

ANNUAL
REPORT
2025

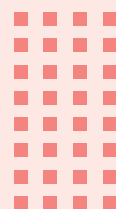
深圳市元征科技股份有限公司
LAUNCH TECH COMPANY LIMITED

年報

專注 · 創新

Focus & Innovate





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Launch Tech Company Limited (the “Company”), which was established in 1993, 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 Group 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 Group has been a pioneer in the industry. For years, with the technical and branch advantages in automotive diagnosis, The Group has been the pioneer in the industry of automotive diagnosis equipment.

The Group 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 Group has also set up research and development teams in the U.S., Germany, Japan, Korea and Latin America. After years of accumulation, The Group 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 Group 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 Group 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 Group has dozens of branches and offices, and has developed hundreds of dealers and near a hundred authorized training centers. The Group 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 “focus and innovate” and the people-oriented and constantly-innovating spirit, The Group is marching forward along the road of high technologies.



2025 REVIEW

The automobile industry in the PRC continued to grow in 2025, with production and sales volumes reaching approximately 34.5 million and 34.4 million units, respectively. Based on the growth of the industry, the Group insisted on developing its new strategy, resulting in sustained performance growth.

Financials

In 2025, the Group's operating income was approximately RMB2.11 billion, representing an increase of 12% over the same period in last year (the "YOY increase"). The gross profit was approximately RMB1 billion, representing a YOY increase of 12%, indicating a steady improvement in profitability.

The increase in results was primarily driven by the application of intelligent algorithms and AI technology. Based on intelligent algorithms, the Group implemented digital operations. In 2025, our overseas business (including overseas e-commerce) achieved a record high for the same period, realizing a revenue of approximately RMB1.55 billion, accounting for 73% 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 2025, the revenue from software business reached approximately RMB180 million, representing a YOY increase of 66%.

Meanwhile, the Group's super remote diagnostics has become a globally leading online diagnostics service platform for automobiles. In 2025, the revenue from remote diagnostics services was approximately RMB23.3 million, representing a YOY increase of 79%. The Group expanded its automotive data business, with data revenue in 2025 reaching approximately RMB22.6 million, representing a YOY increase of 111%.

In 2025, the Group's net profit was approximately RMB350 million, remaining largely flat year-on-year. The net profit margin was 17%, representing a YOY decrease of 2%. The main reasons are as follows: (1) to strategically expand overseas business and AI technology, the Group increased its overseas market expansion and R&D investments, leading to a corresponding increase in employee compensation of approximately RMB61.8 million; (2) due to the strengthening of the RMB exchange rate, exchange gains of RMB11.9 million in 2024 turned into losses of RMB7.4 million in 2025, resulting in a profit reduction of approximately RMB19.3 million; (3) due to the rapid increase in chip prices, costs increased by approximately RMB12 million; (4) due to geopolitical factors and tariff policies, costs increased by approximately RMB7.4 million.

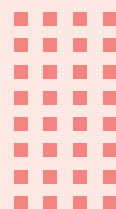
Based on the Group's performance during the reporting period, the Board of Directors recommended a final dividend of RMB0.41 per share.

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 December 31, 2025, the Group had cumulatively established connections with nearly 410 million vehicles globally through its automotive diagnostics equipment. The annual active number of automotive diagnostics equipment terminals exceeded 3.7 million, generating over 1.1 million automotive diagnostics reports daily, with a cumulative total of nearly 2.1 billion diagnostics reports.

The Group's end-users are spread all over the world, with approximately 1.3 million yearly active users in China and approximately 1 million yearly active users in the United States.

With "customer service" as the starting point, the Group has established an intelligent, localized, and grid-based service system to continuously enhance user satisfaction. In 2025, the Group conducted 15,052 customer training sessions globally, earning high recognition from customers.



Internal Operations

2025 marks the second year of the Group's implementation of its three major strategies, namely ADS, AAS and EVS. The implementation of these strategies continues to deepen, achieving significant phased results.

1. AI Diagnostic Service (ADS), which aims to make automotive diagnostics smarter. The Group will continuously enhance the intelligence of automotive diagnostics and gradually achieve full voice interaction for diagnostics hardware, AI intelligent diagnosis and repair, command-driven automated direct diagnostics results, rapid generation of automotive diagnostics reports and automatic push of repair solutions, thereby creating an intelligent automotive fault analysis and prediction system. We will continuously develop the super remote diagnostics business, intensify overseas expansion, and strengthen our global leadership in online diagnostics service platforms for automobiles.
2. AI Auto Service (AAS), which utilizes large model AI technology to simplify automotive services. The Group integrated multi-dimensional data and advanced AI foundation models to build the LAUNCH AI Auto Repair Smart Agent Platform, continuously improving service efficiency and user experience. Its Diagnostics Agent can provide global repair shop customers with comprehensive solutions covering fault code analysis, fault cause assessment, diagnostics plan formulation, repair step guidance, and spare parts matching. It can also offer vehicle owners transparent repair services, including fault level analysis, repair cost estimation, and repair shop recommendations. Its Customer Service Agent can help repair shops and technicians resolve equipment after-sales issues online and provide guidance on diagnostics function operations.
3. Electric Vehicle Service (EVS), which aims to help global repair shop customers improve their new energy vehicle repair capabilities. The Group has developed the LAUNCH EVS to sell new energy vehicle repair equipment and provide customers with new energy vehicle repair technical training, workstation modification, and after-sales service.

Learning and Growth

The Group strengthened its research and development of patented technologies, and obtained 63 authorized invention patents in 2025. As of December 31, 2025, R&D personnel accounted for approximately 50% of the total workforce.

Outlook and Future Strategy

The Group has been focusing on the automotive diagnostics field for 34 years, accumulating deep technical expertise. In the future, the Group will leverage its advantages, based on the above three major strategies and the four major businesses of hardware, software, services and data, accelerate its shift into an intelligent enterprise, apply AI technology to the automotive industry, and strive to become the world's leading brand of automotive AI.

Management Discussion and Analysis

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. Reduce operating and product costs, and enhance the work efficiency through AI and advanced tools.
4. Introduce more strategic talents.

Major Financial Data for the profit changes

	<i>RMB million</i>
a Profit after tax in 2024	341
b Profit after tax in 2025	349
c=a-b Increase in profit in 2024	8
Mainly due to:	
Increase in gross profit	104
Increase in selling expenses	(54)
Increase in R&D expenses	(10)
Increase in finance costs	(24)
Other	(8)
	<hr/>
Increase in profit in 2025	<u>8</u>

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; resulting from exchange rate fluctuations, the finance costs have also increased. During the year, the Company increased its R&D expenses as well.



Principal Sources and Usage of Fund

	<i>RMB million</i>
Inflow from operation	482
Repurchase of shares	(54)
Acquisition of fixed assets and investment in R&D	(55)
Investment payments	(34)
Repayment of borrowings	(7)
Interest paid	(8)
Dividend distributed	(320)
Others	(8)
	<hr/>
Change in cash	(4)
	<hr/>

Total net cash outflow for the year was of RMB4,000,000 and the period end balances of cash and cash equivalents was RMB536,000,000.

Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Total liabilities amounted to RMB931,000,000, interests attributable to shareholders amounted to RMB1,233,000,000. Total assets amounted to RMB2,164,000,000. As at the end of the period, the gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 0.76 (2024: 0.61). 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 57, 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 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, and establishment of strategic alliances. Mr. Liu currently is 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 61, 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 53, 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 a 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.

Employee Directors

Mr. Liu Guozhu, 44 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 48, 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 Economic and Trade Information Committee (now known as Shenzhen Municipal Bureau of Industry and Information Technology).

Independent Non-executive Directors

Ms. Zhang Yanxiao, 50 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 37, 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)

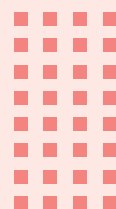
Ms. He Xujin, aged 48, graduated from the International Trade Department of Guangdong University of Finance and Economics in 2000. From 2000 to 2005, she worked in VTech (Dongguan) Electronics Technology Limited* (偉易達(東莞)電子科技有限公司) (00303. HK) as an deputy manager of the project management department; 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 from 2022. Since July 2025, he has been working in Chongqing Xinlian Microelectronics Co., Ltd. as the director of the marketing office. Ms. He was appointed as Independent non-executive director of the Company on 12 December 2023.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Liu Chunming, aged 50, 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 2025, there were eight members on the Board, including the Chairman, two Executive Directors, one employee director, 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	3
Executive Directors		
Mr. Liu Xin	19	N/A
Mr. Jiang Shiwen	19	N/A
Ms. Huang Zhaohuan	19	N/A
Employee Director		
Mr. Liu Guozhu	19	N/A
Non-executive Director		
Mr. Peng Jian	16	N/A
Independent Non-executive Directors		
Ms. Zhang Yanxiao	13	3
Mr. Bin Zhichao	13	3
Ms. He Xujin	16	3

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:

- (1) To be responsible for convening general meetings of shareholders and to report on its work at the general meeting of shareholders;
- (2) To implement resolutions adopted at the general meeting of shareholders;
- (3) To decide on the operation policy, the operation plans, investment plans and investment proposals of the Company;
- (4) To formulate the profit distribution proposals and proposals for making good the losses of the Company;
- (5) To formulate proposals for the increase or decrease of the registered capital of the Company and proposals for the issue of bonds of the Company;



B. THE BOARD (Continued)

Responsibilities of the Board (Continued)

- (6) To prepare the proposals for the merger, division or dissolution of the Company or change of the corporate form;
- (7) To decide on the establishment of the internal management organization of the Company;
- (8) To appoint or remove the manager of the Company, and based on the nomination of the manager, to appoint or remove the deputy manager and the chief financial officer of the Company and to decide on their remuneration;
- (9) To formulate the basic management system of the Company;
- (10) To formulate proposals for any amendment of the Articles of Association; (11) To formulate plan(s) for important acquisitions or sales;
- (12) Subject to the Company Law, administrative regulations and the relevant provisions of these Articles, to exercise the Company right to raise fund and borrows and to decide the charge, leasing, franchising or transfer of important assets of the Company and to authorize the manager to exercise the said powers within certain limits; and
- (13) Other functions and powers as conferred in the general meeting of shareholder or the Articles of Association.

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.

B. THE BOARD (Continued)

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

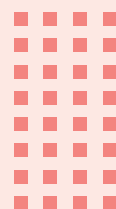
The Chairman of the Board is responsible for leading the Board of Directors in establishing and monitoring the implementation of strategies and plans to create values for shareholders.

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 maximum term of 3 years till the end of the three-year current Board session, 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 2025.

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 2025.

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 2025, 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 2025, 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

The general meeting of shareholders shall be classified as the annual general meeting and the extraordinary general meeting. The Board of Directors shall convene the general meeting of shareholders and decide on its date and venue. The annual general meeting shall be convened once a year, and shall take place within six months from the end of the previous fiscal year.

The Board of Directors shall convene the extraordinary general meeting within two months under one of the following circumstances:

- (1) Where the number of Directors is less than the number stipulated in the Company Law or is less than two-thirds of the number required by the Articles of Association;
- (2) Where the accrued losses of the Company amount to one-third of its total share capital;
- (3) Where shareholders individually or jointly holding more than ten per cent (including 10%) of the voting shares outstanding of the Company request in writing to convene an extraordinary general meeting;
- (4) Where the Board of Directors considers it necessary or the Audit Committee under the Board of directors proposes to convene such a meeting;
- (5) Where more than half of the independent Directors propose to convene such a meeting;
- (6) Other circumstances as stipulated in the Articles of Association.



K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number

Amended article

Article 43

Where the Company convenes the annual general meeting of shareholders, the notice in the form prescribed in Article 145 of the Articles of Association shall be given, twenty days in advance, to inform all shareholders of the matters proposed to be considered at the meeting and the date and venue of the meeting by way of an announcement.

Where the Company convenes the special general meeting of shareholders, the written notice shall be given, fifteen days in advance, to inform all shareholders of the matters proposed to be considered at the meeting and the date and venue of the meeting by way of an announcement.

Notice of general meeting of shareholders shall not be given more than 60 days before the date of the meeting.

Article 44

When a general meeting is convened by the Company, the Board, Audit Committee and shareholders who individually or jointly hold one percent or more of the shares of the Company, shall be entitled to make proposals to the Company. The contents of the proposals shall fall within the scope of reference of the general meeting of shareholders, have clear agenda and specific resolution matters, and comply with the relevant requirements of the laws, administrative regulations and the Articles of Association.

Shareholders, who individually or jointly hold one 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, and announce the contents of ad hoc proposals, and submit such ad hoc proposals to the general meeting of shareholders for consideration, unless the ad hoc proposals violate the provisions of laws, administrative regulations or the Articles of Association, or do not fall within the scope of the general meeting of shareholders.

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.

K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number	Amended article
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	<p>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 in compliance with this article herein.</p>
Article 45	<p>An extraordinary general meeting shall not decide on matters which are not specified in the notice.</p>
Article 52	<p>Any kind of proxy form given to shareholders by the Board of Directors of the Company for appointing the proxy shall permit the shareholders to freely instruct the proxy separately to vote in favour of or against each resolution dealing with business to be transacted at the meeting. Such proxy form should contain a remark that in default of instructions by the shareholder, the proxy may vote as he thinks fit.</p>
Article 53	<p>Resolutions of a general meeting of shareholders can either be ordinary resolutions or special resolutions. At the general meeting of shareholders, the chairman of the meeting shall propose separate resolutions in respect of each independent matter.</p> <p>An ordinary resolution of a general meeting of shareholders shall be passed by more than half of the total voting shares of the Company being held by the shareholders (including proxies) who are present at the meeting.</p> <p>A special resolution of a general meeting of shareholders shall be passed by more than two-thirds of the total voting shares of the Company being held by the shareholders (including proxies) who are present at the meeting.</p>
Article 54	<p>The shareholder (including the proxy) shall exercise his voting right in accordance with his number of voting shares. Each share shall have one vote. The Company shall have no voting rights for the shares it holds, and such portion of the shares shall be excluded from the total number of voting shares represented by the shareholders attending the general meeting.</p>
Article 55	<p>The votes of the shareholders shall be taken by way of poll at the general meeting of shareholders.</p>
Article 56	<p>The following matters shall be adopted by way of ordinary resolutions at the general meeting of shareholders:</p>



K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number	Amended article
	<ul style="list-style-type: none"> (1) The reports of the Board of Directors; (2) Profit distribution proposals and proposals for making good the losses prepared by the Board of Directors; (3) Appointment and dismissal, remuneration and method of payment for the service of the Board of directors; (4) Matters other than those which are required by the laws, administrative regulations or the Articles of Association to be adopted by way of special resolutions.
Article 57	<p>The following matters shall be resolved by way of special resolutions at the general meeting of shareholders;</p> <ul style="list-style-type: none"> (1) The increase or decrease of the share capital and the issue of shares of any class, warrants and other similar securities by the Company; (2) The issue of bonds by the Company; (3) The division, merger, dissolution, liquidation or change of corporate form of the Company; (4) The amendment of the Articles of Association of the Company; (5) The purchase or disposal of major assets or guarantees provided to others by the Company within one year with an amount exceeding thirty percent of the latest audited total assets of the Company; (6) The share incentive schemes; (7) The provisions of laws, administrative regulations, the Listing Rules of the stock exchange where the Company's shares are listed or the Articles of Association, and other matters which, according to the ordinary resolution determined at the general meeting of shareholders, may have a significant impact on the Company and require adoption by way of the special resolution.

K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number	Amended article
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Article 58	
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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, shareholders shall submit such request to the Board of directors in writing. The Board of directors 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, in accordance with the laws, administrative regulations and the Articles of Association.

If the Board of directors agrees to convene an extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after resolution by the Board of directors. Consent of the relevant shareholders shall be obtained for any change in the original request in the notice.

If the Board of directors does not agree to convene an extraordinary general meeting, or fails to give feedback within ten days after receipt of the request, shareholders who individually or collectively hold more than ten percent of the shares of the Company shall have the right to propose to the Audit Committee to convene an extraordinary general meeting, and shall submit a request to the Audit Committee in writing.

If the Audit Committee agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within five days after receipt of the request, and the consent of the relevant shareholders shall be obtained for any change in the original request in the notice.

If the Audit Committee fails to issue a notice of the general meeting within the prescribed time, it shall be deemed that the Audit Committee has failed to convene and preside over the general meeting. Shareholders who individually or collectively hold more than ten percent of the Company's shares (including the preferred shares with voting rights restored) for more than ninety consecutive days may convene and preside over the general meeting by themselves.



K. SHAREHOLDERS' RIGHTS (Continued)

Shareholders' rights (Article Association) (Continued)

Article number

Amended article

Article 59

A general meeting of shareholders shall be convened by the Board of Directors and the Chairman of the Board of Directors 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 Audit Committee shall duly convene and preside over a general meeting; if the Audit 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 Audit Committee itself shall be presided over by the chairman of Audit Committee. Where the chairman of Audit Committee is unable or fails to fulfil the duty thereof, more than half of the members of the Audit Committee shall jointly elect a member of the Audit Committee 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 Audit Committee of the Board of Directors 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 2025 is 1,900,000 KWH, which electricity consumption is basically flat while revenue is growing.

A2.2 Annual Usage of water in 2025 is about 19 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 2025 was 450 tons representing 0.21 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 2025, number of employees of the Group is 1,208, including:

	No. of employees	
	2025	2024
By gender:		
Male	833	726
Female	375	344
	1,208	1,070
By functions:		
Administrative	234	228
Selling and distribution	365	292
Production	12	13
R&D	597	537
	1,208	1,070
By age group:		
Under 30	401	358
31-50	738	656
51 or above	69	56
	1,208	1,070
By geographical:		
Domestic	1,030	954
Overseas	178	116
	1,208	1,070

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 13%, of which the number of personnel increased mainly selling and distribution staff and R&D staff, around 60% are 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 2025 and the past 2 years.

