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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)**

## **2023 ANNUAL RESULTS**

**Highlights:**

**Turnover: RMB1,598 million**

**Net profit: RMB169 million**

**Earning per share: RMB0.3932**

**Final dividend declared: RMB0.24 per share**

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 2023 prepared in accordance with China Accounting Standards for Business Enterprises:

## I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

### CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2023</b>	2022
<b>Current assets:</b>			
Bank balances and cash		<b>619,527,034.44</b>	525,484,149.23
Trading financial asset		<b>6,052,715.96</b>	23,576.88
Bills receivable		<b>31,825,078.38</b>	20,476,742.16
Accounts receivable	4	<b>227,936,578.26</b>	174,544,290.10
Accounts receivable financing		<b>7,522,612.37</b>	3,632,354.00
Prepayments		<b>30,615,441.08</b>	38,341,448.56
Other receivables	5	<b>46,965,396.13</b>	319,531,287.23
Inventories	6	<b>207,175,760.36</b>	243,371,187.54
Other current assets		<b>27,949,326.50</b>	46,496,280.08
Total current assets		<b><u>1,205,569,943.48</u></b>	<u>1,371,901,315.78</u>
<b>Non-current assets:</b>			
Long-term equity investment		–	4,572,693.85
Investment in other equity instruments		<b>20,590,231.57</b>	5,484,755.45
Investment property		<b>48,830,951.54</b>	53,804,946.17
Fixed assets		<b>106,771,660.27</b>	118,060,244.39
Construction in progress		<b>309,069,055.81</b>	255,028,447.89
Right-in-use assets		<b>15,993,870.93</b>	14,282,181.73
Intangible assets		<b>56,103,788.16</b>	73,367,113.89
Goodwill		<b>88,187,271.36</b>	66,833,829.13
Long-term deferred expenditure		<b>500,986.35</b>	497,957.53
Deferred income tax assets		<b>157,655.21</b>	6,952.49
Other non-current assets		<b>3,443,435.00</b>	22,774,030.00
Total non-current assets		<b><u>649,648,906.20</u></b>	<u>614,713,152.49</u>
Total assets		<b><u>1,855,218,849.68</u></b>	<u>1,986,614,468.27</u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2023	2022
<b>Current liabilities:</b>			
Short-term borrowings		<b>177,991,686.07</b>	237,387,034.63
Bills payable		–	70,125,797.09
Accounts payable	7	<b>163,898,887.83</b>	172,840,518.87
Contract liabilities		<b>95,860,921.38</b>	93,338,001.75
Employee remuneration payable		<b>46,405,379.67</b>	26,709,421.69
Tax payables		<b>8,253,217.96</b>	18,858,696.56
Other payables		<b>32,566,026.85</b>	21,568,146.94
Non-current liabilities due within one year		<b>26,502,346.37</b>	24,514,217.26
Other current liabilities		<b>35,868,273.78</b>	29,665,282.75
		<u><b>587,346,739.91</b></u>	<u>695,007,117.54</u>
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>176,279,661.24</b>	202,142,449.30
Lease liabilities		<b>9,250,706.07</b>	9,803,512.17
Deferred income		<b>7,502,455.77</b>	7,569,761.04
Deferred tax liabilities		–	137,887.27
		<u><b>193,032,823.08</b></u>	<u>219,653,609.78</u>
Total non-current liabilities		<b>193,032,823.08</b>	219,653,609.78
		<u><b>780,379,562.99</b></u>	<u>914,660,727.32</u>
<b>Shareholders' equity:</b>			
Share capital		<b>415,788,100.00</b>	432,216,600.00
Capital reserve		<b>393,801,164.14</b>	411,681,704.56
Other comprehensive income		<b>-1,382,900.13</b>	-9,245,749.95
Surplus reserve		<b>72,469,704.17</b>	41,177,707.16
Undistributed profit	8	<b>186,552,329.98</b>	195,894,562.63
		<u><b>1,067,228,398.16</b></u>	<u>1,071,724,824.40</u>
Total owners' equity attributable to parent company		<b>1,067,228,398.16</b>	1,071,724,824.40
Minority shareholders' equity		<b>7,610,888.53</b>	228,916.55
		<u><b>1,074,839,286.69</b></u>	<u>1,071,953,740.95</u>
Total shareholders' equity		<b>1,074,839,286.69</b>	1,071,953,740.95
		<u><b>1,855,218,849.68</b></u>	<u>1,986,614,468.27</u>
Total liabilities and shareholders' equity		<b>1,855,218,849.68</b>	1,986,614,468.27

## CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2023	2022
<b>Operating income</b>	3	<b>1,598,352,611.56</b>	1,177,091,622.65
Less: Operating costs		<b>911,854,193.46</b>	743,936,605.72
Tax and surcharge		<b>7,630,080.51</b>	8,909,890.46
Selling expenses		<b>207,718,935.69</b>	115,038,333.91
Administrative expenses		<b>111,602,184.94</b>	94,650,337.75
Research and development expenses		<b>172,741,911.72</b>	187,298,715.59
Finance costs		<b>14,739,591.02</b>	2,834,269.10
Add: Other revenue		<b>28,363,378.25</b>	28,161,895.14
Gain on investments		<b>2,167,726.32</b>	282,341,232.38
Loss on changes in fair value		<b>18,289.76</b>	-14,231.64
Impairment loss on credit		<b>-4,304,337.29</b>	20,971,221.51
Impairment loss on assets		<b>-27,019,007.14</b>	-5,980,656.55
Gain on disposals of assets		<b>1,643,113.94</b>	-85,430.44
		<hr/>	<hr/>
<b>Operating profit</b>		<b>172,934,878.06</b>	349,817,500.52
Add: Non-operating income		<b>620,480.33</b>	1,566,817.83
Less: Non-operating expenses		<b>711,648.44</b>	8,884,391.94
<b>Total profit</b>		<b>172,843,709.95</b>	342,499,926.41
Less: Income tax expenses	9	<b>3,941,073.90</b>	14,467,302.76
		<hr/>	<hr/>
<b>Net profit</b>		<b>168,902,636.05</b>	328,032,623.65
		<hr/>	<hr/>
Net profit attributable to owners of the parent company		<b>168,903,408.36</b>	328,032,623.65
Net profit attributable to minority shareholders		<b>-772.31</b>	-
		<hr/>	<hr/>
<b>Profit from continued operation</b>		<b>168,902,636.05</b>	328,032,623.65
		<hr/>	<hr/>
Other comprehensive income		<b>7,862,849.82</b>	-1,435,531.64
		<hr/>	<hr/>
<b>Total comprehensive income</b>		<b>176,765,485.87</b>	326,597,092.01
		<hr/>	<hr/>
Attributable to shareholders of the parent company		<b>176,766,258.18</b>	326,597,092.01
Total comprehensive income attributable to minority shareholders		<b>-772.31</b>	-
		<hr/>	<hr/>
<b>Earnings per share:</b>			
Basic earnings per share	10	<b>0.3932</b>	0.7590

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>Net cash flows from operating activities</b>		<u><b>163,608,767.04</b></u>	<u>71,353,803.73</u>
<b>Net cash flows from investing activities</b>		<u><b>173,013,316.06</b></u>	<u>-29,839,492.86</u>
<b>Net cash flows from investing activities</b>		<u><b>-212,875,382.75</b></u>	<u>26,070,416.81</u>
<b>Impact on cash by changes in foreign exchange rates</b>		<u><b>-2,567,054.73</b></u>	<u>6,627,792.28</u>
<b>Net increase in cash and cash equivalents</b>		<b>121,179,645.62</b>	74,212,519.96
Add: Cash and cash equivalents at beginning of the period		<u><b>489,552,449.66</b></u>	<u>415,339,929.70</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u><b>610,732,095.28</b></u></u>	<u><u>489,552,449.66</u></u>
<b>Restricted bank balances and cash</b>		<u><b>8,794,939.16</b></u>	<u>35,931,699.57</u>
<b>Bank balances and cash</b>		<u><u><b>619,527,034.44</b></u></u>	<u><u>525,484,149.23</u></u>

## CONSOLIDATED STATEMENT OF MOVEMENT ON EQUITY

2023

<b>Opening balance of current year</b>	<b>1,071,953,740.95</b>
Comprehensive income	176,765,485.87
Interim dividend	-146,953,644.00
Shares repurchase	-32,620,203.80
Others	<u>5,693,907.67</u>
<b>Ending balance for current year</b>	<b><u><u>1,074,839,286.69</u></u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

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 2023).

