LAUNCH

深圳市元征科技股份有限公司

LAUNCH TECH COMPANY LIMITED

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

SECOND QUARTERLY REPORT 2003

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This report, for which the directors (the "Directors") of Launch Tech Company Limited (the "Company" or "Launch") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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HIGHLIGHTS:

- Net profit for the three months ended 30 June 2003 reached approximately RMB13,949,000 representing an increase of approximately 40% as compared with the corresponding period in 2002; and basic earnings per share was RMB0.03.
- Turnover for the three months ended 30 June 2003 was approximately RMB49,737,000; increased by approximately 46% compared with corresponding period in 2002.
- The Directors do not recommend an interim dividend for the six months ended 30 June 2003.

CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter referred to as the "Group") for the period of the three months and the six months ended 30 June 2003.

The major achievements of the Group for the second quarter include:

- Turnover rose 46% as compared with corresponding period in 2002.
- Net profit climbed 40% as compared with corresponding period in 2002.
- The Group actively developed overseas markets, and successfully obtained the opportunity to cooperate with a Japanese distributor.
- Major products such as X-431 Electronic Eye with open automotive diagnostic platform and multi-lingual operation interface were successfully launched.
- The Group became the equipment supplier for the 4S outlets of certain automobile manufacturers.

Financial Overview

	Three months ended	
	30 June 2003	**31 March 2003**
	(RMB'000)	*(RMB'000)*
Turnover	49,737	29,146
Costs of Sales	23,004	10,368
Gross Profit	26,733	18,778
Net Profit	13,949	12,046

Financial Review

The Group's unaudited consolidated turnover for the three months and six months ended 30 June 2003 amounted to approximately RMB49,737,000 and RMB78,883,000 respectively, representing a growth of approximately 46% and 40% over the corresponding periods in 2002.

The Group's unaudited profit attributable to shareholders and earnings per share for the three months and six months ended 30 June 2003 amounted to approximately RMB13,949,000 and RMB25,995,000 respectively. Profit attributable to shareholders grew approximately 40% and 30% as compared with that of the corresponding periods in 2002. The Group's financial conditions improved significantly by the expansion of its product lines, the expansion of its sales networks and the execution of effective market strategies. These factors enhanced Launch's business development in the first two quarters of this year.

BUSINESS REVIEW

Cooperations with domestic and overseas dealers

The Group continued consolidating and improving its domestic market presence with its strategy of developing both channels of direct sales and distribution. In some regions such as Shenzhen and Lanzhou, the Group implemented direct sales; while in the regions where the Group had the strong establishment of distribution channels, such as Henan and Shandong provinces, the Group mainly depended on dealers for entering the local markets. In the first half of the year, the Group focused its efforts on the building of market network in the South China region: (1) established the branch in Quanzhou responding to actual market conditions; (2) set up 4 offices in Dongguan, Zhongshan, Huizhou and Shantou in order to further increase the Group's market share in each of four cities; and (3) continued to extend distribution network by signing distribution agreements with five leading dealers in the South China region in the first half of the year.

The Group continued its cooperation with dealers on the basis of mutual benefit. The product market promotion jointly launched by us and our dealers in Baoding in Hebei province and Yantai in Shandong province in the first half of the year achieved good market repercussion.

The Group also made impressive progress in opening up overseas markets in the first half of the year. The Group collaborated with overseas dealers to participate in international and regional exhibitions, including exhibitions held in Melbourne in Australia, Dubai in the Middle East, Brazil, Madrid in Spain and Paris in France, which proved a success in tapping into new markets. Having participated in these exhibitions, the Group publicized its image, promoted its products and obtained potential business opportunities in various countries. At the same time, the Group learned other up-to-date technologies in the world which would help the Group to upgrade its products in order to better meet the international demand as well as provide revelation for the Group's new product development.