B2.2 Lost days due to work injury

In 2025, 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	
	2025	2024	2025	2024	2025	2024
Gender						
Male	833	726	66,604	33,512	80	46
Female	375	344	28,788	12,093	77	35
Total	1,208	1,070	95,392	45,605	79	43
Functions						
Administrative	234	228	14,506	10,520	62	46
Selling and distribution	365	292	22,209	12,334	61	42
Production	12	13	486	235	40	18
R&D	597	537	58,191	22,516	97	42
Total	1,208	1,070	95,392	45,605	79	43
Age group						
Below 30	401	358	36,799	16,894	92	47
31-50	738	656	55,844	26,176	76	40
51 or above	69	56	2,749	2,535	40	45
Total	1,208	1,070	95,392	45,605	79	43
Geographical						
Domestic	1,030	954	91,682	43,729	89	46
Overseas	178	116	3,710	1,876	21	16
Total	1,208	1,070	95,392	45,605	79	43

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 1 million has to be approved by vice-president, the headquarters financial president, supply chain director 3 members committee; For the amount over 1 million HIMT High level decision-making approval is required.

B5.1 Number of suppliers by region

The Group currently has a total of about 140 suppliers, more than 97% 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 2025 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 2025, 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 2025, the Company donated RMB100,000 for local educational supports.

B8.2 Resources contributed in community engagement

Every year, the Company budgets to allocate about RMB15 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 2025.

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 RMB309 million.

The Board of Directors recommend the payment of a final dividend of RMB0.41 per share.

BUSINESS REVIEW AND PROSPECTS

A review of the financial performance and business of the Group during the year 2025 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

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*) (*Re-appointed on 25 April 2025*)

Mr. Jiang Shiwen

Ms. Huang Zhao Huan

Employee director:

Mr. Liu Guozhu (*Appointed on 17 December 2025*)

DIRECTORS (Continued)

Non-executive director:

Mr. Peng Jian

Independent Non-executive Directors:

Ms. Zhang Yanxiao (*Re-appointed on 25 April 2025*)

Mr. Bin Zhichao

Ms. He Xujin

All Directors 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.

None of the Directors 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 and chief executives of the Company in the share capital of the Company and its associated corporations

As at 31 December 2025, the Directors and chief executives 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 and chief executives 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%	19.31%
	Interest in a controlled company	59,318,400	23.39% (Note 1)	14.46%
	Interest in a controlled company	11,938,200	4.71% (Note 2)	2.91%
	Interest in a controlled company	35,160,000	13.87% (Note 3)	8.57%

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 Ding Heng Xian Li Investment Co., Ltd.* (深圳市鼎亨威利投資有限公司), which is a PRC limited company 99% owned by Mr. Liu Xin.

Save as disclosed above, as at 31 December 2025, none of the Directors, chief executives 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 2025, the following (not being a Director 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
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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
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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 2025.

MAJOR CLIENTS AND SUPPLIERS

Total revenue from the top five customers of the Company was approximately RMB626,000,000 (2024: RMB556,000,000), accounting for approximately 30% (2024: 30%) of total revenue for the year. The largest customer accounted for approximately 8% (2024: 9%) of the total revenue for the year.

Total purchases from top five suppliers of the Company amounted to approximately RMB917,000,000 (2024: RMB794,000,000), accounting for approximately 78% (2024: 71%) of the total purchases for the year. The largest supplier accounted for approximately 28% (2024: 24%) of the total purchases for the year.

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

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

(1) During the reporting period, movement in the total number of shares of the Company are as follows:

From 17 January 2025, the Company has successively repurchased the issued shares. As of 29 September 2025, the Company has repurchased a total of 5,632,500 shares and has been canceled. The total number of shares of the Company has changed from 415,788,100 shares to 410,155,600 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.

(3) During the reporting period, 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 2025, the Group had 954 and 116 employees based in the PRC and overseas respectively. For the year ended 31 December 2025, 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 2024 and 2023 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 2026

To all shareholders of Launch Tech Company Limited:**1. OPINION**

We have audited the Financial Statements of Launch Tech Company Limited (“Launch Tech Co.”), which comprise its and consolidated balance sheets as at 31 December 2025, and its and consolidated income statements for the year 2025 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 Co.’s and consolidated financial position as at 31 December 2025, and of its and consolidated financial performance and cash flows for the year then ended 2025.

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 Co. in accordance with “China Certified Public Accountant Independence Standard No. 1 – Requirements for Independence of Financial Statement Audit and Review Business” 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/(31) and Note V/Note 41 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 Co., 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 Co.'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 Co. 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.

4. OTHER INFORMATION

The management of Launch Tech Co. are responsible for the other information. The other information comprises the information included in the 2025 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 Co. 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 Co.'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 Co. or to cease operations, or have no realistic alternative but to do so.

Governance is responsible for supervision the Launch Tech Co.'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 Co.'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 Co. 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 Co. 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 "China Certified Public Accountant Independence Standard No. 1 – Requirements for Independence of Financial Statement Audit and Review Business", 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 2026

Consolidated Balance Sheet

2025 (Expressed in Renminbi)



	Note V	2025	2024
Current assets:			
Bank balances and cash	1	544,086,217.34	547,765,774.30
Trading financial asset	2	36,054,754.71	9,624,004.27
Bills receivable	3	14,725,546.44	13,881,835.08
Accounts receivable	4	335,966,580.70	307,418,809.73
Accounts receivable financing	5	4,246,068.87	9,637,013.80
Prepayments	6	58,698,529.50	74,508,098.30
Other receivables	7	13,708,569.32	18,608,061.99
Inventories	8	267,331,635.69	212,768,820.10
Other current assets	9	37,354,392.17	32,681,513.31
		<hr/>	
Total current assets		1,312,172,294.74	1,226,893,930.88
		<hr/>	
Non-current assets:			
Long-term equity investment	10	–	–
Investment in other equity instruments	11	60,279,809.00	55,670,094.77
Investment Property	12	322,625,584.32	334,814,807.30
Fixed assets	13	90,712,736.20	100,227,529.98
Construction in progress	14	143,861,008.65	63,422,681.73
Right-in-use assets	15	33,672,307.91	9,108,775.31
Intangible assets	16	87,624,612.27	96,326,810.45
Goodwill	17	107,813,021.09	104,552,160.76
Long-term deferred expenditure	18	1,899,641.93	502,053.60
Deferred income tax assets	19	3,095,359.66	2,979,929.93
Other non-current assets	20	426,780.00	2,172,897.36
		<hr/>	
Total non-current assets		852,010,861.03	769,777,741.19
		<hr/>	
Total assets		2,164,183,155.77	1,996,671,672.07
		<hr/>	

Consolidated Balance Sheet

2025 (Expressed in Renminbi)

	Note V	2025	2024
Current liabilities:			
Short-term borrowings	22	76,642,444.45	79,921,465.28
Derivative financial liabilities	23	2,906,534.40	–
Bills payable	24	–	7,410,838.09
Accounts payable	25	251,584,692.62	201,536,543.97
Contract liabilities	26	245,890,612.61	159,390,608.82
Employee remuneration payable	27	65,258,216.56	54,793,709.83
Tax payables	28	27,453,303.57	20,683,872.93
Other payables	29	45,473,993.03	32,602,669.65
Non-current liabilities due within one year	30	12,647,773.25	8,679,105.86
Other current liabilities	31	17,411,735.54	19,978,522.84
Total current liabilities		745,269,306.03	584,997,337.27
Non-current liabilities:			
Long-term borrowings	32	155,776,708.14	158,610,542.03
Lease liabilities	33	26,613,323.41	4,771,863.20
Deferred income	34	3,668,311.40	4,464,712.14
Deferred tax liabilities	19	115,102.78	–
Total non-current liabilities		186,173,445.73	167,847,117.37
Total liabilities		931,442,751.76	752,844,454.64
Shareholders' equity:			
Share capital	35	410,155,600.00	415,788,100.00
Capital reserve	36	345,090,983.12	393,801,164.14
Less: Treasury stock	37	–	–
Other comprehensive income	38	21,794,980.05	12,727,173.63
Surplus reserve	39	136,055,810.76	102,894,736.26
Undistributed profit	40	309,113,377.60	312,753,202.09
Total owners' equity attributable to parent company		1,222,210,751.53	1,237,964,376.12
Minority shareholders' equity		10,529,652.48	5,862,841.31
Total shareholders' equity		1,232,740,404.01	1,243,827,217.43
Total liabilities and shareholders' equity		2,164,183,155.77	1,996,671,672.07

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

Balance Sheet

2025 (Expressed in Renminbi)



	Note XV	2025	2024
Current assets:			
Bank balances and cash		385,688,465.86	476,759,305.78
Trading financial asset		23,031,731.77	2,612,703.48
Bills receivable		14,725,546.44	13,660,235.23
Accounts receivable	1	382,544,975.83	365,526,210.91
Accounts receivable financing		4,246,068.87	9,371,795.99
Prepayments		49,783,464.91	71,071,557.38
Other receivables	2	540,727,632.38	499,006,110.10
Inventories		163,976,144.38	168,426,413.45
Other current assets		121,176.85	1,076,799.18
Total current assets		1,564,845,207.29	1,607,511,131.50
Non-current assets:			
Long-term equity investments	3	218,598,186.78	213,555,378.71
Investment in other equity instruments		26,224,495.16	25,366,781.45
Investment Property		38,882,962.07	43,856,956.91
Fixed assets		77,835,333.36	87,772,142.27
Right-in-use assets		2,079,535.17	2,909,999.39
Intangible assets		7,571,450.89	6,284,773.25
Long-term deferred expenses		636,317.00	–
Other non-current assets		426,780.00	2,172,897.36
Total non-current assets		372,255,060.43	381,918,929.34
Total assets		1,937,100,267.72	1,989,430,060.84

Balance Sheet

2025 (Expressed in Renminbi)

	Note XV	2025	2024
Current liabilities:			
Short-term borrowings		4,002,611.11	31,033,687.50
Derivative financial liabilities		2,906,534.40	–
Bills payable		74,000,000.00	57,410,838.09
Accounts payable		418,371,818.35	348,501,647.67
Contract liabilities		202,727,221.29	129,181,160.47
Employee benefits payables		36,388,922.70	26,352,705.31
Tax payables		8,088,926.40	2,869,504.07
Other payables		42,409,830.84	48,042,053.99
Non-current liabilities due within one year		5,500,694.88	5,523,477.47
Other current liabilities		17,332,558.15	19,848,839.35
Total current liabilities		811,729,118.12	668,763,913.92
Non-current liabilities:			
Long-term borrowings		154,665,582.63	158,610,542.03
Lease liabilities		428,029.62	1,464,265.95
Deferred income		3,668,311.40	4,464,712.14
Total non-current liabilities		158,761,923.65	164,539,520.12
Total liabilities		970,491,041.77	833,303,434.04
Shareholders' equity:			
Share capital		410,155,600.00	415,788,100.00
Capital reserve		346,928,612.53	395,638,793.55
Other comprehensive income		12,866,054.65	14,916,063.50
Surplus reserve		121,055,810.76	102,894,736.26
Undistributed profits		75,603,148.01	226,888,933.49
Total shareholders' equity		966,609,225.95	1,156,126,626.80
Total liabilities and shareholders' equity		1,937,100,267.72	1,989,430,060.84

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

Consolidated Income Statement

2025 (Expressed in Renminbi)

	Note V	2025	2024
Operating income	41	2,109,380,323.12	1,882,044,159.72
Less: Operating costs	41	1,110,205,790.50	986,964,323.48
Tax and surcharge	42	14,359,810.46	11,708,453.18
Selling expenses	43	308,445,152.93	254,106,712.99
Administrative expenses	44	116,485,749.26	113,391,543.62
Research and development expenses	45	210,942,208.39	201,483,668.44
Finance costs	46	17,336,707.59	-7,388,443.99
Add: Other revenue	47	29,039,450.57	39,813,890.20
Gain on investments	48	4,219,676.73	2,318,137.91
Loss on changes in fair value	49	135,451.23	82,137.63
Impairment loss on credit	50	-9,130,953.23	3,439,783.78
Impairment loss on assets	51	-5,096,457.11	-15,212,461.00
Gain on disposals of assets	52	-373,312.20	-55,455.18
		350,398,759.98	352,163,935.34
Operating profit			
Add: Non-operating income	53	2,806,387.45	1,109,199.74
Less: Non-operating expenses	54	630,685.83	4,358,158.71
Total profit		352,574,461.60	348,914,976.37
Less: Income tax expenses	55	3,916,458.21	7,653,175.46
Net profit		348,658,003.39	341,261,800.91
Profit from continued operation		348,658,003.39	341,261,800.91
Net profit attributable to owners of the parent company		344,256,706.01	339,505,814.80
Net profit attributable to minority shareholders		4,401,297.38	1,755,986.11
Other comprehensive income		9,067,806.42	14,110,073.76
Total comprehensive income		357,725,809.81	355,371,874.67
Attributable to shareholders of the parent company		353,324,512.43	353,615,888.56
Total comprehensive income attributable to minority shareholders		4,401,297.38	1,755,986.11
Earnings per share:			
Basic earnings per share		0.8322	0.8165

Income Statement

2025 (Expressed in Renminbi)

	Note XV	2025	2024
Total operating income	4	1,739,824,015.07	1,668,702,308.72
Less: Operating costs	4	1,221,700,400.20	1,169,366,611.40
Tax and surcharge		7,814,307.68	7,641,451.52
Selling expenses		124,359,700.42	113,602,599.27
Administrative expenses		95,504,528.92	92,869,506.73
Research and development expenses		100,568,058.01	93,754,766.17
Finance costs		11,531,469.49	-14,325,509.44
Add: Other revenue		6,089,685.50	16,040,869.60
Add: Investment income	5	156,030,144.24	92,880,340.41
Loss on changes in fair value		112,428.29	70,836.84
Impairment loss on credit		-1,413,080.79	1,045,305.03
Impairment loss on assets		-7,577,587.80	-8,129,046.44
Gain on disposal of assets		92,334.66	–
Operating profit		331,679,474.45	307,701,188.51
Add: Non-operating income		251,982.42	551,752.34
Less: Non-operating expenditure		320,711.85	4,002,619.97
Total profit		331,610,745.02	304,250,320.88
Less: Income tax expenses		–	–
Net profit		331,610,745.02	304,250,320.88
Profit from continued operation		331,610,745.02	304,250,320.88
Other comprehensive income after tax		-2,050,008.85	18,876,765.00
Total comprehensive income		329,560,736.17	323,127,085.88

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

Consolidated Cash Flow Statement

2025 (Expressed in Renminbi)

	Note V	2025	2024
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		2,476,860,933.14	1,839,755,707.53
Refund of taxes and levies		62,726,442.25	59,244,074.17
Other cash receipts relating to operating activities	56	21,113,263.02	38,866,739.00
Sub-total of cash inflows from operating activities		2,560,700,638.41	1,937,866,520.70
Cash paid for goods and services		1,380,652,408.44	947,163,064.11
Cash paid to and on behalf of employees		388,285,309.07	324,463,329.81
Payments of taxes and levies		84,945,442.51	68,036,795.83
Other cash payments relating to operating activities	56	224,356,631.38	206,785,920.53
Sub-total of cash outflows from operating activities		2,078,239,791.40	1,546,449,110.28
Net cash flows from operating activities		482,460,847.01	391,417,410.42
Cash flows from investing activities:			
Cash receipts from investment		2,401,223.43	1,326,781.20
Cash received from disposals of fixed assets, intangible assets and other long-term assets		157,718.62	5,307.00
Cash received from disposal of subsidiaries and other operating units		–	31,467,845.26
Other cash receipts relating to investment activities	56	261,004,494.09	650,873,559.85
Sub-total of cash inflows from investing activities		263,563,436.14	683,673,493.31
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		54,880,559.40	75,481,909.47
Cash paid for investment		–	16,500,000.00
Net Cash paid for acquisition of subsidiary and other business operations units		1,855,101.16	52,660,537.72
Other cash payment relating to investment activities		294,979,254.63	653,902,700.00
Sub-total of cash outflows from investing activities		351,714,915.19	798,545,147.19
Net cash flows from investing activities		-88,151,479.05	-114,871,653.88

Consolidated Cash Flow Statement

2025 (Expressed in Renminbi)

	Note V	2025	2024
Cash flows from financing activities			
Cash absorbed from investment		266,700.00	–
Cash receipts from borrowings		178,908,666.67	413,636,666.67
Sub-total of cash inflows from financing activities		179,175,366.67	413,636,666.67
Cash repayments of borrowings		186,030,080.90	544,877,179.41
Cash payments for interest expenses, distribution of dividend or profits		328,311,519.16	203,065,503.36
Other Cash payments relating to financing activities	56	63,620,897.36	7,906,444.38
Sub-total of cash outflows from financing activities		577,962,497.42	755,849,127.15
Net cash flows from financing activities		-398,787,130.75	-342,212,460.48
Impact on cash by changes in foreign exchange rates		155,080.25	-4,982,129.13
Net increase in cash and cash equivalents		-4,322,682.54	-70,648,833.07
Add: Cash and cash equivalents at beginning of the period		540,083,262.21	610,732,095.28
Cash and cash equivalents at end of the period		535,760,579.67	540,083,262.21

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

Cash Flow Statement

2025 (Expressed in Renminbi)