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

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

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

### (1) Accounting period

The accounting period is from 1 January to 31 December.

### (2) Reporting currency

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

### (3) Method of preparing consolidated financial statements

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

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

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

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

### 3. REVENUE

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

	Current year	Previous year
Revenue from main operations	<b>1,513,039,475.79</b>	1,130,001,059.68
Revenue from other operations: rent	<b>85,313,135.77</b>	47,090,562.97
	<b><u>1,598,352,611.56</u></b>	<b><u>1,177,091,622.65</u></b>

### 4. ACCOUNTS RECEIVABLE

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

Ageing	At the period end	At the beginning of the period
Within 1 year	<b>237,798,305.76</b>	178,400,112.72
Includes: Within 90 days	<b>228,809,129.16</b>	170,192,036.90
91-180 days	<b>4,609,891.64</b>	6,414,139.27
181-270 days	-	-
271-365 days	<b>4,379,284.96</b>	1,793,936.55
1-2 years	<b>4,128,377.63</b>	12,591,237.25
2-3 years	<b>6,720,181.22</b>	5,225,414.27
3-4 years	<b>2,233,889.66</b>	3,037,977.39
4-5 years	<b>64,380.87</b>	2,689,313.22
Over 5 years	<b>2,540,930.79</b>	424,375.67
Subtotal	<b>253,486,065.93</b>	202,368,430.52
Less: provision for bad debts	<b>25,549,487.67</b>	27,824,140.42
Total	<b><u>227,936,578.26</u></b>	<b><u>174,544,290.10</u></b>

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		
	Carring balance	Provision	Book value	Carring balance	Provision	Book value
Not past due	201,753,057.41	10,087,652.87	191,665,404.54	156,094,252.67	7,804,712.63	148,289,540.04
overdue	<u>51,733,008.52</u>	<u>15,461,834.80</u>	<u>36,271,173.72</u>	<u>46,274,177.85</u>	<u>20,019,427.79</u>	<u>26,254,750.06</u>
Total	<u><b>253,486,065.93</b></u>	<u><b>25,549,487.67</b></u>	<u><b>227,936,578.26</b></u>	<u><b>202,368,430.52</b></u>	<u><b>27,824,140.42</b></u>	<u><b>174,544,290.10</b></u>

## 5. OTHER RECEIVABLES

Aging	Ending balance	Beginning balance
Within 1 year	<b>27,791,744.54</b>	339,165,784.70
1-2 years	<b>47,420,949.26</b>	7,537,562.02
2-3 years	<b>2,711,041.86</b>	4,028,280.96
3-4 years	<b>826,852.39</b>	4,267,430.23
4-5 years	<b>4,267,430.23</b>	2,137,775.00
Over 5 years	<b>2,560,036.11</b>	945,820.11
Subtotal	<b>85,578,054.39</b>	358,082,653.02
Less: provision for bad debts	<b>38,612,658.26</b>	38,551,365.79
Total	<u><b>46,965,396.13</b></u>	<u><b>319,531,287.23</b></u>

## 6. INVENTORIES

Item	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	26,390,673.63	4,475,349.98	21,915,323.65	28,073,682.52	4,029,669.82	24,044,012.70
Work in progress	10,217,623.60	-	10,217,623.60	5,785,125.40	-	5,785,125.40
Finished Goods	175,563,665.43	14,883,927.32	160,679,738.11	168,299,625.02	9,182,961.85	159,116,663.17
Consigned processing materials	11,971,985.52	260,079.04	11,711,906.48	53,077,382.76	1,755,914.23	51,321,468.53
In-house WIP	<u>3,675,444.64</u>	<u>1,024,276.12</u>	<u>2,651,168.52</u>	<u>3,673,209.69</u>	<u>569,291.95</u>	<u>3,103,917.74</u>
Total	<u><b>227,819,392.82</b></u>	<u><b>20,643,632.46</b></u>	<u><b>207,175,760.36</b></u>	<u><b>258,909,025.39</b></u>	<u><b>15,537,837.85</b></u>	<u><b>243,371,187.54</b></u>