Cooperations with major auto repair chains

According a co-operation agreement entered into between the Group and Chonche Auto Service (Group) Corporation（中車汽修集團總公司）("Chonche Auto Service") on 21 March 2003 for a term of five years, the Company will become the exclusive supplier to Chonche Auto Service in respect of repair accessory equipment and automobile service information systems, the iLAM software, and offer of technical trainings to the automobile repair service chain in the PRC established by Chonche Auto Service, and details of this agreement is set out in the announcement of the Company dated 25 March 2003.

The Directors believe that this agreement will be beneficial to the Group's business in which it can enhance the Group's brandname recognition, and is in line with the Group's long-term business strategies. The effect of this agreement on the Group's turnover is expected to emerge in the second half of the year.

Market Promotion

The Group's sales performed well in both domestic and overseas markets in the first half of the year. The sales in the domestic market recorded marked growth as compared with that of the corresponding period of previous year due to the improvements and strengthening of its market coordination.

This year is the tenth anniversary of the Company's establishment. To boost sales, the Group took a series of measures in market promotion in the first half of the year, which included: (1) actively participated in major exhibitions in the industry. For the first half of the year, the Group took part in the China 2003 International Exhibition of Automobile Repair Equipment, Accessories and Parts held in Beijing in March, the Shenyang International Automobile Appliance Exhibition and the Shenzhen Automobile Repair Equipment Exhibition; (2) hosted product promotion conferences in major cities across the country. To accelerate market promotions, the Group held new product promotion conferences in seven major cities – Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Wuhan and Xian in the first half of the year. End-users, senior government officials and school teachers were invited to attend these conferences organized together with technology seminars. These conferences have generated excellent results; and (3) better technical training was also provided to customers, taking advantage of Launch's Baiyun Automobile Institute in Guangzhou and training centres in various locations. Over 500 customers received training in the Group's training centres in various locations in the first half of the year.

The Group also engaged in negotiations with overseas dealers on opportunities for cooperation in the first half of the year as there is vast room for development in overseas market. A consensus with a Japanese distributor was reached during the quarter and the marketing activities in Japan are expected to make substantial progress in the second half of the year.

Management

Good management became an ever more important issue as the Group rapidly expanded its operations. The following measures were taken to strengthen the management for complementing the Group's expansion:

The restructuring of the Group's business division was completed in the first half of the year. The Group now has seven business divisions – diagnostic equipment, testing equipment, automotive electronics equipment, cleaning equipment, tools, machinery equipment and automotive information systems, as divided by product lines. The completion of business division restructuring is significant to the Group's future development as it enables the Group (1) to be more professional and effective in each product line; (2) to strengthen its combination of research and development, production and sales functions.

In respect of staffing, the Group recruited a group of talented graduates in the first half of the year with emphasis on the staff qualifications and competence. In addition, capable mid-level management professionals were absorbed by the Group in order to upgrade the knowledge of the Group's middle management, and over 20 professionals returned from overseas joined the overseas market centre of the Group. The reserve of talents laid foundations for the Group's future expansion.

Research and Development ("R&D")

During the first half of the year, multi-language features were incorporated into the X431 Electronic Eye so that end-users from most countries and regions of the world can use the product in their own languages. On the other hand, R&D for the EA3000 Engine Multi-Analyzer was initially completed. R&D of automotive electronics, for the Wireless 4 Wheels Alignment System is well in progress. The Group put more effort on R&D of auto electronics, and the first new product launched is ICAR308

Automotive Electronic Security System. The Group continued to promote the iLAM system with the support of the Shenzhen Transportation Bureau and it gained a large number of new clients. For the six months ended 30 June 2003, new products launched were as follows:

April 2003	X431 Electronic Eye with multi-language features
May 2003	LASI Vehicle Sales Management System
June 2003	EA3000 Engine Multi-Analyzer
June 2003	ICAR308 Automotive Electronic Security System

R&D on Automobile Satellite Positioning, Logistics and Diagnostic System was terminated due to the uncertain market prospects and the excessive time required.