	Note XV	2025	2024
Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		2,064,730,347.46	1,633,899,975.84
Refund of taxes and levies		38,610,959.09	37,744,699.26
Other cash receipts relating to operating activities		61,149,273.98	64,773,518.39
Sub-total of cash inflows from operating activities		2,164,490,580.53	1,736,418,193.49
Cash paid for goods and services		1,447,324,668.82	1,240,704,843.31
Cash paid to and on behalf of employees		179,784,119.10	156,122,281.11
Payments of taxes and levies		13,995,554.25	13,829,192.39
Other cash payments relating to operating activities		173,888,295.91	253,805,659.49
Sub-total of cash outflows from operating activities		1,814,992,638.08	1,664,461,976.30
Net cash flows from operating activities		349,497,942.45	71,956,217.19
Cash flows from investing activities:			
Cash receipts from investment income		2,401,223.43	91,326,781.20
Cash received from disposals of fixed assets, intangible assets and other long-term asset		201,308.56	5,307.00
Net cash received from disposal of subsidiaries and other business units		–	24,362,168.92
Other cash receipts relating to investment activities		213,839,605.08	630,765,026.14
Sub-total of cash inflows from investing activities		216,442,137.07	746,459,283.26
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		1,487,522.44	19,625,757.46
Cash paid for investment		1,936,640.50	11,889,847.42
Other cash payment relating to investment activities		241,979,254.63	630,902,700.00
Sub-total of cash outflows from investing activities		245,403,417.57	662,418,304.88
Net cash flows from investing activities		-28,961,280.50	84,040,978.38

Cash Flow Statement

2025 (Expressed in Renminbi)

	Note XV	2025	2024
Cash flows from financing activities			
Cash received from borrowings		14,000,000.00	365,060,000.00
Sub-total of cash inflows from financing activities		14,000,000.00	365,060,000.00
Cash repayments of borrowings		44,937,440.00	396,935,600.00
Cash payments for interest expenses, distribution of dividend or profits		324,472,416.20	202,918,214.96
Other cash repayments relating to financing activities		56,840,511.16	2,123,616.53
Sub-total of cash outflows from financing activities		426,250,367.36	601,977,431.49
Net cash flows from financing activities		-412,250,367.36	-236,917,431.49
Impact or cash by changes in foreign exchange rates		441,918.19	-4,196,986.86
Net increase in cash and cash equivalents		-91,271,787.22	-85,117,222.78
Add: Cash and cash equivalents at beginning of the period		469,077,294.30	554,194,517.08
Cash and cash equivalents at end of the period		377,805,507.08	469,077,294.30

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

Consolidated Statement of Movement on Equity

2025 (Expressed in Renminbi)

	2025						Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Minority interests	
Ending balance of previous year	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
Opening balance of current year	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
Changes for current period	-5,632,500.00	-48,710,181.02	9,067,806.42	18,161,074.50	11,360,175.51	4,666,811.17	-11,086,813.42
Comprehensive income	-	-	9,067,806.42	-	344,256,706.01	4,401,297.38	357,725,809.81
Repurchase of shares	-5,632,500.00	-48,710,181.02	-	-	-	-	-54,342,681.02
Appropriation	-	-	-	33,161,074.50	-33,161,074.50	-	-
Transfer to reserve	-	-	-	-	-314,735,456.00	-	-314,735,456.00
Others	-	-	-	-	-	265,513.79	265,513.79
Ending balance for current period	410,155,600.00	345,090,983.12	21,794,980.05	136,055,810.76	309,113,377.60	10,529,652.48	1,232,740,404.01

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

Consolidated Statement of Movement on Equity

2025 (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.

Statement of Movement on Equity

2025 (Expressed in Renminbi)



	2025					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	
Ending balance of previous year	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
Opening balance of current year	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
Changes for current period	-5,632,500.00	-48,710,181.02	-2,050,008.85	33,161,074.50	-16,285,785.48	-39,517,400.85
Total comprehensive income	-	-	-2,050,008.85	-	331,610,745.02	329,560,736.17
Repurchase of shares	-5,632,500.00	-48,710,181.02	-	-	-	-54,342,681.02
Appropriation	-	-	-	33,161,074.50	-33,161,074.50	-
Distribution of profits	-	-	-	-	-314,735,456.00	-314,735,456.00
Ending balance for current period	410,155,600.00	346,928,612.53	12,866,054.65	136,055,810.76	210,603,148.01	1,116,609,225.95

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

Statement of Movement on Equity

2025 (Expressed in Renminbi)

	2024					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	
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.



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 listed 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.

On 14 May 2024, the annual general meeting of the Company, the class shareholders' meetings of the H shares and the domestic shares passed the resolution to consider and approve the general authorisation of the board of directors of the Company to repurchase the Company's H shares: the total face value of the repurchase of H shares will not exceed the date of adoption of the special resolution. The company has issued 10% of the total face value of H shares. From January 17, 2025, the company has successively repurchased the issued shares. As of 29 September 2025, the Company has repurchased a total of 5,632,500 shares and has been canceled. The total number of shares of the Company has changed from 415,788,100 shares to 410,155,600 shares.

Uniform Social Credit Code: 914403002794827320.

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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

I. GENERAL INFORMATION OF THE COMPANY (Continued)

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

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

Legal representative: Liu Xin.

(II) Business nature and major activities of the Company

The Company is in the information transmission, software and information technology service industry. The main products and services are development, production, sale and rental of automotive diagnostic, testing, repair and maintenance equipment and relevant software; 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, 37 entities were consolidated in the consolidated financial statements, details see NOTE VII EQUITY INTERESTS IN OTHER ENTITIES. There were 5 additions 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 2026.

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).



II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(I) Basis of preparation of the financial statements (Continued)

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

(II) Going concern

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

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Method and selection basis for determining importance standards

Project	Importance Standard
Accounts receivable write-off	Over 880,000.00
Other receivables write-off	Over 880,000.00
Important construction in progress	Over 880,000.00

(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.

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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 a 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 the converted book-based currency amount and the original book-based currency amount shall be treated as a fair value change (including exchange rate change) and included in the current profit and loss or recognized as 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 the derecognition of financial assets.

(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, which is 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

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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

Receivables and accounts receivable are classified as measured at fair value and their changes are included in other comprehensive income. If the maturity period is within one year (including one year) from the date of initial recognition, it is listed as receivable financing; if the maturity is more than one year from the date of initial recognition, it is listed as other debt investments. For details of its relevant accounting policies, please refer to this Note (XI).

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 month-end 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/Periodic Inventory term are adopted as Inventory system.

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).

- (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 loses 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 loses 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 loses 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 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, 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.

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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

For details of the impairment test method and the impairment provision accrual method of investment real estate, please refer to this Note (25) long-term asset impairment.

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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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.

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

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

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

(2) Subsequent expenses of fixed assets

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

(3) 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

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 each accounting period.

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

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 impairment on Long-term equity investment, investment properties, fixed assets, construction in progress, intangible assets with defined useful life 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) Share payment

1. Types of share payments

The company's share payment is divided into equity settlement and cash settlement.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Share payment (Continued)

2. Method for determining the fair value of equity instruments

For equity instruments such as options in active markets granted, their fair value shall be determined according to the quotations in the active market. For granted equity instruments such as options that do not have an active market, the fair value of the option pricing model is determined. The option pricing model selected considers the following factors: (1) the exercise price of the option; (2) the validity period of the option; (3) the current price of the subject share; (4) the expected volatility of the stock price; (5) Expected dividends of shares; (6) Risk-free interest rate within the validity period of the option.

When determining the fair value on the date of granting equity instruments, consider the impact of market conditions and non-exerciseable conditions among the exercise conditions stipulated in the share payment agreement. If there are non-exercisable conditions for share payment, as long as the employee or other parties meet the non-market conditions of all the exercisable conditions (such as service period, etc.), it is confirmed that the corresponding cost of the service has been obtained.

3. Determine the basis for the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, make the best estimate according to the latest follow-up information such as changes in the number of exercisable employees obtained, and revise the number of expected exercisable equity instruments. On the exercise date, the final expected number of exercisable equity instruments is consistent with the actual number of exercisable rights.

4. Accounting processing method

(1) Accounting treatment of equity settlement and cash settlement of share payments

The share payment is based on equity settlement, and it is measured according to the fair value of the equity instrument granted to employees. If the right can be exercised immediately after the grant, the relevant costs or expenses shall be included according to the fair value of the equity instrument on the grant date, and the capital reserve shall be increased accordingly. If the right can only be exercised after completing the service during the waiting period or meeting the specified performance conditions, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserve according to the fair value of the grant date of the equity instrument based on the best estimate of the number of exercisable equity instruments on each balance sheet day during the waiting period. After the enable date, the recognised related costs or expenses and the total amount of owner's equity will no longer be adjusted.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Share payment (Continued)

4. Accounting processing method (Continued)

(1) Accounting treatment of equity settlement and cash settlement of share payments (Continued)

The shares settled in cash shall be paid, and the fair value of the liabilities determined on the basis of shares or other equity instruments undertaken by the company shall be measured. If the right can be exercised immediately after the grant, the fair value of the company's liabilities shall be included in the relevant costs or expenses on the date of granting, and the liabilities shall be increased accordingly. After completing the service during the waiting period or meeting the specified performance conditions, the exercise of the rights can only be paid in cash settlement shares. On each balance sheet day during the waiting period, based on the best estimate of the exerciseability, the services obtained in the current period shall be included in the cost or expenses according to the fair value of the company's liabilities. And the corresponding liabilities. On each balance sheet day and settlement date before the settlement of the relevant liabilities, the fair value of the liabilities shall be re-measured, and the changes shall be included in the current profit and loss.

(2) Accounting processing of the revised terms and conditions of share payment

For unfavourable modifications, the company shall regard the change as never occurred, and will continue to account for the services obtained.

For favourable modifications, the company shall handle it in accordance with the following provisions: if the modification increases the fair value of the granted equity instrument, the enterprise shall recognise the increase in obtaining services accordingly according to the increase in the fair value of the equity instrument. If the modification takes place during the waiting period, when confirming the fair value of the service between the modification date and the modified exercise date, it shall include both the service amount determined on the basis of the fair value of the original equity instrument granting date during the remaining original waiting period, but also the increase in the fair value of the equity instrument. If the modification occurs after the exercise date, the increase in the fair value of the equity instrument shall be recognised immediately. If the share payment agreement requires employees to obtain the revised equity tool only after completing the service for a longer period of time, the enterprise shall recognise the increase in the fair value of the equity instrument during the entire waiting period.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Share payment (Continued)

4. Accounting processing method (Continued)

(2) Accounting processing of the revised terms and conditions of share payment (Continued)

If the modification increases the number of equity instruments granted, the enterprise will recognise the fair value of the increased equity instruments as an increase in obtaining services accordingly. If the modification takes place during the waiting period, when obtaining the fair value of the service between the date of confirmation of the modification and the date of exercise of the increased equity instruments, it shall include both the service amount determined on the basis of the fair value of the original equity instrument granting date during the remaining original waiting period, but also include the increase in the fair value of the equity instrument.

If the enterprise modifies the exercisable conditions in a manner that is beneficial to employees, such as shortening the waiting period, changing or cancelling the performance conditions (not market conditions), the enterprise should consider the modified exercisable conditions when dealing with the exercise conditions.

(3) Accounting treatment of share payment cancellation

If the granted equity instrument is cancelled during the waiting period, the company will treat the cancellation of the granted equity instrument as an accelerated exercise, and the amount to be recognised during the remaining waiting period will be immediately included in the current profit and loss, and the capital reserve will be recognised at the same time. If the employee or other party can choose to meet the non-exercisable conditions but does not meet them within the waiting period, the company will use it as a tool for granting rights and interests.

(XXXI) 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)

(XXXI) 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)

(XXXI) 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 the 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)

(XXXI) 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)

(XXXI) 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)

(XXXI) 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)

(XXXII) 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)

(XXXIII) Government subsidies

1. Classification

Government subsidies refer to monetary and non-monetary assets received from the government without compensation. Government subsidies are divided into government subsidies related to assets and government subsidies related to income.

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 loss 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)

(XXXIII) 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.

(XXXIV) 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)

(XXXIV) 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.

3. When the following conditions are met at the same time, deferred income tax assets and deferred income tax liabilities shall be listed as the net amount after offset:

- (1) The enterprise has the legal right to settle current income tax assets and current income tax liabilities in net;
- (2) Deferred income tax assets and deferred income tax liabilities could be with the same or different tax collection and management departments and could be related to same or different taxpayers, but during each important deferred income tax assets and deferred income tax liabilities are transferred back in the future, the taxpayer involved intends to settle the current income tax assets and current income tax liabilities in a net amount or obtain tax assets and liabilities.

(XXXV) 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.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Lease (Continued)

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.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) Lease (Continued)

4. The accounting treatment of the Company as the lessor

(1) Classification of lease

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

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

- 1) At the end of the lease term, the ownership of the leased asset is transferred to the lessee.
- 2) The lessee has the option to purchase the leased asset. The purchase price concluded is sufficiently low compared to the fair value of the leased asset when the option is expected to be exercised. Therefore, the lease can be reasonably determined at the start date of the lease to exercise the option.
- 3) Although the ownership of the assets is not transferred, the lease period accounts for most of the service life of the leased assets.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXV) 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)

(XXXV) 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.

(XXXVI) Shares repurchase

The consideration and transaction fees paid in the company's share repurchase reduce the shareholders' rights and interests. When repurchase, transferring or cancelling the company's shares, the gains or losses are not recognised.

When the Company repurchase shares, it is included in the inventory shares according to the actual consideration and transaction fees paid. When the Company cancels the inventory shares, the share capital shall be reduced according to the face value of the shares and the number of cancelled shares, and the capital reserve shall be deducted according to the difference between the book balance and the face value of the cancelled inventory shares. If the capital reserve is not enough to be deducted, the surplus reserve and undistributed profit shall be deducted.



III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXVII) Changes in key accounting policies and accounting estimates

1. Changes in accounting policies

From June 27, 2025, the company will implement the Notice on Financial Handling Issues after the Implementation of the Company Law and Foreign Investment Law issued by the Ministry of Finance (Cai Capital [2025] No. 101) (1)

Because the company's ERP system was switched from Oracle to Kingdee, and it was officially launched on January 1, 2025. In order to better adapt to the operation of the Kingdee software system and improve the company's cost management level, the company has changed the inventory cost accounting method. The changed inventory cost accounting method complies with the provisions of Enterprise Accounting Standard No. 1 – Inventory. (2)

(1) The impact of the implementation of the notice on financial handling issues after the implementation of the Company Law and the Foreign Investment Law on the company

From 27 June 2025, the Company implemented the Notice on Financial Handling Issues after the Implementation of the Company Law and the Foreign Investment Law. The implementation of the notice has no significant impact on the financial statements during the reporting period.

(2) Change of inventory accounting method

Since the company's ERP system has been switched from Oracle to Kingdee, the Company will change the inventory pricing method and product cost accounting method. The pricing method of some inventory has been changed from the mobile weighted average method to the periodic weighted average at the end of the month; the accounting method of product costs has been changed from the standard cost method to the actual cost method. This change in accounting policy adopts the future applicable method, which does not involve the retroactive adjustment of the accounting statements of previous years.

2. Changes in accounting estimates

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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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%



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%
LAUNCH TECH Vietnam	15.00%
Launch Tech UK	19.00%
LAUNCH CEE	9.00%
LAUNCH FRANCE	25.00%

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 2025 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 2025 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 2025 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 2025 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. 2025 is the second year of exemption from enterprise income tax for Shenzhen Yixin Yiji 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, 2025 is the second year that SYKLC is halfly exempted from enterprise income tax.



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 2025, and beginning period 1 January 2025, ending of last period represents 31 December 2024.