## 7. ACCOUNTS PAYABLE

Item	Ending balance	Beginning balance
Under 1 year	<b>152,768,960.48</b>	142,077,618.62
1-2 years	<b>492,214.09</b>	29,608,812.24
2-3 years	<b>10,625,026.51</b>	215,557.72
Over 3 years	<b>12,686.75</b>	938,530.29
Total	<u><b>163,898,887.83</b></u>	<u><b>172,840,518.87</b></u>

## 8. UNDISTRIBUTED PROFITS

	<b>Current year</b>
As at the beginning of the period	<b>195,894,562.63</b>
Net profit attributable to shareholders of the parent company in the current year	<b>168,903,408.36</b>
Interim dividend	<b>-146,953,644.00</b>
Appropriation of surplus reserve	<b>-31,291,997.01</b>
	<hr/>
As at the end of the period	<b><u>186,552,329.98</u></b>

## 9. INCOME TAX EXPENSE

	<b>Current year</b>	Previous year
Income tax for the current period	<b>4,087,349.89</b>	10,138,622.87
Adjustment of deferred tax	<b>(146,275.99)</b>	4,328,679.89
	<hr/>	<hr/>
Total	<b><u>3,941,073.90</u></b>	<b><u>14,467,302.76</u></b>

	<b>Applicable tax rate</b>
The Company	15%
Launch Software	15%
Launch Europe Gmbh	19%
Golo IOV	15%
Xi'an Launch	25%
PJS	25%
Launch International	16.5%
Nanjing Launch	25%
Launch Future	25%
NJG	25%
Hainan Launch	25%
Launch Italy Gmbh	24%
SYXLH	25%
SYKLC	0%
Foshan Yi Da	25%
Launch Information	25%
Yisheng New Technology	25%
Launch NA	29.84%
Launch Tech (USA)	29.84%
Launch Japan	15%
SYXYY	25%
Launch Investment	25%
Launch Consultation	25%
SMRSJ	15%
SMRZK	25%

## 10. EARNINGS PER SHARE

### (1) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit 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 for holder of ordinary share of the parent company	168,903,408.36	328,032,623.65
Average weighted number of outstanding ordinary share of the parent company	429,558,725	432,216,600.00
Basic earnings per share (RMB/share)	<u>0.3932</u>	<u>0.7590</u>

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

As there was no ordinary shares with dilutive potential for the year 2023 and 2022, thus no diluted earnings per share was presented.

## 11. DIVIDEND

The Board recommended the distribution of a final dividend of RMB0.24 per share.

## 12. SUBSIDIARIES

Name of the corporation	Shareholding	Business nature
Launch Software Development Co., Ltd. (“Launch Software”)	100%	Software development
Launch Europe GmbH	100%	Sales of LAUNCH products
Xi’an Launch Software Technology Co., Ltd. (“Xi’an Launch”)	100%	Software development
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. (“Golo IOV”)	100%	Automotive warranty equipment industry
Shenzhen PengJuShu Information Technology Co., Ltd. (“PJS”)	100%	Technology development
Launch Tech International Co., Ltd. (“Launch International”)	100%	Automotive warranty equipment industry
Nanjing Launch Intelligent Technology Co., Ltd. (“Nanjing Launch”)	100%	Technology development
Shenzhen Launch Future Auto Techonology Co., Ltd. (“Launch Future” previously known as “SLH”)	100%	Technology research and development
Nanjing Golo Big Data Technology Co., Ltd. (“NJG”)	100%	Software and information technology services
Launch Italy GmbH	100%	Software and information technology services
Hainan Launch Education Technology Co., Ltd. (“Hainan Launch”)	70%	Software and information technology services
Foshan Yi Da Vehicle Data Technology Co., Ltd. (“Foshan Yi Da”)	60%	Software and information technology services
Shenzhen Launch Information Technology Development Co., Ltd. (“Launch Information”)	100%	Software and information technology services
Shenzhen Yuan Xiang Li Heng Technology Co., Ltd. (“SYXLH”)	100%	Software and information technology services
Shenzhen Yi Kong Li Chu Software Development Co., Ltd. (“SYKLC”)	100%	Software and information technology services
Shanghai Launch Yisheng New Energy Technology Co., Ltd. (“Yisheng New Energy”)	100%	Software and information technology services
LAUNCH NORTH AMERICAN CORP ADD (“LAUNCH NA”)	100%	Sales and services of auto diagnostic products