Construction of new plant

The Group is preparing for the establishment of an automotive machinery equipment factory in the second half of the year in an attempt to increase its range of products and hence to increase revenue streams. The new plant is to produce automotive lifters which are the essential machinery equipment for automobile repair industry and have high market demand both at home and abroad. The management believes that this new plant will take advantage of lower costs of raw materials and labour in China as well as Launch's distribution channels in the overseas automotive aftermarket. Shanghai International Automotive City in the Jiading District of Shanghai is selected as the location of this new plant after several months of careful investigation and discussion.

This plant will be located in the area allocated by Shanghai municipality for automotive industry and is adjacent to China's first formula one race track in future; it is also close to steel product suppliers and ports, that will offer the Group with the advantages of adequate supplies of materials, convenient transportation, as well as the relatively low costs of purchase and transportation. Highly qualified production engineerers are also available in the local region. Armed with its excellent technologies and technical personnel, the Group is expected to supply high quality and low priced machinery equipment in the automotive aftermarket.

This project is expected to require approximately RMB80,000,000 in investment which will be funded by placement of new H shares, details of which are set out in the announcements of the Company dated 19 June 2003 and 9 July 2003. This plant is scheduled to start production in April of next year and will be generate profits by the third quarter of next year.

PROSPECTS

The PRC's automotive industry in the 21st century is highly encouraging. The steady and fast growth of the PRC automotive industry in the first half of 2003 will lay a firm foundation for the future development of the Group.

The Group is committed to becoming a worldwide "Comprehensive Professional Equipment Supplier and Advanced Systems Solution Provider." In the near future, the establishment of 4S outlets of automotive manufacturers and large quick-repair garage chains will be springing up rapidly. Accordingly, the Group is aiming to become an equipment supplier of automotive manufacturers and large quick repair garage chains for the second half of 2003 and after.

As the X431 Automotive Diagnostic Computer was well received in the overseas markets, the Group will uphold its marketing and sales efforts, which includes the recruitment of a large number of sales personnel in a number of regions and its ongoing participation of large automobile aftermarket exhibitions to be held in Moscow in Russia, Paris in France and Las Vegas in the U.S. in order to enhance recognition of the "Launch" brandname in the international market.

I expect sales efforts both in domestic and overseas markets, together with the vision and leadership of the management in proactively seeking market opportunities, will bring in fruitful results in the second half of the year. Excellent performance is the best way to express our thanks for the support of our shareholders.

Liu Xin
Chairman

Shenzhen, the PRC, 13 August 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial resources and liquidity

The Group adheres to a prudent financial management policy and holds a healthy financial position. The Group had cash and bank balances of approximately RMB85,625,000 as at 30 June 2003.

As at 30 June 2003, shareholders' equity of the Group amounted to approximately RMB156,330,000. Current assets amounted to approximately RMB184,033,000. The Group had no long-term liabilities, and its current liabilities amounted to approximately RMB82,520,000, which comprised short term bank borrowings amounted to approximately RMB60,000,000, and the remainder mainly consists of accounts payables and accruals. The Group's net asset value per share amounted to approximately RMB0.36. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 25%.

Pledge of assets

The Group had no pledged assets as at 30 June 2003.

Major investment

The Group conducted no major investments except for the planned capital assets purchase disclosed in the section headed "Statement of Business Objectives" in the prospectus issued on 30 September 2002 (the "Prospectus") and as referred to in the announcement made on 19 June 2003.

During the period, the Group did not make any substantial acquisitions or disposals of its subsidiaries and associated companies.

Contingent liabilities

The Group did not have any major contingent liabilities as at 30 June 2003.

Foreign exchange exposure

For the period under review, most of the Group's incomes were denominated in RMB whereas all overseas sales were settled in USD, with expenses being paid in RMB. Therefore, the Directors consider that the Group was not under substantial exchange exposure.