(1) Bank balances and cash

Item	Ending balance	Beginning balance
Cash on hand	658,827.95	771,478.29
Bank deposit	529,267,271.90	537,994,370.81
Other bank balances and cash	14,160,117.49	8,999,925.20
Total	544,086,217.34	547,765,774.30
Including: total amount of deposits overseas	46,589,476.40	30,067,592.84

The details of the restricted monetary funds are as follows:

Item	Ending balance	Beginning balance
Restricted bank deposits	467,331.66	26,268.02
Guarantee deposit		194,864.20
Letter of credit margin		7,410,879.26
ETC deposits	678.00	500.61
Bank foreign exchange trading deposit	50,000.00	50,000.00
Foreign exchange swap business margin	7,345,254.63	
Total	7,863,264.29	7,682,512.09

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(2) Trading financial assets

Item	Ending balance	Beginning balance
Equity instrument investment	64,928.04	46,726.20
Financial products		502,577.28
Others	35,989,826.67	9,074,700.79
Total	<u>36,054,754.71</u>	<u>9,624,004.27</u>

(3) Bills receivable

1. Categories of bills receivable

Item	Ending balance	Beginning balance
Bank acceptance bills	13,792,538.66	12,781,983.59
Commercial acceptance bills	933,007.78	1,099,851.49
Total	<u>14,725,546.44</u>	<u>13,881,835.08</u>



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

(3) Bills receivable (Continued)

2. Disclosure by categories of bad debts provision methods

Categories	Book balance		Provision		Book value
	Amount	Proportion(%)	Amount	Provision(%)	
Ending balance					
Provision on individual basis	-	-	-	-	-
Provision on portfolio basis	14,774,652.11	100.00	49,105.67	0.33	14,725,546.44
Including: Bank acceptance bills	13,792,538.66	93.35			13,792,538.66
Commercial acceptance bills	982,113.45	6.65	49,105.67	5.00	933,007.78
Total	14,774,652.11	100.00	49,105.67	0.33	14,725,546.44
Continued					
Opening					
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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(3) Bills receivable (Continued)

Bad debt provisions on portfolio basis

Group name	Book balance	Ending balance	
		Provision	Provision (%)
Bank acceptance bills	13,792,538.66		
Commercial acceptance bills	982,113.45	49,105.67	5.00
Total	14,774,652.11	49,105.67	0.33

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	57,886.92	-8,781.25	-	-	-	49,105.67
Including: Bank acceptance bills	-	-	-	-	-	-
Commercial acceptance bills	57,886.92	-8,781.25	-	-	-	49,105.67
Total	57,886.92	-8,781.25	-	-	-	49,105.67

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	-	6,231,061.71
Total	-	6,231,061.71



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	347,879,322.11	324,006,854.06
Includes: Within 90 days	280,954,924.29	313,810,979.67
91-180 days	50,889,874.71	5,994,518.68
181-270 days	14,544,583.39	2,645,602.42
271-365 days	1,489,939.72	1,555,753.29
1—2 years	12,218,432.22	2,740,508.71
2—3 years	1,495,895.35	2,678,204.90
3—4 years	2,129,811.90	5,558,271.14
4—5 years	5,520,142.09	515,390.30
Over 5 years	2,946,268.98	2,605,063.16
Subtotal	372,189,872.65	338,104,292.27
Less: provision for bad debts	36,223,291.95	30,685,482.54
Total	335,966,580.70	307,418,809.73

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(4) Accounts receivable (Continued)

2. Disclosed by provision categories

Categories	Carrying balance		Ending balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis	8,957,015.86	2.41	8,957,015.86	100.00	
Provision on portfolio basis	363,232,856.79	97.59	27,266,276.09	7.51	335,966,580.70
Includes: Aging group	363,232,856.79	97.59	27,266,276.09	7.51	335,966,580.70
Total	372,189,872.65	100.00	36,223,291.95		335,966,580.70

Continued:

Categories	Carrying balance		Beginning balance		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
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



1V. 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

Name	Ending balance		Scale(%)	Reasons
	Book balance	Provision		
Tianjin Zhonghe Zhixin Technology Co., Ltd.	1,449,106.00	1,449,106.00	100.00	Expected to be irrecoverable
R&Launch Corporation	7,507,909.86	7,507,909.86	100	Expected to be irrecoverable
Total	9,199,845.00	9,199,845.00		

Bad debts provisions made on portfolio basis

1. Aging Portfolio

Aging	Accounts receivable	Ending balance		Proportion (%)
		Bad debts provision		
Under 1 year	347,843,238.92	17,392,162.02		5.00
1-2 years	11,031,007.76	5,515,503.96		50.00
2-3 years	236,090.01	236,090.01		100.00
3-4 years	480,442.45	480,442.45		100.00
4-5 years	1,004,288.62	1,004,288.62		100.00
Over 5 years	2,637,789.03	2,637,789.03		100.00
Total	363,232,856.79	27,266,276.09		

Notes to the Financial Statements

2025 (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:

Items	Ending balance			Beginning balance		
	Book balance	Provision	Book value	Book balance	Provision	Book value
Not past due	303,113,223.51	15,155,661.18	287,957,562.33	276,783,283.65	13,839,164.18	262,944,119.47
Overdue	69,076,649.14	21,067,630.77	48,009,018.37	61,321,008.62	16,846,318.36	44,474,690.26
Total	372,189,872.65	36,223,291.95	335,966,580.70	338,104,292.27	30,685,482.54	307,418,809.73



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

(4) Accounts receivable (Continued)

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

Categories	Beginning balance	Movement during the year			Ending balance	
		Provision made	Recovered or reversed	Written off		Other movement
Provision on individual basis	9,199,845.00	-170,827.14		72,002.00	8,957,015.86	
Provision on portfolio basis	21,485,637.54	4,874,279.92	-11,506.35	149,260.37	-658,473.65	26,880,637.09
Including: Aging Portfolio	21,485,637.54	4,874,279.92	-11,506.35	149,260.37	-658,473.65	26,880,637.09
Total	30,685,482.54	4,703,452.78	-11,506.35	221,262.37	-658,473.65	35,837,652.95

4. Accounts receivable written off during the reporting period

Item	Amounts written off
Accounts receivable written off	221,262.37

Notes to the Financial Statements

2025 (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
Harbor Freight	52,740,651.90	14.47	2,637,032.60
Guangdong Taide Zhilian Technology Co., Ltd.	35,401,511.72	9.71	1,770,075.59
Repairify	13,496,577.77	3.70	674,828.89
FabuCar GmbH & Co. KG, Schwelm	10,341,910.39	2.84	517,095.52
Chery Automobile Co., Ltd.	16,846,145.24	4.62	964,548.23
Total	128,826,797.02	35.34	6,563,580.83

(5) Accounts receivable financing

1. Accounts receivable financing by categories

Item	Ending balance	Beginning balance
Bank acceptance bill	4,246,068.87	9,637,013.80
Total	4,246,068.87	9,637,013.80

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	Untermiated at the period end
Bank acceptance bills	26,226,216.73	
Total	26,226,216.73	



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

(6) Prepayments

1. Classification based on aging

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Under 1 year	56,140,423.40	95.64	73,748,505.97	98.98
1-2 years	1,932,423.38	3.29	191,509.78	0.26
2-3 years	120,682.72	0.21	308,787.12	0.41
Over 3 years	505,000.00	0.86	259,295.43	0.35
Total	58,698,529.50	100.00	74,508,098.30	100.00

2. Top five prepayments by ending balances

Name	Ending balance	Proportion in total prepayment (%)	Year of prepayment	Reasons
Shenzhen Yuantong Automotive Electronics Co., Ltd.	19,406,419.14	33.06	Within 1 year	Not yet delivered
Shenzhen Xinxin Intelligent Co., Ltd.	16,151,633.21	27.52	Within 1 year	Not yet delivered
Shenzhen Xin Wangpai Technology Development Co., Ltd.	2,668,506.08	4.55	Within 1 year	Not yet delivered
Shenzhen Dingyuan Intelligent Technology Co., Ltd.	2,601,985.61	4.43	Within 1 year	Not yet delivered
Shenzhen Yijian Car Service Technology Co., Ltd.	2,469,990.78	4.21	Within 1 year	Not yet delivered
Total	43,298,534.82	73.77		

Notes to the Financial Statements

2025 (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	13,708,569.32	18,608,061.99
Total	13,708,569.32	18,608,061.99

(I) Other receivables

1. Disclosure by aging

Aging	Ending balance	Beginning balance
Within 1 year	10,791,259.43	14,388,241.87
1-2 years	6,564,629.63	9,380,214.26
2-3 years	7,811,036.19	10,268,501.28
3-4 years	7,542,193.59	2,237,295.71
4-5 years	2,294,111.78	817,944.32
Over 5 years	7,462,169.71	6,795,227.23
Subtotal	42,869,844.77	43,887,424.67
Less: provision for bad debts	28,756,831.01	25,279,362.68
Total	13,708,569.32	18,608,061.99



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	3,575,011.88	2,628,280.10
Deposits	8,788,426.25	6,767,116.29
Imprests	1,807,491.17	971,967.60
Tax refund receivables	3,491,162.17	4,982,502.58
Company borrowings	10,206,817.55	11,585,788.79
Others	15,000,935.75	16,951,769.31
Sub-total	42,465,400.33	43,887,424.67
Less: provisions	28,756,831.01	25,279,362.68
Total	13,708,569.32	18,608,061.99

3. Disclosure by bad debt provision methods

Categories	Book balance		Ending Balance		Book value
	Amount	Scale (%)	Amount	Scale (%)	
Bad debts provision on individual basis	7,601,934.00	17.90	7,601,934.00	100	
Bad debts provision on portfolio basis	34,863,466.33	82.10	21,154,897.01	60.68	13,708,569.32
Including: aging portfolio	31,372,304.16	73.88	21,154,897.01	67.43	10,217,407.15
Risk free portfolio	3,491,162.17	8.22			3,491,162.17
Total	42,465,400.33	100.00	28,756,831.01		13,708,569.32

Notes to the Financial Statements

2025 (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)

Categories	Book Balance		Beginning Balance		Book Value
	Amount	Proportion (%)	Amount	Provisions Proportion (%)	
Individually 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 by 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

Bad debts provision on individual basis

Name	Ending Balance			Reasons
	Book balance	Provision	Provision (%)	
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.			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	124,866.30	124,866.30	100.00	Expected to be irrecoverable
Total	7,601,934.00	7,601,934.00	100.00	



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	Book balance	Ending Balance	
		Provision	Provision (%)
Within one year	7,300,097.26	365,004.92	5.00
1 - 2 years	6,564,629.63	3,282,314.82	50.00
2 - 3 years	7,711,036.19	7,711,036.19	100.00
3 - 4 years	4,411,570.33	4,411,570.33	100.00
4 - 5 years	903,410.18	903,410.18	100.00
Over 5 years	4,481,560.57	4,481,560.57	100.00
Total	31,372,304.16	21,154,897.01	

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

Provision	First stage	Second stage	Third stage	Total
	Expected credit loss in future 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning balance	17,057,961.98		8,221,400.70	25,279,362.68
Beginning balance which	-	-	-	-
- transfer to second stage	-	-	-	-
- transfer to third stage	-	-	-	-
- reverse to second stage	-	-	-	-
- reverse to first stage	-	-	-	-
Provision for the period	-50,000.00		50,000.00	
Reversal during the period	4,020,109.36		30,533.30	4,070,664.89
Recovered during the period	-	-	-	-
Written off during the period	12,474.24		700,000.00	712,474.24
Others	-139,299.91			-139,299.91
Ending balance	21,154,897.01		7,601,934.00	28,777,053.24

Notes to the Financial Statements

2025 (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	Provisions made	Movements during the period			Ending
	Balance		Recovered/ reversed	Written off	Others	Balance
Bad debts provision on individual basis	8,221,400.70	80,533.30		700,000.00		7,601,934.00
Bad debts provision on portfolio basis	17,057,961.98	3,970,109.36		12,474.24	-139,299.91	21,154,897.01
Including: aging portfolio	17,057,961.98	3,970,109.36		12,474.24	-139,299.91	21,154,897.01
Risk free portfolio						
Total	25,279,362.68	4,050,642.66		712,474.24	-139,299.91	28,756,831.01

5. Other receivables written off during the reporting period

Item	Amounts written off
Other receivables written off	712,474.24



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
German Tax Offices	Others	4,941,300.00	With 1-3 years	11.64	4,293,723.00
Yunshan Outpatient Department of Shenzhen Yunshan Medical Management Co., Ltd.	Temporary fund	4,102,222.23	With 4 years	9.66	3,899,444.45
China (Nanjing) Software Valley Management Committee	Deposits	4,000,000.00	Over 5 years	9.42	4,000,000.00
Shanghai Anting Joint Investment Economic Development Co., Ltd.	Equity Transport payment	3,575,011.88	1-4 years	8.42	2,485,206.23
Software tax refund receivable	Software tax refund receivable	3,491,162.17	With one years	8.22	
Total		20,109,696.28		47.36	14,678,373.68

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(8) Inventories

1. Categories

Items	Ending balance			Beginning balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Raw materials	23,766,675.50	7,480,319.24	16,286,356.26	15,552,365.58	2,872,368.11	12,679,997.47
Work in progress				741,883.39		741,883.39
Finished Goods	239,448,169.30	14,167,997.14	225,280,172.16	207,217,512.55	23,447,596.39	183,769,916.16
Goods in transit	15,139,883.27		15,139,883.27			
Consigned processing materials	970,342.57		970,342.57	12,326,623.99	109,466.91	12,217,157.08
In-house WIP	11,482,737.77	2,042,635.34	9,440,102.43	3,816,552.04	456,686.04	3,359,866.00
Total	290,898,206.17	23,566,570.48	267,331,635.69	239,654,937.55	26,886,117.45	212,768,820.10

2. Impairment on inventories

Items	Beginning balance	Additions in the period		Reductions in the period			Ending balance
		Provision	Other	Transfer	Resale	Other	
Raw materials	2,872,368.11	4,019,266.40	1,652,047.35		1,063,362.62		7,480,319.24
Finished goods	23,447,596.39		-2,474,188.30	1,546,752.17	5,383,040.02		14,043,615.90
Consigned processing materials	109,466.91		-109,466.91				
In-house WIP	456,686.04	1,358,170.88	931,607.86		703,829.44		2,042,635.34
Total	26,886,117.45	5,377,437.28		1,546,752.17	7,150,232.08		23,566,570.48



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

(9) Other current assets

Items	Ending balance	Beginning balance
Retained for VAT deduction	35,194,103.15	30,745,734.93
Input tax pending for certification		959,936.21
Input tax to be deducted	212,923.36	82,361.50
Others	1,947,365.66	893,480.67
Total	37,354,392.17	32,681,513.31

Note: Others are mainly Undeposited Funds of Launch Tech (USA).

(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			Ending balance	Ending balance of Impairment
		Dividend declared	Impairment	Others		
1. Jointly controlled company						
R & Launch Corporation	-	-	-	-	542,066.92	542,066.92
Total	-	-	-	-	542,066.92	542,066.92

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(11) Investment in other equity instruments

1. Other equity instruments

	Beginning balance	Movements during this period		Gain in this period included in other comprehensive income	Loss in this period included in other comprehensive income	Others	Ending balance	Dividend recognized in this period	Accumulated gains recognized in other comprehensive income	Accumulated losses recognized in other comprehensive income	Reasons for changes in fair value and usage of this measurement included in other comprehensive income
		Additions	Disposals								
SYC	888,073.69			456,863.63			431,210.06			568,789.94	Non-transactional equity investment
元瑞一號私募基金 ("YR No. 1")	30,729,200.00			167,700.00			30,896,900.00		4,796,900.00		Non-transactional equity investment
SZYJ	9,902,181.45			773,863.71			10,676,045.16	2,401,223.43	9,926,045.16		Non-transactional equity investment
GDGW	9,999,502.15				101.94		9,999,400.21			599.79	Non-transactional equity investment
SZYC	4,054,496.30			4,130,674.73			8,185,171.03		4,185,171.03		Non-transactional equity investment
NBBDT	96,641.18				5,558.64		91,082.54			8,917.46	Non-transactional equity investment
Total	55,670,094.77		5,072,238.44	462,524.21		60,279,809.00	2,401,223.43	18,908,116.19	578,307.19		



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

(11) Investment in other equity instruments (Continued)

2. Non-trading equity instrument investment

Item	Designated as the reason for measurement at fair value and its changes are included in other comprehensive income	Recognised in the period			The amount of other comprehensive income transferred into retained profit	Reasons for other comprehensive income transferred to retained profit
		Dividend income	Accumulated gain	Accumulated loss		
SYXC	Non-tradable equity investment			568,789.94		
YR No. 1	Non-tradable equity investment		4,796,900.00			
SZYJ	Non-tradable equity investment	2,401,223.43	9,926,045.16			
GDGW	Non-tradable equity investment			599.79		
SZYC	Non-tradable equity investment		4,185,171.03			
NBBDT	Non-tradable equity investment			8,917.46		
Total		2,401,223.43	18,908,116.19	578,307.19		

Notes to the Financial Statements

2025 (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	425,576,932.93
2. Increase for the period	5,282,857.45
Transfer from construction in progress	5,282,857.45
3. Decrease for the period	–
4. Ending balance	430,859,790.38
2. Accumulated depreciation	
1. Beginning balance	90,762,125.63
2. Increase for the period	
Provisions	16,206,308.43
Transfer from construction in progress	16,206,308.43
3. Decrease for the period	–
4. Ending balance	106,968,434.06
3. Provision for impairment	
1. Beginning balance	–
2. Increase for the period	1,265,772.00
Provisions	1,265,772.00
3. Decrease for the period	–
4. Ending balance	1,265,772.00
4. Total Book value	
1. End of period	322,625,584.32
2. Beginning of period	334,814,807.30



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	47,339,611.48	45,321,318.27
1-2 years	52,172,760.51	57,386,411.74
2-3 years	53,761,994.62	58,967,019.59
3-4 years	17,854,670.75	61,000,620.70
4-5 years	13,220,157.60	24,389,082.08
Over 5 years	112,371,339.60	196,917,241.02
Total	296,720,534.55	443,981,693.40

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	90,712,736.20	100,227,529.98
Disposals		
Total	90,712,736.20	100,227,529.98

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

Notes to the Financial Statements

2025 (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	18,479,416.87	30,732,334.22	32,159,044.69	48,347,222.93	263,805,231.70
2. Increase for the period		138,699.26	2,538,054.12	3,777,538.28	1,682,356.19	8,136,647.85
Purchase		75,321.83	1,612,111.96	3,504,211.63	949,877.74	6,141,523.16
Addition from business combination not under same control			941,976.57	124,536.20	637,409.79	1,703,922.56
Exchange difference arising from foreign financial statements		63,377.43	-16,034.41	148,790.45	95,068.66	291,202.13
3. Decrease for the period		150,553.65	3,966,731.73	1,489,200.91	1,171,280.91	6,777,767.20
Disposal or scrapping		150,553.65	3,966,731.73	1,489,200.91	1,171,280.91	6,777,767.20
4. Ending balance	134,087,212.99	18,467,562.48	29,303,656.61	34,447,382.06	48,858,298.21	265,164,112.35
II. Accumulated depreciation						
1. Beginning balance	60,806,724.26	16,204,373.62	23,806,291.31	24,515,352.01	38,244,960.52	163,577,701.72
2. Increase for the period	6,139,324.32	457,909.23	2,223,252.90	2,887,795.03	3,582,482.12	15,290,763.60
Provisions for the period	6,139,324.32	434,756.00	1,613,194.81	2,719,367.00	3,188,890.21	14,095,532.34
Addition from business combination not under same control			640,186.95	60,499.80	350,861.99	1,051,548.74
Exchange difference arising from foreign financial statements		23,153.23	-30,128.86	107,928.23	42,729.92	143,682.52
3. Decrease for the period		122,169.84	2,462,793.41	1,339,813.96	492,311.96	4,417,089.17
Disposal or scrapping		122,169.84	2,462,793.41	1,339,813.96	492,311.96	4,417,089.17
4. Ending balance	66,946,048.58	16,540,113.01	23,566,750.80	26,063,333.08	41,335,130.68	174,451,376.15
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	67,141,164.41	1,927,449.47	5,736,905.81	8,384,048.98	7,523,167.53	90,712,736.20
2. Book value at the beginning 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



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 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	

3. Other explanations on fixed assets

The original book value of the pledged fixed assets at the end of the period was RMB112,716,519.75, see Note XII(l) 2. Other significant financial commitments for details.