<b>Name of the corporation</b>	<b>Shareholding</b>	<b>Business nature</b>
LAUNCH TECH (USA)	100%	Sales and services of auto diagnostic products
Shenzhen Yi Xin Yi Yi Software Development Company Limited* ("SYXY")	100%	software and information technology services
Launch Investment Company Limited ("Launch Investment")	100%	capital market services
Shenzhen Zhongcheng Yingli Management Consulting Partnership (Limited Partnership) ("ZCYL Management")	100%	business services
Launch Consultating Management Company Limited ("Launch Consultation")	100%	capital market services
Launch No. 1 Consultating Partnership (Limited Partnership) ("Launch No. 1")	100%	capital market services
Shenzhen Yixin Zhicheng Consulting Limited Partnership (Limited Partnership) ("SYXZC")	99.75%	other financial industries
Shenzhen Ming Rui Da Consulting Enterprise (Limited Partnership) ("SMR Da")	100%	other financial industries
Shenzhen Mingrui Data Technology Company Limited ("SMR Data")	53%	internet and related services
Shenzhen Ming Rui Zhi Ke Technology Company Limited ("SMRZK")	53%	software and information technology services
LAUNCH TECH (Japan) ("Launch Japan")	100%	Sales and services of auto diagnostic products

### 13. CONTINGENT LIABILITY

As at 31 December 2023, the Group did not have significant contingent liability.

### 14. PLEDGE OF ASSETS

As at 31 December 2023, the Group pledged properties and buildings and land use rights with original value approximately amounted to approximately 264,000,000 (2022: 264,000,000) for certain bank borrowings.

### 15. CAPITAL COMMITMENTS

As at 31 December 2023, the Company does not have material capital commitments that have not been disclosed.

### 16. LEASE COMMITMENTS

As at 31 December 2023, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	<b>Current year</b>	Previous Year
Within 1 year	<b>7,833,073.21</b>	5,477,786.76
2 to 5 years	<b>9,723,436.37</b>	10,388,672.20
	<b><u>17,556,509.58</u></b>	<b><u>15,866,458.96</u></b>

### 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

### 2023 Review

In 2023, the domestic economy returned to a virtuous circle and industries in general staged a recovery, of which the sales volume of the automobile industry recorded a historical high, with cumulative production of 30.161 million vehicles and sales of 30.094 million vehicles, representing an increase of 12% year-on-year, respectively, driving the growth of the industry chain both upstream and downstream. Benefiting from this trend, the Group's performance was strong, of which the overseas channels and software products were particularly outstanding.

### Financials

In 2023, the Group's operating revenue amounted to approximately RMB1,598 million, representing an increase of approximately 36% as compared to the same period last year, and net profit amounted to approximately RMB169 million, of which, net profit attributable to the parent company after investment income amounted to approximately RMB167 million, representing an increase of 265% as compared to the same period last year, reflecting a significant increase in profitability.

The Group's growth in business performance was mainly attributable to: (1) the full recovery of cross-border traffic flow and the strong growth in overseas business; (2) empowerment of the software business by the smart price algorithm, with online procurement of diagnostic software and orders for software upgrades exceeding expectations.

Since the recovery from the pandemic, the Group has increased its investment in overseas business by expanding its marketing team, organizing more than 30 exhibitions and more than 100 training sessions for distributors and end-users, and resuming the annual meeting of overseas distributors, which was not held for three years due to COVID-19, and all these efforts met with good results. We achieved the highest revenue in history in June, November and many other months. The overseas business realized revenue of RMB718.57 million for the full year, representing an increase of approximately 68% over last year, with double-digit revenue growth in many regions such as North America, Europe, Latin America and the Middle East.