Employees

As at 30 June 2003, the Group had 692 and 19 employees based in the PRC and overseas respectively. For the six months ended 30 June 2003, the staff cost net of the remunerations of the Directors and Supervisors amounted to approximately RMB 7,846,000 (2002: approximately RMB 5,076,000). The Group's employment and remuneration policies remained the same as stated in the annual report of the Group for the year ended 31 December 2002.

REVIEW OF BUSINESS OBJECTIVES

Comparison between business plans and actual progress

Comparison between the Group's actual business progress up to the period ended 30 June 2003 and its various business objectives as stated in the Prospectus is as follows.

	Expected progress of projects	Actual progress of projects
1.	**Research and development**	
	Testing, completion and launch of OPADT for X431 Electronic Eye in a global context	For the first half of the year, we had completed the development of diagnostic software for X431 Electronic Eye in respect of the Japanese automotive models, the European automotive models and part of the US automotive models. An R&D team has been sent abroad to develop the product. The diagnostic software was also sent to different clients for testing, and its diagnostic functionalities were thus greatly improved.
	Continue development and testing OPADT in selected countries, including Italy, Brazil, South Africa and Japan	During the first half of the year, we had dispatched our personnel to Germany, Japan and Malaysia to test the product. We dispatched our R&D team to Germany twice mainly for conducting further development and test for the European automotive models. In Japan, we had solved problems found in the five major automotive models in the course of our testing. In Malaysia, we had solved the problems found in testing of two dominant automotive models.
	Increase functionality and introduce upgraded version of ADC2000	ADC2000 has developed into specific diagnostic equipment in China. We also developed specific diagnostic equipment for several major automotive manufacturers in China.
	Continue to research and develop 3D wheel alignment system	From March 2003 onward, we started to utilize four long focus lens, alter the source code and develop a dynamic measuring plan in response to the above situation. Further testing is now underway.

Expected progress of projects	Actual progress of projects
Launch of “mobile container testing line”	We aim to further recognise the combat needs of the Department of General Armament based on the original three plans. Department of General Armament Department of the People’s Liberation Army had proposed to the specific requirement of the Army and had adopted these requirements into a new plan. A new overall design is now underway and the current ideas of modernization of armaments have been incorporated into the new plan. The final draft has been submitted to the Program Department of the Department of General Armament of the People’s Liberation Army for evaluation.
Research and development of “Automobile Satellite Positioning, Logistics and Diagnostic System”	The project was terminated due to market uncertainties and the excessive time required.
Research and development of iLAM version 4.0	Research and development progress is on schedule.
Launch of iLAM_iLAS service system version 1.0	The project is still in the process of development in view of growing complexities. It is expected to be completed by early 2004.

2. Expansion of PRC market

Continue to expand Launch GD programme by entering into arrangement with 12 operators in strategic locations in the PRC, including Shenzhen, Guangdong, Guangxi, Fujian and Hunan. Commencement of the Total Launch GD Programme and recruit 5 potential operators in the PRC, including Shenzhen, Guangdong, Guangxi, Fujian and Hunan.	The Group’s GD project was successfully transferred to “A Chain Development Business Division” in accordance with the Group’s development strategy. The former GD project was all successfully transferred to be the “A Store” of the Group. For the sake of prudence, “A Stores” will be set up by the Group itself in major cities across the country in the second half of the year and the next year except the “A Stores” transferred from the GD project. “A Stores” are planned by the Group to combine product displays, automobile maintenance equipment sales and automobile quick repair services three-in-one, and in franchise development.