(14) Construction in progress

Items	Ending	Beginning
Constructions in progress	143,861,008.65	63,422,681.73
Construction materials		
Total	143,861,008.65	63,422,681.73

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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(14) Construction in progress (Continued)

(I) Construction in progress

1. Construction in progress

Item	Carrying balance	Ending balance		Beginning balance		
		Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
LAUNCH Intelligent Center	143,861,008.65		143,861,008.65	63,422,681.73		63,422,681.73
Total	143,861,008.65		143,861,008.65	63,422,681.73		63,422,681.73

Changes in significant construction in progress

Name	Beginning balance	Increase	Transfer to fixed assets during current period	Decrease	Ending balance
Xian Launch building		5,282,857.45		5,282,857.45	
Launch Intelligent Centre	63,422,681.73	80,438,326.92			143,861,008.65
Total	63,422,681.73	85,721,184.37		5,282,857.45	143,861,008.65

Continued:

Name	Budget (0'000)	Proportion of project investment in the budget (%)	Project progress (%)	Accumulative amount of interest capitalization	Including:		Fund source
					amount of interest capitalization for current period	Interest capitalization rate for current period (%)	
Launch Intelligent Centre	30,000.00	48%	99%	-	-	-	Internal
Total	30,000.00			-	-	-	



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

(15) Right-of-use asset

Item	Property and plant	Transport Equipment	Total
I. Original book value			
1. Beginning balance	27,187,126.48		27,187,126.48
2. Increase in the period	34,504,794.77	1,013,896.18	35,518,690.95
New Tenancy	33,647,159.76	1,015,110.54	34,662,270.30
Exchange difference arising from foreign financial statements	857,635.01	-1,214.36	856,420.65
3. Decrease in the period	13,414,113.19		13,414,113.19
Tenancy expired	13,414,113.19		13,414,113.19
4. Ending balance	48,277,808.06	1,013,896.18	49,291,704.24
II. Accumulated depreciation			
1. Beginning balance	18,078,351.17		18,078,351.17
2. Increase in the period	9,363,505.49	50,694.65	9,414,200.14
Provision for the period	8,816,127.53	50,755.37	8,866,882.90
Exchange difference arising from foreign financial statements	547,377.96	-60.72	547,317.24
3. Decrease in the period	11,873,154.98		11,873,154.98
Tenancy expired	11,873,154.98		11,873,154.98
4. Ending balance	15,568,701.68	50,694.65	15,619,396.33
III. Impairment			
1. Beginning balance			
2. Increase in the period			
3. Decrease in the period			
4. Ending balance			
IV. Book value			
1. Ending book value	32,709,106.38	963,201.53	33,672,307.91
2. Beginning book value	9,108,775.31		9,108,775.31

Notes to the Financial Statements

2025 (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		Others	Total
		technology	Software		
I. Total original carrying value					
1. Beginning balance	60,837,620.75	38,286,300.00	16,486,615.20	1,177,350.41	116,787,886.36
2. Increase for the period			2,391,950.96		2,391,950.96
Purchase			2,299,398.59		2,299,398.59
Business Combinations not under same control			90,030.08		90,030.08
Exchange difference			2,522.29		2,522.29
3. Decrease for the period					
4. Ending balance	60,837,620.75	38,286,300.00	18,878,566.16	1,177,350.41	119,179,837.32
II. Accumulated amortization					
1. Beginning balance	14,344,766.26	1,769,660.00	3,169,299.24		19,283,725.50
2. Increase for the period	1,420,497.96	3,828,630.00	5,845,021.18		11,094,149.14
Provisions	1,420,497.96	3,828,630.00	5,752,468.81		11,001,596.77
Business Combinations not under same control			90,030.08		90,030.08
Exchange difference			2,522.29		2,522.29
3. Decrease for the period					
4. Ending balance	15,765,264.22	5,598,290.00	9,014,320.42		30,377,874.64
III. Provisions for impairment					
1. Beginning balance	-	-	-	1,177,350.41	1,177,350.41
2. Increase for the period	-	-	-	-	-
3. Decrease for the period	-	-	-	-	-
4. Ending balance	-	-	-	1,177,350.41	1,177,350.41
IV. Total Book value					
1. Book value at the end of the period	45,072,356.53	32,688,010.00	9,864,245.74		87,624,612.27
2. Book value at the beginning of the period	46,492,854.49	36,516,640.00	13,317,315.96		96,326,810.45

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.



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		Decrease Disposal	Ending balance
		From business combination			
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
LAUNCH CEE			6,039.38		6,039.38
LAUNCH FRANCE			3,254,820.95		3,254,820.95
Total	119,241,397.31	3,260,860.33			122,502,257.64

2. Provision for goodwill impairment

The name of the invested unit or the matter of forming goodwill	Beginning	Additions		Reductions		Ending
		Provisions	Other additions	Disposals	Other reductions	
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 2025, the company measured the impairment of the goodwill formed by the acquisition of Launch Europe GmbH at a discount rate of 12.62% 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 2025, 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 12.79%. After testing, no signs of impairment were found.

According to the evaluation results of the Changji's Review Report (2025) No. 029 "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 RMB71,210,000, which is higher than the book value of the asset group including goodwill of RMB66,178,500.

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 2025, 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 (2026) No. 024 issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2025, the estimated future cash flow value of the asset group including goodwill is RMB32,633,300, which is higher than the book value of the asset group including goodwill of RMB30,161,800, 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”) and 深圳市明元至睿諮詢有限合夥(有限合夥) (“SMZR”)

As of 31 December 2025, Shenzhen Mingyuan Zhirui Consulting Limited Partnership (Limited Partnership) and Shenzhen Mingruida Consulting Enterprise (Limited Partnership) have both invested in Shenzhen Mingrui Data Co., Ltd., 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 of SMRDC, 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. [2026] No. [032] issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2025, the current value of the future cash flow of the asset group including goodwill is RMB33,316,600, higher than the book value of the asset group containing goodwill of RMB25,486,700, and the goodwill is not subject to impairment.

5. 深圳市新關諮詢有限公司 (“SXG Consulting”) and 深圳市新系區塊鏈技術有限公司 (“SXBT”)

As of 31 December 2025, 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. [2026] No. [027] issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2025, the current value of the future cash flow of the asset group including goodwill is RMB27,796,600, higher than the book value of the asset group containing goodwill of RMB27,468,500, 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)

6. 深圳市啟高科技有限公司("SQigao")

As of 31 December 2025, 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. [2026] No. [028] issued by Shenzhen Changji Asset Assessment Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2025, the current value of the future cash flow of the asset group including goodwill is RMB13,451,600, higher than the book value of the asset group containing goodwill of RMB11,792,500, and the goodwill is not subject to impairment.

7. LAUNCH PRO FRANCE ("LAUNCH FRANCE")

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. This time, according to the financial budget approved by the management of Launch Pro France, to calculate the future cash flow is expected. the management prepared the above financial budget based on past performance and its expectations for market development, and the pre-tax discount rate used to calculate the present value of future cash flow is 13.63%. After testing, no signs of impairment were found.

According to the evaluation results of the Changji Evaluation Report [2026] No. 033 "Asset Evaluation Report" issued by Shenzhen Changji Asset Evaluation Real Estate Land Valuation Co., Ltd. hired by the company, as of 31 December 2025, the present value of the future cash flow of the asset group containing goodwill is expected to be 10,923,600 yuan, which is higher than the book value of the asset group containing goodwill of 10,078,300 yuan.



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

(18) Long-term Deferred Expenditure

Item	Beginning balance	Additions	Amortization	Transfers	Ending balance
Renovation fee for rented premises	502,053.60	843,375.14	168,142.34	-86,038.53	1,263,324.93
Others		636,317.00			636,317.00
Total	502,053.60	1,479,692.14	168,142.34	-86,038.53	1,899,641.93

(19) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets not offset

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment loss on credit	5,822,837.21	759,439.18	2,682,865.15	349,964.07
Impairment loss on asset	10,952,141.70	1,428,159.31	11,928,012.52	1,555,412.84
Accrued staff salaries	3,381,063.66	440,890.70	6,370,785.56	830,750.44
Lease Liabilities	14,324,473.13	1,867,911.30		
Deductible expenses for coming years	1,111,655.24	266,797.26	1,015,844.07	243,802.58
Total	35,592,170.94	4,763,197.75	21,997,507.30	2,979,929.93

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

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

2. Deferred income tax liabilities not offset

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Use rights assets	12,790,169.53	1,667,838.09		
Fixed assets	605,804.06	115,102.78		
Total	13,395,973.59	1,782,940.87		

3. Deferred income tax assets or liabilities shown in the net amount after offsetting

Item	Before offset	Balance after offset
Deferred income tax asset	1,667,838.09	3,095,359.66
Deferred income tax liability	1,667,838.09	115,102.78

4. Unrecognized deferred tax assets

Item	Ending balance	Beginning balance
(1) Deductible temporary differences	94,539,421.06	79,530,918.31
Bad debt provision – accounts receivable	31,061,292.17	28,271,210.17
Bad debt provision – other receivables	28,095,993.58	25,010,769.90
Bad debt provision – bills receivable	49,105.67	57,886.92
Inventory provision	12,614,428.78	14,958,104.93
Provision for impairment of intangible assets	1,177,350.41	1,177,350.41
Provision for impairment of long term equity impairment	542,066.92	542,066.92
Lease liabilities	20,999,183.53	9,513,529.06
(2) Deductible losses	430,043,656.95	674,392,588.70
(3) Internal unrealised profits	120,538,328.41	114,406,485.34
Total	645,121,406.42	868,329,992.35



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

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

5. 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			
2029	87,753,416.78	329,707,284.29	
2030	232,628,604.66	232,729,082.81	
2031	14,833,131.28	38,189,269.71	
2032	24,180,581.63	26,543,655.65	
2033	11,995,455.87	13,806,870.00	
2034	20,565,305.04	14,757,686.83	
2035	19,428,422.28		
Total	430,043,656.95	674,392,588.70	

(20) Other non-current assets

Item	Ending balance			Beginning balance		
	Book Amount	Provisions	Book Value	Book Amount	Provisions	Book Value
Prepayment for equipment	426,780.00		426,780.00	2,172,897.36		2,172,897.36
Prepayment for equity acquired	426,780.00		426,780.00	2,172,897.36		2,172,897.36
Total	2,172,897.36		2,172,897.36	3,443,435.00		3,443,435.00

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(21) Assets with restricted ownership or use rights

Unit RMB10,000

Items	Book balance	Ending			Book balance	Beginning		
		Book value	Restriction types	Restriction conditions		Book value	Restriction types	Restriction conditions
Bank and cash	786.33	786.33	Frozen bank deposits, ETC margin, foreign exchange settlement business margin, external swap business margin	Frozen bank deposits, ETC margin, foreign exchange settlement business margin, external swap business margin	768.25	768.25	Frozen bank deposits, ETC margin, foreign exchange settlement business margin, external swap business margin	Frozen bank deposits, ETC margin, foreign exchange settlement business margin, external swap business margin
Accounts receivable	13.01	12.36	Loan charges	Loan charges				
Fixed assets	11,271.65	5,917.62	Loan charges	Loan charges	12,299.29	7,251.16	Loan charges	Loan charges
Intangible assets	995.19	595.40	Loan charges	Loan charges	995.19	616.54	Loan charges	Loan charges
Investment properties	13,089.46	3,888.30	Loan charges	Loan charges	13,089.46	4,385.70	Loan charges	Loan charges
Total	26,155.64	11,200.01			27,152.19	13,021.65		



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

(22) Short-term borrowings

1. Categories of short-term borrowings

Item	Ending balance	Beginning balance
Guaranteed loan	4,000,000.00	31,000,000.00
Undue interest payable	2,611.11	33,687.50
Unexpired bills discounted	72,639,833.34	48,887,777.78
Total	76,642,444.45	79,921,465.28

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.

(23) Derivative financial liabilities

Item	Ending balance	Beginning
Hedging products	2,906,534.40	
Total	2,906,534.40	

(24) Bills payable

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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(25) Accounts payable

Item	Ending balance	Beginning balance
Under 1 year	245,016,311.08	201,140,325.62
1-2 years	6,349,478.05	308,540.13
2-3 years	148,088.80	74,991.47
Over 3 years	70,814.69	12,686.75
Total	251,584,692.62	201,536,543.97

(26) Contract liabilities

1. Contract liabilities

Items	Ending balance	Beginning balance
Receipt in advance	245,890,612.61	159,390,608.82
Total	245,890,612.61	159,390,608.82

(27) Employee remuneration payables

1. Employee remuneration payables

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term remuneration	54,706,312.25	362,977,283.32	352,430,240.75	65,253,354.83
Retirement benefits –				
Defined contributions plan	5,017.58	31,557,662.04	31,557,817.89	4,861.73
Termination benefit	82,380.00	1,754,900.25	1,837,280.25	
Total	54,793,709.83	396,289,845.61	385,825,338.89	65,258,216.56



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

(27) Employee remuneration payables (Continued)

2. Short-term remuneration

Items	Beginning balance	Increase	Decrease	Ending balance
Salaries, bonus, allowance and subsidies	54,691,230.86	311,474,486.42	300,916,677.76	65,247,890.84
Staff welfare	1,922.37	19,300,144.30	19,297,856.19	5,359.17
Social insurance fees	108.19	18,377,826.55	18,377,829.92	104.82
Including: Basic medical insurance fees		12,765,643.33	12,765,643.33	
Supplementary insurance fees		2,164,774.39	2,164,774.39	
Injury insurance fees		926,472.89	926,472.89	
Maternity	108.19	844,336.90	844,340.27	104.82
Other insurance fees		1,676,599.04	1,676,599.04	
Housing provident fund		12,780,319.08	12,780,319.08	
Union funds and employee education funds	13,050.83	1,044,506.97	1,057,557.80	
Total	54,706,312.25	362,977,283.32	352,430,240.75	65,253,354.83

3. Defined contribution plans

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension insurance	5,017.58	29,528,028.19	29,528,184.04	4,861.73
Unemployment insurance premium		1,823,357.13	1,823,357.13	
Annual subscription by Enterprise		206,276.72	206,276.72	
Total	5,017.58	31,557,662.04	31,557,817.89	4,861.73

Notes to the Financial Statements

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

(28) Tax payables

Item	Ending balance	Beginning balance
VAT	13,320,605.22	7,406,059.51
EIT	9,791,259.42	10,316,617.40
Personal income tax	1,947,561.19	1,409,246.34
Property tax	848,928.77	785,052.21
Urban maintenance and construction tax	761,504.70	320,170.87
Education surcharge	543,714.87	228,632.74
Stamp duty	12,957.72	
Land use tax	221,497.75	196,405.74
Environment protection tax		21,496.12
Others	5,273.93	192.00
Total	27,453,303.57	20,683,872.93

(29) Other payables

Items	Ending balance	Beginning balance
Interests payable	—	—
Dividends payable	68,408.55	4,360,036.37
Other payables	45,405,584.48	28,242,633.28
Total	45,473,993.03	32,602,669.65

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



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

(29) Other payables (Continued)

(I) Dividends payable

Item	Ending	Beginning	Reasons for non-payment for more than a year
Ordinary share dividend	68,408.55	4,360,036.37	
Total	68,408.55	4,360,036.37	

(II) Other accounts payable

1. Presentation of other payables by aging

Aging	Ending balance	Beginning balance
Under 1 year	32,281,391.25	16,173,495.77
1-2 years	2,781,092.45	6,750,336.98
2-3 years	6,403,270.35	653,877.62
Over 3 years	3,939,830.43	4,664,922.91
Total	45,405,584.48	28,242,633.28

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	

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

(30) Non-current liabilities due within one year

Items	Ending balance	Beginning balance
Long term borrowings due within one year	3,937,440.00	3,937,440.00
Lease liabilities within one year	8,710,333.25	4,741,665.86
Total	12,647,773.25	8,679,105.86

(31) Other current liabilities

Items	Ending balance	Beginning balance
Output tax pending for carry-over	11,180,673.83	11,770,110.90
Bank acceptance bills not yet due at balance sheet date endorsed	6,231,061.71	8,208,411.94
Total	17,411,735.54	19,978,522.84

(32) Long-term loan

Types	Ending balance	Beginning balance
Guarantee + mortgage + pledge loan	8,481,960.00	162,419,400.00
Credit loan	1,111,125.51	–
Interest payable undue	121,062.63	128,582.03
Less: Long-term loans due within one year	3,937,440.00	3,937,440.00
Total	155,776,708.14	158,610,542.03



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

(33) Lease liabilities

Remaining lease term	Ending balance	Beginning balance
Within one year	10,535,581.15	5,046,247.18
1-2 years	7,074,080.60	3,629,791.54
2-3 years	5,987,756.63	866,964.91
3-4 years	5,693,726.03	352,668.75
4-5 years	3,907,725.60	96,328.95
Over 5 years	6,069,035.87	
Subtotal	39,267,905.88	9,992,001.33
Less: Unrecognized financing costs	3,944,249.22	478,472.27
Subtotal of present value of lease payments	35,323,656.66	9,513,529.06
Less: lease liabilities within 1 year	8,710,333.25	4,741,665.86
Total	<u>26,613,323.41</u>	<u>4,771,863.20</u>

The interest cost of the recognized lease liability in this period is 989,932.47 (Previous period : RMB588,623.74).

