sales revenue and profit;
2. in respects of customers, continue to meet customer needs in depth and improve customer satisfaction through the supply of high-quality and high-technology products and services;

3. in respects of internal operation, will actively and vigorously lay out new energy businesses, efficiently expand new businesses and focus on new growth areas by streamlining operational processes and personnel;
4. in respects of learning and growth, will establish a system of self-learning and improvement to continuously enhance our innovation capabilities and lay a solid foundation for long-term development of the Group.

III. NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, other than the establishment of four new subsidiaries which are Foshan Yi Da, Launch Information, SYXLH, and SYKLC, as well as deregistered a company, Hesvit, there was no other significant change in respect of the scope of consolidation.

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

The 2021 audited financial statements is reviewed and confirmed by the audit committee of the Board of the Company.

3. Code on Corporate Governance Practices

During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited. Details of implementation of the Code on Corporate Governance Practices will be set out on the Corporate Governance Report in 2020 Annual Report.

4. Model Code for securities transactions by directors and supervisors

During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by directors and supervisors on terms no less exacting than the standards set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 12 months ended 31 December 2021.

5. Share capital

- (1) During the reporting period, there is no change in the share capital.
- (2) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- (3) During the reporting period, the Company had no share options granted under the share option scheme.

IV. ANNUAL REPORT

This announcement is set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Annual report will be dispatched to shareholders and will be published on the aforesaid websites in due course.

By Order of the Board
Launch Tech Company Limited*
Liu Xin
Chairman

Shenzhen, the PRC
31 March 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Xin (Chairman), Ms. Huang Zhao Huan and Mr. Jiang Shiwen as executive Directors, Mr. Peng Jian as non-executive Director, and Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo as independent non-executive Directors.

* for identification only