Expected progress of projects	Actual progress of projects
Expand distribution network by entering into arrangement with 9 Launch Franchise Dealers located in strategic locations in the PRC, including Shenzhen, Guangdong, Guangxi, Fujian and Hunan	Up to 30 June 2003, ten dealers were added in South China region, including three franchised dealers and four tool dealers. Furthermore, the direct sales network was enhanced. The Quanzhou branch and the offices in Dongguan, Huizhou, Shantou and Zhongshan were set up in the first half of the year.
Continue to enter into collaborative arrangement with reputable academic institutions in the PRC to establish 8 training centres in strategic locations in the PRC, including Shenzhen, Guangdong, Guangxi, Fujian and Hunan	All original training centres had met the Group's requirements up to 30 June 2003. Over 500 customers have received trainings in these authorised training centres in the various locations in the first half of the year. The Group concentrated on the development of after-sales service teams. To reinforce the trainings for company staff and customers, a plan is proposed to set up a large training base in the Shenzhen headquarters. This project is currently in the initial preparation stage.
Continue to participate in trade exhibitions and forums in the PRC	The Group took part in the exhibitions in Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Wuhan and Xian during this period.
Conduct annual trade fair for dealers and distributors in the PRC	"The Annual Forum of China's Auto Aftermarket and Launch Annual Meeting," a yearly conference hosted by the Group was postponed to 19 August 2003 due to the SARS outbreak.
Advertise in trade journal, magazines and press to promote corporate and product brandname	The Group advertised mainly in magazines, road-side signage and direct mail delivered advertisements, according to the Group's annual marketing plan. The headquarters of the Group advertised in various industry magazines on a monthly basis. Branch offices and dealers of the Group also advertised in local magazines and newspapers according to local market conditions.

	Expected progress of projects	Actual progress of projects
		Road side advertisements were set out in large automobile part markets and along busy roads. The branches in Shanghai, Guangzhou and Quanzhou adopted this form of advertising in the first half of the year. “Automotive Aftermarket,” a magazine published by the Group, released six issues and had 30,000 in circulation. The Group mailed approximately 10,000 copies of advertisements monthly and mailed a total of 60,000 copies in the first half of the year.
3.	**Expansion of overseas markets**	
	Continue to expand Launch GD programme by entering into arrangement with 5 overseas operators in strategic locations, including the US, Canada, Japan, Taiwan and Hong Kong	According to this plan, GD partners were sought in the U.S., Canada, Japan, Australia, the Middle East and South America markets. Meanwhile, Launch-authorised training centre in South Africa was set up to support the implementation of GD plan in South Africa; the GD project in the Middle East market is also under preparation.
	Expand distribution network by entering into arrangement with 5 Launch Franchise Dealers located in strategic overseas locations, including the US, Canada, Japan, Taiwan and Hong Kong	All Launch’s overseas branch companies are exerting their efforts to find key dealers in a move to build technology and after-sales service network by relying on local resources and hence to pave the way for better development of a distribution network.
	Continue to participate in major overseas trade exhibitions and forums in Europe, the US, Asia and countries which the Company intends to explore	The Group participated in international and regional exhibitions such as exhibitions held in Melbourne in Australia, Dubai in the Middle East, Brazil, Madrid in Spain and Paris in France. By taking part in these exhibitions, the Group publicized its image, promoted its products and obtained potential business opportunities in various countries around the world.

USE OF PROCEEDS

The Company was listed on the GEM on 7 October 2002 by placing 110,000,000 H Shares. Proceeds from the placing amounted to HK$79,200,000. The proceeds after deducting relevant listing expenses as at 30 June 2003 were utilised as follows:

	Estimated amount in the Prospectus HK$ million	**Actual expenditure HK$ million**
Strengthening R&D	10.2	5.0
Developing the PRC market	3.3	4.0
Developing overseas markets	2.2	3.5