(34) Deferred income

Items	Beginning balance	Increase	Decrease	Ending balance	Reasons
Asset-related government subsidies	4,464,712.14		796,400.71	3,668,311.43	For details, see Note VIII. Government Subsidies (2)
Total	<u>4,464,712.14</u>		<u>796,400.71</u>	<u>3,668,311.43</u>	

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

(34) 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 the 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 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.
- c. 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 52-month remaining useful life of assets from 1 July 2021.
- d. 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.



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

(35) Share capital

Items	Beginning balance	Issuance of new shares	Increase(+)/Decrease(-) in current period			Sub-total	Ending balance
			Bonus shares	Transfer from reserve	Others		
Total number of shares	415,788,100.00	-	-	-	-5,632,500.00	-5,632,500.00	410,155,600.00

Explanation of share capital changes: On 14 May 2024, the annual general meeting of the Company's shareholders, the H-shareholders and the domestic shareholders' class meetings passed the resolution on granting the general mandate of the Company's board of directors to repurchase the company's H shares: the total face value of the repurchase of H shares would not exceed 10% of the total face value of the issued H shares of the Company on the approval date of the special resolution. From 17 January 2025, the Company has successively repurchased the issued shares. As of 29 September 2025, the Company has repurchased a total of 5,632,500 shares and has been canceled. The total number of shares of the Company has changed from 415,788,100 shares to 410,155,600 shares.

(36) Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium (share premium)	393,801,164.14	-	48,710,181.02	345,090,983.12
Total	393,801,164.14	-	48,710,181.02	345,090,983.12

Explanation of capital reserve:

From 17 January 2025, the Company has successively repurchased the issued shares. As of 29 September 2025, the Company has repurchased a total of 5,632,500 shares and has been canceled. The total number of shares of the company has changed from 415,788,100 shares to 410,155,600 shares, resulting in a change in capital reserve of RMB 48,710,181.02.

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(37) Inventory shares

Item	Beginning balance	Addition during the period	Reduction during the period	Ending balance
Reduction of registered share capital repurchased		54,342,681.02	54,342,681.02	
Total		54,342,681.02	54,342,681.02	

Explanation of inventory shares:

On 14 May 2024, the annual general meeting of the Company's shareholders, the H-shareholders and the domestic shareholders' class meetings passed the resolution on granting the general mandate of the Company's board of directors to repurchase the company's H shares: the total face value of the repurchase of H shares would not exceed 10% of the total face value of the issued H shares of the Company on the approval date of the special resolution. From 17 January 2025, the Company has successively repurchased the issued shares. As of 29 September 2025, the Company has repurchased a total of 5,632,500 shares and has been canceled. The total number of shares of the Company has changed from 415,788,100 shares to 410,155,600 shares.

(38) Other comprehensive income

Items	Beginning balance	Transactions during the period		Ending balance
		Amount before tax	Profit after tax attributable to parent company	
1. Other comprehensive income not reclassified to profit or loss				
1. Changes in fair value of investments in other equity instruments	14,722,793.42	4,610,900.44	4,610,900.44	19,333,693.86
2. Other comprehensive income reclassified to profit or loss				
1. Foreign currency statement translation difference	-1,995,619.79	7,363,440.38	7,363,440.38	5,367,820.59
Total other comprehensive income	12,727,173.63	9,067,806.42	9,067,806.42	21,794,980.05



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

(39) Surplus reserves

Items	Beginning balance	Addition	Reduction	Ending balance
Statutory surplus reserve	102,894,736.26	33,161,074.50		136,055,810.76
Total	102,894,736.26	33,161,074.50		136,055,810.76

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.

(40) Undistributed profits

Items	Current period	Previous Period
Undistributed profits at the end of last period before adjustment	312,753,202.09	186,552,329.98
Adjusted opening undistributed profits	312,753,202.09	186,552,329.98
Add: Net profit attributable to the owner of the parent company in this period	344,256,706.01	339,505,814.80
Less: Transfer to the statutory surplus reserve	33,161,074.50	30,425,032.09
Ordinary shares dividends payable	314,735,456.00	182,879,910.60
Undistributed Profits at the end of period	309,113,377.60	312,753,202.09

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(41) Operating income and operating costs

1. Operating income and operating costs

Items	Current period		Previous period	
	Income	Cost	Income	Cost
Principal operation	2,062,814,437.40	1,093,962,074.15	1,824,507,041.15	967,420,642.41
Other operations	46,565,885.72	16,243,716.35	57,537,118.57	19,543,681.07
Total	2,109,380,323.12	1,110,205,790.50	1,882,044,159.72	986,964,323.48

(42) Taxes and surcharges

Items	Current period	Previous period
City maintenance and construction tax	4,405,681.23	3,773,690.43
Education surcharge	3,146,376.91	2,694,339.04
Property tax	5,499,504.98	3,391,808.03
Stamp duty	939,032.08	1,470,246.72
Land use tax	219,505.64	184,861.43
Others	149,709.62	193,507.53
Total	14,359,810.46	11,708,453.18



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

(43) Selling expenses

Items	Current period	Previous period
Remuneration	184,931,817.22	155,111,249.92
Depreciation expenses	1,969,424.52	1,115,275.57
Amortization right to use assets	7,426,647.99	5,723,583.89
Rental expenses	5,954,976.24	2,801,012.42
Office expenses	6,732,429.20	4,274,161.35
Exhibition expenses	9,262,212.77	7,302,394.74
Advertising and promotion expenses	8,020,219.33	6,427,590.92
Travelling expenses	15,647,287.44	12,015,001.78
Vehicle expenses	5,526,859.12	4,295,369.38
Entertainment	680,151.65	1,047,657.66
Postage	2,272,984.13	1,915,397.45
Business expenses	22,920,435.78	22,280,355.40
Training expenses	23,241,138.57	18,102,077.90
Consultancy Fees	6,228,650.79	4,253,859.44
Annual forum expenses	1,698,939.60	1,372,816.01
Others	5,930,966.03	6,068,909.16
Total	308,445,152.93	254,106,712.99

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(44) Administrative expenses

Items	Current period	Previous period
Remuneration	58,214,648.36	46,785,519.41
Office expenses	4,599,466.52	5,423,549.28
Travelling expenses	5,351,105.78	4,950,859.18
Entertainment	10,319,942.65	10,420,760.58
Security fund for disabled	195,362.38	195,988.49
Inventories losses	3,022,829.17	9,357,230.82
Amortization of low-cost consumables	57,101.06	56,302.85
Legal and auditing expenses	13,064,812.61	15,241,648.10
Depreciation expenses	8,743,726.40	8,723,454.55
Vehicles and storage and transportation costs	1,518,855.85	1,521,448.12
Repairs and maintenance expenses	1,036,339.75	2,062,664.70
Amortization of intangible assets	5,432,144.91	3,190,157.96
Patent application and inspection certification fees		32,460.40
Technical Service fee	2,454,759.46	1,258,223.84
Other expenses	2,474,654.36	4,171,275.34
Total	116,485,749.26	113,391,543.62



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

(45) Research and development expenses

Items	Current period	Previous period
Remuneration	141,144,002.97	120,634,499.22
Materials	4,220,251.51	6,709,046.70
Testing	189,712.97	264,136.17
Technical services	41,031,200.60	41,984,098.29
Inspection and testing	2,416,270.10	2,558,850.18
Rental	1,959,530.83	1,408,330.74
Depreciation	2,090,002.57	2,454,360.74
Amortization of intangible assets	5,609,273.04	12,985,160.47
Office expenses and communications	2,422,367.56	4,273,452.23
Travelling expenses	2,780,772.96	3,419,369.35
Entertainment	88,275.13	55,426.25
Other expenses	6,990,548.15	4,736,938.10
Total	210,942,208.39	201,483,668.44

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(46) Finance costs

Categories	Current period	Previous period
Interest expenses	8,977,080.94	13,554,856.28
Less: Interest income	4,511,299.65	11,900,107.83
Exchange differences	7,351,548.53	-11,936,387.55
Bank charges	4,176,881.44	1,911,456.69
Unrecognised financing charges	989,932.47	588,623.74
Others	352,563.86	393,114.68
Total	17,336,707.59	-7,388,443.99

(47) Other Income

1. Other income details

Items	Current period	Previous period
Government subsidies	28,509,918.35	39,576,191.10
Including: VAT refund	25,342,769.07	32,677,652.28
Tax handling chase refund	463,512.80	237,699.10
VAT exempted	66,019.42	
Total	29,039,450.57	39,813,890.20

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.



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

(48) Investment income

1. Details of investment income

Items	Current period	Previous period
Long-term equity investment income under equity method	2,401,223.43	1,905,003.56
Investment income from disposal of long-term equity investments		-20,776.18
Gain on debt restructuring	1,143,300.00	–
Others	675,153.30	433,910.53
Total	4,219,676.73	2,318,137.91

(49) Revenue from Change in fair value

Sources of revenue from changes in fair value	Current Period	Previous Period
Trading financial assets	135,451.23	82,137.63
Total	135,451.23	82,137.63

(50) Impairment loss on credit

Items	Current period	Previous period
Bad debts	-9,130,953.23	3,439,783.78
Total	-9,130,953.23	3,439,783.78

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(51) Asset impairment losses

Items	Current period	Previous period
Inventory provision	-3,830,685.11	-15,212,461.00
Impairment loss on goodwill	-1,265,772.00	
Total	-5,096,457.11	-15,212,461.00

(52) Gain on disposal of assets

Items	Current period	Previous period
Gain/loss on disposals of fixed assets	-373,312.20	-55,455.18
Total	-373,312.20	-55,455.18

(53) Non-operating income

Items	Current period	Previous period	Amount recorded in non-recurring gain or loss
Gain on disposals	735.87		735.87
Income from penalty	233,921.56	200,114.30	233,921.56
Payment waived	233,538.82	309,390.83	233,538.82
Insurance compensation	68,808.59	235,108.07	68,808.59
Others	20,624.09	364,586.54	20,624.09
Gain on business combinations not under same control	2,248,758.52		2,248,758.52
Total	2,806,387.45	1,109,199.74	2,806,387.45



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

(54) Non-operating expenses

Items	Current period	Previous period	Amount recorded in non-recurring gain or loss
Total loss on disposals of non-current assets	502,674.92	235,927.14	502,674.92
Including: Loss on disposals of fixed assets	502,674.92	235,927.14	502,674.92
Donations	100,000.00	140,000.00	100,000.00
Compensations, penalties and fines	22,329.63	2,210,801.35	22,329.63
Fine for late payment	4,906.63	1,715,582.56	4,906.63
Others	774.65	55,847.66	774.65
Total	630,685.83	4,358,158.71	630,685.83

(55) Income tax expenses

1. Income tax expenses

Items	Current period	Previous period
Deferred income tax expenses	4,037,835.61	10,459,175.37
Current income tax expenses	-121,377.40	-2,805,999.91
Total	3,916,458.21	7,653,175.46

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

(55) Income tax expense (Continued)

2. Accounting profit and income tax expense adjustment process

Item	Transactions in the period
Total profit	352,574,461.61
Income tax expense at statutory/applicable tax rate	52,886,169.29
The impact of different tax application of subsidiaries	13,390,222.01
Adjust the impact of previous income taxes	-1,099,469.14
Non-deductible costs, expenses and loss impact	7,774,282.47
Impact of deductible losses on deferred income tax assets not recognized in the previous period	-21,515,323.14
Impact of deductible temporary differences or deductible losses for deferred income tax assets not recognized in the current period	-15,265,386.96
Development expenses plus deduction impact	-27,611,195.29
Approved Software-enterprises tax exemption	-4,637,571.08
Enterprise income tax exemption for eligible small and micro-profit enterprises	-5,269.95
Income tax expense	<u>3,916,458.21</u>

(56) 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	4,478,057.71	11,900,107.83
Government subsidies	2,802,550.39	3,860,794.48
Tax handling charges refund	40,981.48	237,699.10
Other non-operating income	135,256.88	472,696.56
Current accounts	13,656,416.56	22,395,441.03
Total	<u>21,113,263.02</u>	<u>38,866,739.00</u>



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

(56) 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	41,447,900.48	47,025,163.03
R&D expenses	62,098,277.00	69,706,611.55
Selling expenses	104,701,001.76	82,805,554.93
Bank charges and others	4,176,881.45	2,304,571.36
Non-operating expenses	116,278.07	3,944,189.07
Other current accounts	11,816,292.62	999,830.59
Total	224,356,631.38	206,785,920.53

2. Cash flow related to investing activities

(1) Other cash received relating to investing activities

Items	Current period	Previous period
Redemption of financial products	261,004,494.09	157,553,559.85
Others		493,320,000.00
Total	261,004,494.09	650,873,559.85

(2) Other cash outflows for investment activities

Items	Current period	Previous period
Purchase of financial products	286,634,000.00	160,582,700.00
Foreign exchange swap business margin	7,345,254.63	–
Others	1,000,000.00	493,320,000.00
Total	294,979,254.63	653,902,700.00

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

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

3. Other cash paid relating to financing activities

Items	Current period	Previous period
Lease liabilities	8,815,842.96	7,906,444.38
Repurchase of shares	54,805,054.40	
Total	63,620,897.36	7,906,444.38

(57) 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	348,658,003.39	341,261,800.91
Add: Provision for credit loss	9,130,953.23	-3,439,783.78
Provision for impairment on assets	5,096,457.11	15,212,461.00
Depreciation of fixed assets, oil and gas assets and productive biological assets	30,301,840.74	24,337,320.12
Amortization of right-of-use assets	8,866,882.91	7,236,434.70
Amortization of intangible assets	11,001,596.77	16,177,790.37
Amortization of deferred expenditures	168,142.34	119,798.75
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for gains)	378,149.59	55,455.18
Losses on scrapping of fixed assets ("-" for gains)	497,101.66	235,927.14
Losses from changes in fair value ("-" for gains)	-135,451.23	-82,137.63
Finance costs ("-" for gains)	10,278,306.96	18,384,190.67
Investments losses ("-" for gains)	-4,219,676.73	-2,318,137.91
Decrease in deferred tax assets ("-" for increase)	-112,434.48	-2,822,274.72
Increase in deferred liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	-47,062,855.56	-11,835,544.73
Decrease in operating receivables ("-" for increase)	87,287,094.31	-133,533,714.21
Increase in operating payables ("-" for decrease)	24,541,224.79	122,427,824.56
Other	-2,248,758.52	
Net cash flows from operating activities	482,460,847.01	391,417,410.42



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

(57) 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	535,760,579.67	540,083,262.21
Less: Cash at the beginning of the period	540,083,262.21	610,732,095.28
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	-4,322,682.54	-70,648,833.07

2. Current period's Net cash inflow from acquisition

Item	Current period
Cash paid for acquisition of subsidiary	38,345,741.59
Including: Launch Tech UK Limited	32,946,197.48
LAUNCH CEE SP. Z O.O	15,371.61
LAUNCH PRO FRANCE	5,384,172.50
Less: Cash held by subsidiary on acquisition date	36,490,640.43
Including: Launch Tech UK Limited	32,846,858.96
LAUNCH CEE SP. Z O.O	9,913.00
LAUNCH PRO FRANCE	3,633,868.47
Add: Cash paid during current period for previous period's acquisition	
Net cash inflow from acquisition	1,855,101.16

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

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

3. Composition of cash and cash equivalents

Items	Ending balance	Beginning balance
1. Cash	535,760,579.67	540,083,262.21
Including: Cash deposits	658,827.95	771,482.71
Available-for-use-bank deposit	529,267,271.90	537,994,366.39
Available-for-use-other currency fund	5,834,479.82	1,317,413.11
2. Cash equivalents		
Including: bond investment maturing within three months		
3. Cash and cash equivalents as at the end of the period	535,760,579.67	540,083,262.21
Including: Restricted cash and cash equivalent in the parent company or subsidiaries in the Group		

(58) 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	16,761,970.06	7.0288	117,812,364.19
EUR	3,850,499.13	8.2355	31,716,921.09
HKD	848,996.68	0.9032	766,830.78
JPY	26,439,980.00	0.0448	1,184,431.78
RUB	153,328.36	0.0881	13,508.33
KRW	33,023,509.00	0.0049	160,494.25
GBP	190,257.71	9.4346	1,795,129.27
VND	34,660,825.00	0.0003	9,219.78
PLN	86,223.57	1.9497	168,110.09



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

(58) Foreign currency items (Continued)

1. Foreign currency items (Continued)

Items	Ending balance in foreign currency	Exchange rate	Ending balance converted in RMB
Accounts receivable			
Including: USD	25,523,313.90	7.0288	179,398,268.74
EUR	9,782,681.95	8.2355	80,565,277.20
JPY	3,644,212.00	0.0448	163,260.70
GBP	865,198.36	9.4346	8,162,800.45
Other Receivables			
Including: USD	307,440.87	7.0288	2,160,940.39
EUR	557,476.13	8.2355	4,591,094.67
HKD	8,480.05	0.9032	7,659.35
RUB	11,587.98	0.0881	1,020.90
JPY	3,010,800.00	0.0448	134,883.84
GBP	94,229.53	9.4346	889,017.92
KRW	50,000,000.00	0.0049	245,000.00
VND	5,000,000.00	0.0003	1,500.00
PLN	58,640.10	1.9497	114,330.60
Accounts payable			
Including: USD	2,816,924.30	7.0288	19,799,597.52
EUR	2,436,938.44	8.2355	20,069,406.52
GBP	45,726.98	9.4346	431,415.77
Other payables			
Including: USD	2,000.00	7.0288	14,057.60
EUR	3,479,953.32	8.2355	28,659,155.57
HKD	30,000.00	0.9032	27,096.00
JPY	385,374.00	0.04623	17,817.00
RUB	8,550,000.00	0.0881	753,255.00
PLN	33,839.56	1.9497	65,976.99
JPY	220,555.00	0.0448	9,880.86
GBP	17,700.00	9.4346	166,992.42
Long-term loan (including repayable within one year)			
Including: EUR	134,919.01	8.2355	1,111,125.51

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

(59) Leasing

- 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.