The Group continued to enhance the level of intelligence of its software business by utilizing new technologies, such as AI and big data to accurately analyze customer data, deliver personalized service reminders and marketing information, and dynamically set prices based on intelligent algorithms, which led to growth in online revenues; at the same time, the Group has gradually separated the sales of diagnostic equipment and diagnostic software so that customers could choose to purchase diagnostic software and pay for software upgrades online, which has significantly increased the flexibility of customers and their willingness to make purchases. In 2023, the software business achieved another record high, with revenue reaching RMB126.79 million, representing an increase of 50% year-on-year.

Based on the Group's performance for the year, the Board recommended a final dividend of RMB0.24 per share.

## **Customers**

Customers are the foundation of the Group's dominant position in the automotive diagnostic field, and all businesses of the Group are centered on "serving and pleasing customers". In 2023, the volume of customer data of the Group achieved a new high record in the industry and customer stickiness was further enhanced, enabling high growth on a high base. As at the end of 2023, the Group had cumulatively established connections with over 300 million vehicles through diagnostic equipment, with the number of active terminals exceeding 1.55 million, representing an increase of approximately 23% as compared to the end of 2022, and both the annual incremental volume and growth rate achieved new record highs; more than 0.80 million automotive diagnostic reports were generated on average daily, and the cumulative number of diagnostic reports in the history of the Group exceeded 1,300 million.

With “customer service” as the starting point, the Group has strengthened product innovation, optimized product structure and improved service quality. The latest questionnaire surveys showed that the Group’s products and service were highly recognized by customers, with 90% of the respondents were satisfied with the software business.

## **Internal operations**

The Group's intelligent marketing and digital operations are in good shape. In 2023, the conversion rate of online software sales has increased, with the number of customers who purchased software increasing by 106% year-on-year and the number of customers who paid for software upgrades increasing by 72% year-on-year, while paid devices reached nearly 40,000 sets during the year. The number of orders for remote diagnosis grew rapidly, with 730,000 orders issued during the year, representing an increase of 91% year-on-year; the number of registered users for the "inLaunch" APP and its related modules increased by 230,000, and the unit price per customer order rose to approximately RMB3,100 by the end of the year.

The Group's new energy vehicle service system is operated in cooperation with repair shops and covers the entire life cycle of new energy vehicles. The system not only provides services such as repair station construction and repair technical training, but also possesses the initial ability of the sale of complete vehicles. In 2023, the Group established cooperation with 4 vehicle manufacturers, with sales stretching over 6 provinces and cities, and more than 120 vehicles were delivered during the year.

## **Learning and Growth**

In 2023, the Group’s R&D investment as a percentage of current operating revenue continued to maintain at a high level of 11%. As of the end of 2023, the Group had 466 R&D personnel, accounting for half of the total number of employees.

Being an enterprise with intellectual property advantages in the country, the Group attaches great importance to the building of its intellectual property strengths, the Group was granted 177 state authorized patents for the year 2023 alone.

In response to the structural reform in the automobile industry, the Group has started to create three new growth engines, namely SDS, EVS and AAS this year, which would work coordinately to drive the enterprise into new areas of growth:

1. Smart Diagnosis Service (SDS): we will continue to promote remote diagnosis and smart diagnosis for the global automobile maintenance industry;
2. New Energy Vehicle Service System (EVS): we will establish the new energy vehicle sales and service system, LAUNCH EVS, with global business partners for the provision of technical training, equipment sales, and vehicle sales;
3. AI Auto Service (AAS): we will develop AutoGPT, empower automobile diagnosis with AI algorithms, and provide customers with intelligent interactive services to help mechanics and other related parties carry out automobile repairs, maintenance, transactions and knowledge enquiries swiftly and efficiently, to trigger a new round of technological innovation in the industry.