For R&D, the actual use of proceeds was less than that of estimates in the Prospectus. It is because R&D on Automobile Satellite Positioning, Logistics and Diagnostic System was terminated. The resultant difference will be input to other potential projects in the second half of the year. The actual use of proceeds for development of the PRC and overseas markets exceeded that of the estimates in the Prospectus. The resultant differences were mainly satisfied by cash flow from Group's operating activities. The unutilised proceeds are held as short-term bank deposits. The Directors consider that the net proceeds will be sufficient for the implementation of future business objectives as stated in the Prospectus.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
		2003	**2002**	**2003**	**2002**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*(4)*	49,737	34,092	78,883	56,312
Cost of sales		(23,004)	(14,105)	(33,372)	(21,754)
Gross profit		26,733	19,987	45,511	34,558
Other operating income		443	610	900	1,956
Selling expenses		(4,805)	(6,595)	(7,546)	(7,880)
Administrative expenses		(4,240)	(1,756)	(6,610)	(3,925)
Research and development costs		(2,218)	(639)	(3,002)	(1,630)
Profit from operations	*(5)*	15,913	11,607	29,253	23,079
Finance costs		(931)	(720)	(1,255)	(1,397)
Profit before taxation		14,982	10,887	27,998	21,682
Taxation	*(6)*	(1,024)	(894)	(2,000)	(1,652)
Profit before minority interests		13,958	9,993	25,998	20,030
Minority interests		(9)	5	(3)	(22)
Net profit for the period		13,949	9,998	25,995	20,008
Dividends	*(7)*	–	–	–	7,400
Earnings per share – basic	*(8)*	RMB0.03	RMB0.03	RMB0.06	RMB0.06

CONSOLIDATED BALANCE SHEET

	NOTES	30 June 2003 (Unaudited) RMB'000	31 December 2002 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	*(9)*	28,050	29,180
Goodwill		896	955
Development costs		22,102	20,170
Loans to employees		3,960	3,960
		55,008	54,265
Current assets			
Inventories		36,273	21,197
Trade receivables	*(10)*	44,709	29,521
Other receivables, deposits and prepayments		17,426	10,226
Pledged bank deposits		–	393
Bank balances and cash		85,625	76,464
		184,033	137,801
Current liabilities			
Trade payables	*(11)*	7,181	12,410
Receipt in advance, other payables and accrued charges		10,458	12,688
Taxation payable		4,881	2,895
Bank loans		60,000	20,350
		82,520	48,343
Net current assets		101,513	89,458
		156,521	143,723
Capital and reserves			
Share capital		44,000	44,000
Reserves		112,330	99,535
Shareholders' funds		156,330	143,535
Minority interests		191	188
		156,521	143,723

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2002	33,000	–	1,713	1,713	20,718	57,144
Dividend for 2001, paid	–	–	–	–	(18,900)	(18,900)
Net profit for the period	–	–	–	–	20,008	20,008
Appropriations	–	–	908	908	(1,816)	–
At 30 June 2002	33,000	–	2,621	2,621	20,010	58,252
At 1 January 2003	44,000	57,242	5,108	5,108	32,077	143,535
Dividend for 2002, paid	–	–	–	–	(13,200)	(13,200)
Net profit for the period	–	–	–	–	25,995	25,995
At 30 June 2003	44,000	57,242	5,108	5,108	44,872	156,330

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2003	**2002**
	RMB'000	*RMB'000*
Cash flows from operating activities	30,261	12,142
Cash flows from investing activities	(10,750)	2,905
Cash flows from financing activities	(10,350)	(12,456)
Net increase in bank balances and cash	9,161	2,591
Bank balances and cash at 1 January	76,464	5,549
Bank balances and cash at 30 June	85,625	8,140

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

(1) GENERAL

深圳市元征計算機有限公司 (formerly 深圳元征計算機有限公司) (the "Predecessor") was established in Shenzhen, the People's Republic of China (the "PRC") on 27 July 1993 as a limited liability company. The Company was established in Shenzhen, the PRC on 1 June 2001 as a joint stock limited company by way of transformation (the "Joint Stock Transformation") of the Predecessor. Upon establishment, the Company continued to carry on the business activities of provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

The overseas listed foreign invested shares ("H Shares") of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited on 7 October 2002. Details of the Joint Stock Transformation are set out in the prospectus dated 30 September 2002 issued by the Company.

(2) BASIS OF CONSOLIDATION

The condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June of 2003 and 2002.