- 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
Beijing Jike Youlou Technology Co., Ltd.	2025/1/1	2026/12/31	468,928.52		117,232.13
Liguo Enterprise Development (Shanghai) Co., Ltd.	2025/6/1	2027/5/31	484,365.68		302,728.55
Liaoning Fengrui Industrial Co., Ltd.	2025/5/16	2027/5/15	197,322.92		98,661.46
Shenzhen Hengtaizhou Industrial Co., Ltd.	2025/5/1	2027/4/30	442,148.64		294,765.76
Shenzhen Quansen Property Management Co., Ltd.	2023/1/1	2026/12/31	5,701,464.00	2,986,488.00	694,332.00
Aurelis 10.Objektbesitz Kerpen GmbH	2022/1/1	2026/8/31	8,687,699.69	3,105,440.69	1,242,176.28
Gewerbefhof Vermietungsgesellschaft mbH Co.KG	2022/1/1	2028/8/31	916,761.37	505,581.96	367,695.97
NYKOR PILOT PEN ITALIA SRL	2022/1/1	2027/11/30	2,488,273.97	1,250,684.21	821,878.19
MIBEN S.A.S DI PELOSO MICHELE & C.	2023/9/1	2029/8/31	948,729.60	737,900.80	579,779.20
la società SANTINI BENITO E RENZO S.N.C	2023/1/1	2028/12/31	877,080.75	580,602.75	432,363.75
TILSTONE INDUSTRIAL LIMITED	2025/8/8	2030/8/7	5,710,804.70		5,591,898.46
NYKOR PILOT PEN ITALIA SRL	2025/7/7	2028/7/6	1,052,838.00		877,365.00
DEMATY/LA SOCIETE LAUNCHPRO	2025/11/1	2034/10/31	7,565,161.84		7,504,478.15
BRADMORE INVESTMENT COMPANY, LTD.	2025/2/1	2030/6/30	17,107,117.98		15,553,787.55
EricPagliughi	2025/1/10	2034/12/30	566,810.52		
Shenzhen Bay Science and Technology Development Co., Ltd.	2025/1/1	2027/12/30	1,271,563.21		1,017,514.56
Total			54,487,071.39	9,166,698.41	35,496,657.01



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

(59) 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
Launch Tech UK Limited	2025.4.30	33,954,981.27	73.33%	Purchase	2025.4.30	Control obtained	21,744,779.75	-3,019,053.60
LAUNCH CEE SP. Z.O.O	2025.6.30	15,952.38	100.00%	Purchase	2025.6.30	Control obtained	415,212.10	-556,894.71
LAUNCH PRO FRANCE	2025.7.31	7,782,400.00	75.00%	Purchase	2025.7.31	Control obtained	9,825,559.80	-2,050,315.72

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VI. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(I) Business combination under different control (Continued)

2. Acquisition cost and goodwill

	Launch Tech UK Limited	LAUNCH CEE SP. Z.O.O	LAUNCH PRO FRANCE
Acquisition Costs			
Cash	33,954,981.27	15,952.38	7,782,400.00
Others			
Total Acquisition costs	33,954,981.27	15,952.38	7,782,400.00
Less: fare value of share of identifiable net assets obtained	36,203,739.79	9,913.00	4,527,579.05
Goodwill/acquisition cost lower than fare value of share of identifiable net assets obtained	-2,248,758.52	6,039.38	3,254,820.95

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

Items	Launch Tech UK Limited		LAUNCH CEE SP. Z.O.O		LAUNCH PRO FRANCE	
	Fair value at acquisition date	Book value at acquisition date	Fair value at acquisition date	Book value at acquisition date	Fair value at acquisition date	Book value at acquisition date
Bank balances and cash	32,846,858.96	32,846,858.96	9,913.00	9,913.00	3,633,868.47	3,633,868.47
Accounts Receivables	4,824,791.44	4,824,791.44			2,088,117.54	2,088,117.54
Repayment	177,964.05	177,964.05			431,915.01	431,915.01
Other receivables	867,134.89	867,134.89			136,373.29	136,373.29
Inventories	6,365,698.11	6,365,698.11			3,582,633.50	3,582,633.50
Other current assets	192,526.07	192,526.07			263,347.98	263,347.98
Fixed assets	464,171.07	464,171.07			188,202.77	188,202.77
Intangible assets					42,794.76	42,794.76
Less: Accounts payable	5,002,013.40	5,002,013.40			3,938,080.77	3,938,080.77
Contract liabilities					56,086.20	56,086.20
Accrued staff salaries	13,670.36	13,670.36			377,292.72	377,292.72
Tax payable	4,367,602.94	4,367,602.94			5,756.44	5,756.44
Other payable	69,083.03	69,083.03			138,109.01	138,109.01
Deferred tax liabilities	83,035.07	83,035.07				
Other current liabilities					11,217.22	11,217.22
Long term loan					1,313,131.91	1,313,131.91
Net assets	36,203,739.79	36,203,739.79	9,913.00	9,913.00	4,527,579.05	4,527,579.05
Less: Minority interests						
Net assets acquired	36,203,739.79	36,203,739.79	9,913.00	9,913.00	4,527,579.05	4,527,579.05



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	Launch Tech	LAUNCH CEE	LAUNCH
	UK Limited	SP. Z O.O	PRO FRANCE
	Post-acquisition to	Post-acquisition to	Post-acquisition to
	current period end	current period end	current period end
Turnover	21,744,779.75	415,212.10	9,825,559.80
Net profit	3,019,053.60	-556,894.71	-2,050,315.72
Net cash flow from operating activities	-14,853,569.49	-35,994.27	-1,521,158.76
Net cash flow from investment activities	-15,227,561.58	-23,227.47	-334,638.79
Net cash flow from fund-raising activities	-257,688.87	236,251.40	-282,925.48
Cash and net cash equivalents	-31,358,198.14	158,197.09	-2,156,144.37

Notes to the Financial Statements

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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		Business Nature	Registered capital	Major operation
		place				
LAUNCH TECH INTERNATIONAL (VIETNAM) COMPANY LIMITE	Wholly owned	Vietnam		Sales and services of auto diagnostics products	RMB2,756,000	Sales and services of automotive diagnosis, testing, maintenance and maintenance equipment
LAUNCH TECH MEXICO	Wholly owned	Mexico		Sales and services of auto diagnostics products	RMB3,635,000	Sales and services of automotive diagnosis, testing, maintenance and maintenance equipment

Name	Share holding (%)	Voting right (%)	Invested amount at period end	Subject to consolidation
LAUNCH TECH INTERNATIONAL (VIETNAM) COMPANY LIMITE	100.00	100.00	356,933.06	Yes
LAUNCH TECH MEXICO	100.00	100.00		Yes



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
深圳市韜韜車聯數據 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

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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
南京韜韜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
深圳市元亨利行科技有限公司	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
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
深圳市易新博意軟件開發有限公司	SYXY	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諮詢合夥企業(有限合夥)	SZCYL	Shenzhen	Shenzhen	Limited partnership	Business services	100.00	-	Combination from different control

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
深圳市元征諮詢管理有限公司	Launch Consulting	Shenzhen	Shenzhen	Limited liability	Business services	100.00		Establishment
深圳市元征一號諮詢管理合夥企業(有限合夥)	Launch No.1	Shenzhen	Shenzhen	Limited partnership	Business services	100.00		Establishment
深圳市易心志成諮詢有限合夥企業(有限合夥)	SYXZC	Shenzhen	Shenzhen	Limited partnership	Business services	99.75		Combination from different control
深圳市明睿達諮詢企業(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
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	SQigao	Shenzhen	Shenzhen	Limited liability	Other services	100.00		Combined from different control

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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 Tech UK Limited		UK	UK		Sale and services of auto diagnostics products	100.00		Combined from different control
LAUNCH PRO FRANCE		France	France		Sale and services of auto diagnostics products	100.00		Combined from different control
LAUNCH CEE SP. Z O.O		Poland	Poland		Sale and services of auto diagnostics products	100.00		Combined from different control
LAUNCH TECH INTERNATIONAL (VIETNAM) COMPANY LIMITE		Vietnam	Vietnam		Sale and services of auto diagnostics products	100.00		Establishment
LAUNCH TECH MEXICO		Mexico	Mexico		Sale and services of auto diagnostics products	100.00		Establishment



VII. EQUITY INTERESTS IN OTHER ENTITIES (Continued)

(II) Joint operation and associate

- 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 2025, the Company has received a Government subsidy receivables of RMB3,491,162.17.

(II) Liabilities involving government subsidies

Subsidy projects	Beginning	New subsidies for the current period	Accounted for	Accounted as	The amount	Add: other movement	Ending	Asset related/ Revenue related
			non-operating income is included in this period	Other revenue in this period	of offset costs during this period			
A. Research on key technologies of comprehensive performance testing of automobiles and the development of series products and their industrialization	3,047,000.00			277,000.00			2,770,000.00	Asset related
B. City-Robot Indoor Wireless Positioning and Cluster Control System Key Technology Research and Development	42,553.10			42,553.10				Asset related
C. Industrial Design Center Accreditation and Funding Scheme Projects	115,834.48			115,834.48				Asset related
D. Research and development project of key technologies of automotive remote diagnosis system based on 5G	1,259,324.56			361,013.16			898,311.40	Asset related
Total	4,464,712.14			796,400.74			3,668,311.40	



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	796,400.74	3,037,743.63	Asset related
VAT refunds	Other revenue	25343036.32	32,677,652.28	Revenue related
Shenzhen Longgang District Science and Technology Innovation Bureau Science and Technology Enterprise R&D Investment Funding	Other revenue	1,489,300.00	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	620,505.00	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	113,951.73	135,831.40	Revenue related
Job stabilization subsidy	Other revenue	19,172.65	86,063.79	Revenue related
Shenzhen National Intellectual Property Invention Patent Authorization Subsidy	Other revenue	43,965.65	82,400.00	Revenue related
Funding for foreign invention patent authorization	Other revenue	17,586.26	74,500.00	Revenue related
Shenzhen Science and Technology Innovation Commission high-tech enterprise cultivation subsidy	Other revenue		50,000.00	Revenue related
Subsidies for job expansion	Other revenue	16,000.00	7,000.00	Revenue related
Subsidy for export credit insurance premiums from the Shenzhen Municipal Bureau of Commerce	Other revenue	50,000.00	–	Revenue related
Total		28,509,918.35	39,576,191.10	

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 and interest 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.

(1) Various risks arising from financial instruments

(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.



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

(1) Various risks arising from 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 breach 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 2025, the book value of the underlying assets and the expected credit impairment losses are as follows:

Items	Book value	Impairment loss provision
Accounts receivable financing	4,246,068.87	
Bills receivable	14,774,652.11	49,105.67
Accounts receivable	372,189,872.65	36,223,291.95
Other receivables	42,465,400.33	28,756,831.01
Total	433,675,993.96	65,029,228.63

As of 31 December 2025, receivables of top five customers of the Company accounted for 15.31% (2024: 15.12%) of the total receivables of the Company.

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2025 (Expressed in Renminbi)

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

(1) Various risks arising from 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 2025, the Company has bank credit lines provided by various domestic banks, amounting to RMB1,550,000,000, of which RMB240,060,000 has been utilized.

As of 31 December 2025, 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:

Item	Fall due	Ending balance					Total
		Within 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	
Short-term borrowings	76,642,444.45						76,642,444.45
Accounts payable	251,584,692.62						251,584,692.62
Other payables	45,473,993.03						45,473,993.03
Other current liabilities –							
Bills endorsed have not yet fall due	6,231,061.71						6,231,061.71
Lease liabilities (including current portion)		969,023.38	1,308,991.45	6,432,318.41	20,961,485.63	5,651,837.79	35,323,656.66
Long-term borrowing (including current portion)		415,986.28	720,007.81	3,240,035.13	155,338,118.92		159,714,148.14
Sub-total	379,932,191.81	1,385,009.66	2,028,999.26	9,672,353.54	176,299,604.55	5,651,837.79	574,969,996.61



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

(1) Various risks arising from 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. For this reason, the company may achieve the purpose of avoiding exchange rate risks by signing structured swap transactions.

- (1) as of 31 December 2025, the amounts of financial assets and financial liabilities in foreign currency held by the Company that is converted to RMB are presented as follows:

Item	USD	Euro	Ending balance			Total
			GBP	JPY	Others	
Foreign currency financial assets:						
Bank balance and cash	117,812,364.19	31,716,921.09	1,795,129.27	1,184,431.78	1,118,163.23	153,627,009.56
Accounts receivable	179,398,268.74	80,565,277.20	8,162,800.45	163,260.70		268,289,607.09
Other receivables	2,160,940.39	4,591,094.67	889,017.92	134,883.84	369,510.85	8,145,447.67
Sub-total	299,371,573.32	116,873,292.96	10,846,947.64	1,482,576.32	1,487,674.08	430,062,064.32
Foreign currency financial liabilities:						
Accounts payable	19,799,597.52	20,018,394.44	431,415.77			40,249,407.73
Other payables	14,057.60	28,659,151.94	166,992.42	9,880.86	927,039.99	29,777,122.81
Sub-total	279,557,918.20	68,144,734.50	10,248,539.45	1,472,695.46	560,634.09	359,984,521.70

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

(1) Various risks arising from financial instruments (Continued)

(III) Market risks (Continued)

1. Exchange rate risk (Continued)

(3) Sensitivity analysis:

As of 31 December 2025, for the financial assets USD, EUR, JPY, RMB, KRW, GBP, VND and PLN of the Company in USD, EUR, HKD, JPY, GBP, VND and PLN, if RMB appreciates by 10% against USD, EUR, HKD, JPY, with other factors remaining unchanged, the net profits of the Company will reduce by approximately 26,562,564.84 (2024: RMB23,747,047.31). 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 32,465,357.01 (2024: approximately RMB29,024,168.96).

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 2025, the Company's long-term interest-bearing debt is the contract with floating interest rate dominated in RMB, and the value is RMB158,481,960.00. See Note V (32) for details.

(3) Sensitivity analysis:

As of 31 December 2025, 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 RMB803,415.49 (2024: approximately RMB320,327.15).

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)

(1) Various risks arising from 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.

(2) Hedging

1. The Company carries out hedging business for risk management

In this period, the Company carries out foreign exchange hedging business, taking derivative contracts such as structured swaps as hedging tools, and the foreign exchange cash flow involved in some expected procurement and sales transactions is a hedging project, so as to avoid the expected future cash flow of expected procurement and sales caused by the Company with the fluctuation of foreign exchange market prices. This type of hedging is cash flow hedging .

2. The company carries out qualified hedging business and applies hedging accounting.

Item	Book value related to hedging projects and hedging tools	Hedging adjustment of the cumulative fair value of the hedging project included in the book value of the recognized hedging project	Hedging validity and hedging invalidity	The impact of hedging accounting on the company's financial statements
Cash flow hedging	Derivative hedging liabilities amounted to 2,906,534.40	N/A	Effectiveness of hedging: There is an obvious economic relationship between hedging tools and hedging projects, which is relevant.	N/A

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 2025 at three levels of fair value. When the fair value is classified into three levels as a whole, it is based on the lowest level among the three levels of the important input values used in the fair value measurement. The three levels are defined as follows:

Level 1: unadjusted quote for the same assets or liabilities that can be obtained on the measurement date in an active market;

Level 2: input value that is directly or indirectly observable for related assets or liabilities other than the input value of the level 1;

Level 2 of input values includes: 1) quotations for similar assets or liabilities in an active market; 2) quotations for identical or similar assets or liabilities in an inactive market; 3) observable inputs other than quotations, including in normal quotations Observable interest rate and yield curves, implied volatility and credit spreads during the interval; 4) Market-proven input values, etc.

Level 3: An unobservable input value of the underlying asset or liability.



X. FAIR VALUE (Continued)

(II) Fair value measurement

1. Continuous fair value measurement

Items	Ending			Total
	Level 1	Level 2	Level 3	
Trading financial assets	64,928.04	35,989,826.67		36,054,754.71
Accounts receivable financing			4,246,068.87	4,246,068.87
Investment in other equity instruments			60,279,809.00	60,279,809.00
Total	64,928.04	35,989,826.67	64,525,877.87	100,580,632.58

(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
SMARTSAFE TECH USA LTD(“SMARTSAFE”)	A subsidiary of SZYJ
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	66,461,046.05	32,274,182.83
SMARTSAFE	Supplies of goods	39,669,668.09	
Total		106,130,714.14	32,274,182.83

3. Related party transactions for sale of goods and provision of services

Related parties	Nature of related transactions	Current period	Previous period
SYYC	Sales of goods	3,207.56	219,433.95
SMARTSAFE	Sales of goods	20,808,465.24	
Total		20,811,672.80	219,433.95



XI. RELATED PARTIES AND CONNECTED TRANSACTIONS (Continued)

(5) Connected Transactions (Continued)

4. Guarantee with related parties

(1) The Company as warrantee

Warrantor	Amount guaranteed	Amount borrowed	Commencement date	Maturity date	Completed or not
Liu Xin, Liu Jun, NJ Launch Software and Xian Launch	120,000,000.00	2,000,000.00	2026/7/1	2029/6/30	Not
Liu Xin, Liu Jun, NJ Launch and Xian Launch	200,000,000.00	2,000,000.00	2026/6/27	2029/6/26	Not
Liu Xin, Liu Jun, Launch Software	350,000,000.00	164,060,000.00	2027/8/12	2030/8/12	Not

Explanation of guarantee with related parties

The loan contract signed by the Company and Shenzhen Shenzhen Bay Branch of Industrial and Commercial Bank of China Co., Ltd. in 0400000010-2025 (Shenzhen Bay) No. 00553 is RMB200 million yuan (from 30 June 2025 to 30 June 2026). As of 31 December 2025, the total balance of short-term loans under the contract is RMB2.0 million. For details, please refer to Note V (22).