### **Outlook and future strategy**

The automobile service market has a wide scope of development and strong profitability, with a market size of over RMB1 trillion in China alone and will continue to develop in tandem with the growth in the number of automobile ownership and vehicle age, and the increase in the proportion of expired insurance coverage of new energy vehicles. In the future, the Group will focus on SDS, EVS and AAS, and on the basis of maintaining its leading position in the industry with existing automotive diagnostic hardware products, the Group will gradually increase the proportion of revenue from software, services and data, with a view to becoming the No. 1 brand in the world of artificial-intelligence automotive services.

The Group will:

1. Increase the sales revenue of online products and services such as diagnostic software and remote diagnosis in the financial aspect;
2. Develop intelligent customers with the aim of pleasing customers and satisfying their needs in the customer aspect; consolidate the dominant domestic market and strengthen overseas business expansion, and establish overseas localization operation centers to serve local customers;
3. Continue to improve the level of intelligent marketing and digital operations, and to develop online value-added services in terms of internal operation; accelerate the rate of urban penetration of its sales and service system for new energy vehicles in China and make attempt to enter into business cooperation in some overseas countries and regions;
- 4) Improve the compensation performance system and enhance the training system in terms of learning and growth.

## Major Financial Data for the profit changes

*RMB million*

a	Profit after tax in 2023	169
b	Profit after tax in 2022	328
c	Deduct the special income from the disposal of a Shanghai subsidiary	(281)
d=b-c	Deduct the profit from tax after the disposal of a Shanghai subsidiary in 2022	47
e=a-d	Increase in profit in 2023	122
Mainly due to:		
	Increase in gross profit	253
	Increase in selling expenses	(93)
	Increase in financial costs	(12)
	Impairment on assets	(46)
	Decrease in tax	10
	Other	10
		<hr/>
	Increase in profit in 2023	<u><u>122</u></u>

Profit after tax for FY2023 was \$168 million; compared to profit of \$47 million in FY2022 after the profit impact of \$281 million from the disposal of the Shanghai subsidiary, an increase of \$122 million. Approximately \$10 million of this increase was due to the income tax effect of the disposal of Shanghai in 2022. The major changes were the significant increase in selling expenses and asset impairment due to the significant growth in turnover, and the slight increase in finance costs due to the impact of exchange rate fluctuations.

## Principal Sources and Usage of Fund

*RMB million*

Inflow from operation	164
Partial consideration received for the disposal of a subsidiary	310
Acquisition of fixed assets and investment in R&D	(87)
Investment payments	(50)
Decrease in loans	(23)
Interest paid	(15)
Others	(33)
	<hr/>
Change in cash	<u>121</u>

Total net cash inflow for the year was of RMB121,000,000 and the period ended balances of cash and cash equivalents was RMB620,000,000.

## Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to RMB780,000,000, interests attributable to shareholders amounted to RMB1,075,000,000. Total assets amounted to RMB1,855,000,000. As at the end of the period, the gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 0.73 (2022: 0.85). The overall gearing ratio improved from last year, reaching a more favorable gearing ratio level.

## Customers and suppliers

Total revenue from the top five customers of the Company was approximately RMB355,000,000 (2022: RMB284,000,000), accounting for approximately 23% (2022: 25%) of total revenue for the year. The largest customer accounted for approximately 8% (2022: 8%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately RMB408,000,000 (2022: RMB215,000,000), accounting for approximately 51% (2022: 33%) of the total purchases for the year. The largest supplier accounted for approximately 16% (2022: 11%) 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.

### III. NOTES TO OTHER MATERIAL EVENTS

#### 1. Scope of consolidation

During the reporting period, other than the establishment of ten new subsidiaries through acquisition and investment, as well as reduction of one subsidiary, there was no other significant change in respect of the scope of consolidation.

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

The 2023 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 2023 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 2023.

#### 5. **Share capital**

- (1) During the reporting period, the total amount of share capital of the Company decreased from 16,428,500 shares to 415,788,100 shares.
- (2) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares except for the 16,428,500 shares repurchased from the market.
- (3) During the reporting period, the Company had no share options granted under the share option scheme.

#### IV. ANNUAL REPORT

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

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

Shenzhen, the PRC  
28 March 2024

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

\* *for identification only*