The Company signed the BC2025042800002233 "Financing Amount Agreement" with the Shenzhen Branch of Shanghai Pudong Development Bank Co., Ltd. (the maximum comprehensive credit limit is RMB200,000,000, with a period from 30 April 2025 to 28 April 2026). As of 31 December 2025, the total balance of short-term loans under the financing quota contract is RMB2.0 million. For details, please refer to Note V (22).

Notes to the Financial Statements

2025 (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 2025, the total long-term loan balance under the financing quota contract was RMB158,481,960.00. For details, please refer to Note V (32). 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	Ending balance
BJBM	2,446,444.44			2,446,444.44
Shi Xin	3,537,122.12		2,990,330.00	546,792.12
Total	5,983,566.56		2,990,330.00	2,993,236.56



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	12,283,110.90	10,675,531.10

Remuneration for directors and supervisors in 2025 are as follows:

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin		5,495,215.00	80,824.77	5,576,039.77
Jiang Shiwen		2,429,650.00	78,115.13	2,507,765.13
Huang Zhaohuan		2,431,680.00	–	2,431,680.00
Employee directors				
Liu Guozhu		1,129,510.87	78,115.13	1,207,626.00
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	11,486,055.87	237,055.03	12,283,110.90

Notes to the Financial Statements

2025 (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

2025, 3 directors were included in the 5 highest paid personnels.

Name	Fees	Salaries and subsidies	Retirement benefit	Total
Executive directors				
Liu Xin		5,495,215.00	80,824.77	5,576,039.77
Jiang Shiwen		2,429,650.00	78,115.13	2,507,765.13
Huan Zhaohuan		2,431,680.00		2,431,680.00
Non-directors and Non-supervisors				
Xue Erjun		3,185,827.74	140,684.74	3,326,512.48
Tao Shichun		2,614,943.72		2,614,943.72
Total		16,157,316.46	299,624.64	16,456,941.10



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	7,507,909.86	7,507,909.86	7,678,737.00	7,678,737.00
	BJBM	80,000.00	80,000.00	80,000.00	80,000.00
	SZYC	420,949.60	301,419.60	610,675.00	389,705.00
	SZYJ	60,505.00	60,505.00	60,505.00	48,805.00
Prepayments	SZYJ	2,469,990.78		1,927,594.80	
Other receivables	BJBM	2,446,444.44	2,446,444.44	2,446,444.44	2,446,444.44
	ShiXin	546,792.12	546,792.12	3,537,122.12	2,687,122.12

(2) Amounts payable to related parties

Item	Related parties	Ending balance	Beginning balance
Accounts payable	SZYJ	5,283,745.98	—
	SMARTSAFE	3,395,373.81	—

Notes to the Financial Statements

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XII. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

(I) Significant commitments

1. Ongoing lease agreements and related financial impacts

As at 31 December 2025, 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	10,535,581.15	5,046,247.18
2-5 years	22,663,288.86	4,945,754.15
Over 5 years	6,069,035.87	–
Total	39,267,905.88	9,992,001.33

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 2025, under the above-mentioned Credit Contract, the balance of the long-term loan is RMB158,481,960.00. For details, please refer to Note V (32). Guarantee + mortgage + pledge loan in long-term loan.



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 RMB158,481,960.00. For details, please refer to Note V (32). Guarantee + mortgage + pledge loan in long-term loan.

Except for the above commitments, as of 31 December 2025, 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 2025, 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 2025 profit distribution proposal approved by the Company's board of directors, based on the total share capital of 410,155,600.00, a dividend of RMB0.41 (tax inclusive) per share will be distributed to all shareholders, with a total dividend of RMB168,163,796.00 (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.

Notes to the Financial Statements

2025 (Expressed in Renminbi)

XIV. OTHER SIGNIFICANT EVENTS (Continued)

(I) Segment information (Continued)

3. Financial information of the reporting segments

Currency unit: RMB

Item		Ending balance/Current period			Eliminations	Total
		Automotive diagnosis	Overseas Sales – Europe	Overseas Sales – U.S.		
I.	Operating income	2,046,702,615.47	285,512,780.82	304,992,098.01	-527,827,171.18	2,109,380,323.12
	Including: Revenue from external transaction	1,518,875,444.29	285,512,780.82	304,992,098.01		2,109,380,323.12
	Revenue from inter-segment transaction	527,827,171.18			-527,827,171.18	
II.	Operating expenses	1,749,520,657.91	285,234,923.30	293,752,067.57	-550,732,229.65	1,777,775,419.13
	Including depreciation and amortization	42,503,588.28	4,148,935.51	3,685,938.97		50,338,462.76
III.	Income from investment in associates and joint ventures	4,219,676.73				4,219,676.73
IV.	Impairment loss of credit	-1,975,078.96	-3,905,711.41	-3,250,162.86		-9,130,953.23
V.	Impairment loss of assets	-8,843,359.80	-3,694,303.87	-426,083.41	7,867,289.97	-5,096,457.11
VI.	Operating profit (loss)	328,356,568.52	-5,062,211.53	7,114,466.48	22,165,638.13	352,574,461.60
VII.	Income tax expenses	704,914.34	2,787,760.11	423,783.76		3,916,458.21
VIII.	Net profits (losses)	327,651,654.18	-7,849,971.64	6,690,682.72	22,165,638.13	348,658,003.39
IX.	Total assets	3,097,732,855.44	267,566,348.72	296,899,076.33	-1,498,015,124.72	2,164,183,155.77
X.	Total liabilities	1,568,458,457.67	186,510,528.86	290,931,816.72	-1,114,458,051.49	931,442,751.76
XI.	Other significant non-monetary items					
1.	Capital expenditure	51,283,851.21	2,954,547.46	1,072,469.29	-430,308.56	54,880,559.40

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	338,639,879.10	375,811,781.35
1 – 2 years	55,126,493.29	2,804,393.31
2 – 3 years	1,292,030.80	2,196,684.42
3 – 4 years	1,944,862.30	5,411,166.14
4 – 5 years	5,403,037.09	515,390.30
Over 5 years	2,946,268.98	2,605,063.16
Sub total	405,352,571.56	389,344,478.68
Less: provision	22,807,595.73	23,818,267.77
Total	382,544,975.83	365,526,210.91

2. Disclosure by bad debt provision methods

Categories	Ending balance				
	Carrying balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individually basis	8,957,015.86	2.21	8,957,015.86	100.00	
Provision on portfolio basis	396,395,555.70	97.79	13,850,579.87	3.49	382,544,975.83
Including: aging portfolio	161,242,655.52	39.78	13,850,579.87	8.59	147,392,075.65
Risk free portfolio	235,152,900.18	58.01			235,152,900.18
Total	405,352,571.56	100.00	22,807,595.73		382,544,975.83

Notes to the Financial Statements

2025 (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:

Categories	Beginning balance				Book value
	Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
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

Bad debt provision on Individual basis

Name	Book balance	Ending balance		Reasons
		Provision	Provision (%)	
Tianjin Zhonghe Zhixin Technology Co., Ltd.	1,449,106.00	1,449,106.00	100.00	Expected to be irrecoverable
R&Launch Corporation	7,507,909.86	7,507,909.86	100.00	Expected to be irrecoverable
Total	8,957,015.86	8,957,015.86		

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

Aging	Accounts receivable	Ending balance	
		Provision for bad debts	Proportion of provision (%)
Within 1 year	152,660,207.49	7,633,010.37	5.00
1-2 years	4,729,757.06	2,364,878.53	50.00
2-3 years	32,225.47	32,225.47	100.00
3-4 years	295,492.85	295,492.85	100.00
4-5 years	887,183.62	887,183.62	100.00
Over 5 years	2,637,789.03	2,637,789.03	100.00
Total	161,242,655.52	13,850,579.87	

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

Categories	Beginning balance	Movement in the period			Ending balance
		Provided	Recovered or reversed	Written off	
Provision on individually basis	9,199,845.00	-170,827.14		72,002.00	8,957,015.86
Provision on portfolio basis	14,618,422.77	-630,088.88	-11,506.35	149,260.37	13,850,579.87
Including: aging portfolio	14,618,422.77	-630,088.88	-11,506.35	149,260.37	13,850,579.87
Total	23,818,267.77	-800,916.02	-11,506.35	221,262.37	22,807,595.73

Notes to the Financial Statements

2025 (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	221,262.37

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. Guangdong Taide Zhilian Technology Co., Ltd	212,322,123.79	52.38	32,651,243.49
Launch Europe GmbH	35,401,511.72	8.73	1,770,075.59
Chery Automobile Co., Ltd	21,828,089.95	5.38	1,091,404.50
FORTA COMERCIAL LTDA	16,846,145.24	4.16	964,548.23
	7,579,437.81	1.87	378,971.89
Total	293,977,308.51	72.52	36,856,243.70



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

(2) Other receivables

Items	Ending balance	Beginning balance
Interests receivable	–	–
Dividend receivable	150,000,000.00	–
Other receivables	540,727,632.38	499,006,110.10
Total	<u>690,727,632.38</u>	<u>499,006,110.10</u>

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

(1) Dividend Receivable

Investee	Ending	Beginning
Shenzhen Yixin Yiyi Software Development Co., Ltd.	150,000,000.00	
Total	<u>150,000,000.00</u>	

Notes to the Financial Statements

2025 (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	53,417,002.86	182,918,598.61
1–2 years	179,463,143.76	94,410,338.39
2–3 years	91,190,175.50	75,003,851.67
3–4 years	71,627,019.55	26,961,729.77
4–5 years	26,961,729.77	27,117,884.71
Over 5 years	143,161,717.87	116,164,085.82
Sub total	565,820,789.31	522,576,488.97
Less: provisions	25,093,156.93	23,570,378.87
Total	540,727,632.38	499,006,110.10

2. By nature

Natures	Ending balance	Beginning balance
Equity transfer fund	2,604,223.82	2,604,223.82
Deposits	5,444,570.47	4,870,701.10
Imprests	504,437.22	841,034.34
Borrowings	545,577,360.94	501,355,891.88
Others	11,690,196.86	12,904,637.83
Subtotal	565,820,789.31	522,576,488.97
Less: provisions	25,093,156.93	23,570,378.87
Total	540,727,632.38	499,006,110.10



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

Categories	Ending Balance				
	Book Value		Provisions		Carrying Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Provision on individual basis	7,489,767.70	1.32	7,489,767.70	100.00	
Provision on portfolio basis	558,331,021.61	98.68	17,603,389.23	3.15	540,727,632.38
Including: aging portfolio	22,556,033.78	3.99	17,603,389.23	78.04	4,952,644.55
Risk free portfolio	535,774,987.83	94.69			535,774,987.83
Total	565,820,789.31	100	25,093,156.93		540,727,632.38

Notes to the Financial Statements

2025 (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		Proportion (%)	Reasons
	Book balance	Provision		
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
Guangdong Yuanjian Precision Hardware Co., Ltd	632,750.74	632,750.74	100.00	Irrecoverable
Shenzhen Jinyuntai 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	12,700.00	12,700.00	100.00	Irrecoverable
Total	7,489,767.70	7,489,767.70		

Bad debts provision by portfolio basis

(1) Aging group

Aging Portfolio	Ending		Provision (%)
	Book balance	Provisions	
Within 1 year	3,863,389.06	193,169.46	5.00
1 – 2 years	2,564,849.91	1,282,424.96	50.00
2 – 3 years	7,465,466.93	7,465,466.93	100.00
3 – 4 years	4,327,586.29	4,327,586.29	100.00
4 – 5 years	56,528.17	56,528.17	100.00
Over 5 years	4,278,213.42	4,278,213.42	100.00
Total	22,556,033.78	17,603,389.23	



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	Second stage	Third stage	Total
	Expected credit loss in future 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning balance	15,348,978.17		8,221,400.70	23,570,378.87
Beginning balance which transfer to second stage				
Beginning balance which transfer to third stage				
Reverse to second stage				
Reverse to first stage				
Provision for the period	2,254,411.06			2,254,411.06
Reversal during the period			31,633.00	31,633.00
Recovered during the period				
Written off during the period			700,000.00	700,000.00
Others				
Ending balance	17,603,389.23		7,489,767.70	25,093,156.93

Notes to the Financial Statements

2025 (Expressed in Renminbi)

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

Categories	Opening	Provisions	Movement during the period		Others	Ending
			Recovery reversed	Written off		
Provision for bad debts by individual item	8,221,400.70		31,633.00	700,000.00		7,489,767.70
Provision for bad debts by group	15,348,978.17	2,254,411.06				17,603,389.23
Including: aging group	15,348,978.17	2,254,411.06				17,603,389.23
Total	23,570,378.87	2,254,411.06	31,633.00	700,000.00		25,093,156.93

5. Other receivables written off during the reporting period

Item	Amounts written off
Other receivables written off	700,000.00

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	4,941,300.00	1-3 years	0.87	4,293,723.00
Yunshan Outpatient Department of Shenzhen Yunshan Medical Management Co., Ltd.	Temporary fund	4,102,222.23	Within 4 year	0.73	3,899,444.45
China (Nanjing) Software Valley Management Committee	Deposits	4,000,000.00	Over 5 year	0.71	4,000,000.00
Shanghai Anting United Investment Economic Development Co., Ltd.	Equity transfer fund receivable	2,604,223.82	1-3 years	0.46	1,986,649.60
BJBM		2,446,444.44	Within 1 years	0.43	2,446,444.44
Total		18,094,190.49		3.20	16,626,261.49

(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	221,702,093.58	11,042,014.50	210,660,079.08	219,765,453.08	11,042,014.50	208,723,438.58
Investment in associated and jointly controlled companies	7,938,107.70		7,938,107.70	4,831,940.13		4,831,940.13
Total	229,640,201.28	11,042,014.50	218,598,186.78	224,597,393.21	11,042,014.50	213,555,378.71

Notes to the Financial Statements

2025 (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	Beginning balance of provision for impairment	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							
Golo IOV	10,000,000.00	10,000,000.00			10,000,000.00		10,000,000.00
Launch International	1,464,494.50	42,014.50	357,930.00		1,822,424.50		357,930.00
Nanjing Launch	4,000,000.00				4,000,000.00		
Launch Future	1,000,000.00	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		
SYXY	10,000,000.00				10,000,000.00		
LAUNCH JAPAN CO., LTD	2,001,380.06		1,578,710.50		3,580,090.56		
Total	219,765,453.08	11,042,014.50	1,936,640.50		221,702,093.58		11,042,014.50



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

	Beginning balance	Movement during the period		Ending balance
		Gain/loss under equity method	Other comprehensive income adjustments	
Investee				
SMRDT	4,831,940.13	3,107,355.73	-1,188.16	7,938,107.70
Total	4,831,940.13	3,107,355.73	-1,188.16	7,938,107.70

(4) Operating income and operating costs

Operating income and operating costs

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Principle operation	1,699,315,110.89	1,216,688,997.44	1,619,074,098.00	1,153,826,220.09
Other operations	40,508,904.18	5,011,402.76	49,628,210.72	15,540,391.31
Total	1,739,824,015.07	1,221,700,400.2	1,668,702,308.72	1,169,366,611.4

(5) Investment income

Items	Current period	Previous period
Long-term equity investment income under equity method	5,508,579.16	2,636,705.47
Long-term equity investment income calculated by cost method	150,000,000.00	90,000,000.00
Disposal of investment income from long-term equity investment	–	-92,591.20
Others	521,565.08	336,226.14
Total	156,030,144.24	92,880,340.41

Notes to the Financial Statements

2025 (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	-875,251.25	
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	3,167,149.28	
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	810,604.53	
Capital occupation fees charged to non-financial enterprises through profit or loss for the current period	33,241.92	
Reversal of bad debt provision on individual basis	11,506.35	
Other non-operating income and expenses other than the above items	2,248,758.52	
Other profit and loss items that meet the definition of non-recurring profit and loss	1,143,300.00	
Deduct: Income tax impact amount	428,882.15	
The impact of minority shareholders' equity (after tax)	13,246.50	
Total	6,954,930.23	

**XVI. SUPPLEMENTARY INFORMATION (Continued)****(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	24.25	0.8322	0.8322
Net profit after deducting non-recurring profit and loss attributable to ordinary shareholders of the Company	23.76	0.8153	0.8153



Financial Summary

RMB million

	2025	2024	2023	2022	2021
Operating revenue	2,109	1,882	1,598	1,177	1,345
Net Profit (loss)	349	341	169	328	92
Adjusted EPS (RMB)	0.831	0.817	0.393	0.759	0.214
<hr/>					
Total Assets	2,164	1,997	1,855	1,987	1,556
Total Liabilities	931	753	780	915	810
Net Assets	1,233	1,244	1,075	1,072	746
Adjusted NAV per share (RMB)	3.006	2.991	2.585	2.480	1.726
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DIRECTORS OF THE COMPANY

Executive Directors

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

Employee Director

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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