All significant intra-group transactions and balances have been eliminated on consolidation.

(3) ACCOUNTING POLICIES AND ADOPTION OF NEW OR REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The condensed financial statements have been prepared under the historical cost convention. The interim report has been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2002, except that the Group has adopted the new and revised SSAPs which became effective on 1 January 2003. The adoption of these new and revised SSAPs has no material effect on the Group's results.

(4) TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amount received and receivable (net of any business tax) for goods and software system sold and services rendered.

The Group's operation is regarded as a single business segment, being an enterprise providing products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

The Group's operation by geographical analysis as below:

	Turnover For the three months ended 30 June		Contribution to net profit For the three months ended 30 June	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Geographical market:				
PRC (not including Hong Kong)	36,628	29,479	19,057	17,353
Europe	3,288	1,310	2,366	741
Africa and the Middle East	3,588	767	2,265	392
America	722	251	462	131
Australia	3,786	–	1,796	–
Asia (not including PRC)	1,725	2,285	787	1,370
	49,737	34,092	26,733	19,987
Unallocated other operating incomes			443	610
Research and development costs			(2,218)	(639)
Unallocated corporate expenses			(9,045)	(8,351)
Profit from operations			15,913	11,607

	Turnover For the six months ended 30 June		Contribution to net profit For the six months ended 30 June	
	2003	**2002**	**2003**	**2002**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Geographical market:				
PRC (not including Hong Kong)	63,384	48,064	36,369	29,130
Europe	3,519	3,483	2,531	2,513
Africa and the Middle East	3,957	1,113	2,507	600
America	1,955	1,203	1,264	865
Australia	3,786	60	1,796	36
Asia (not including PRC)	2,282	2,389	1,044	1,444
	78,883	56,312	45,511	34,588
Unallocated other operating incomes			900	641
Research and development costs			(3,002)	(1,630)
Unallocated corporate expenses			(14,156)	(10,520)
Profit from operations			29,253	23,079

(5) PROFIT FROM OPERATIONS

	For the six months ended 30 June	
	2003	**2002**
	RMB'000	*RMB'000*
Profit from operations has been arrived at after charging:		
Depreciation and amortisation on:		
– property, plant and equipment	2,010	1,440
– intangible assets (including goodwill and development costs)	673	1,122

(6) TAXATION

The charge for the year represents provision for PRC taxation which is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable.

Pursuant to the relevant laws and regulations in the PRC, the Company has been designated as a new and high technology enterprise and was exempted from PRC Enterprise Income Tax, which is currently at the rate of 15%, for the two years 2000 and 2001 from the first profitable year of operation and is eligible for and entitled to a 50% tax relief for the next three years from 2002 to 2004.

The Company's subsidiaries are subject to income tax rates of 15% to 33%.

The Group and the Company did not have any significant unprovided deferred taxation for the period or at the balance sheet date.

(7) INTERIM DIVIDENDS

The Directors do not recommend an interim dividend for the six months ended 30 June 2003 (2002: RMB7,400,000).

(8) EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30 June 2003 was based on the net profit of approximately RMB13,949,000 and approximately RMB25,995,000 (three months and six months ended 30 June 2002: net profit of approximately RMB9,998,000 and RMB20,008,000) divided by the weighted average number of shares issued during the periods of 440,000,000 shares (three months and six months ended 30 June 2002: 330,000,000 shares as if the sub-division of the Company's shares as described in the Prospectus, which had taken place on 1 January 2001).

No diluted earnings per share has been presented as there were no potential dilutive shares for either relevant periods.

(9) ADDITIONS TO PROPERTY, PLANT, AND EQUIPMENT

During the period, the Group spent approximately RMB879,000 (2002: approximately RMB7,465,000) on acquisition of property, plant and equipment.

(10) TRADE RECEIVABLES

Customers of software systems are invoiced by instalments over a period of up to twelve months after customers' examination and acceptance. The Group allows a credit period of one to six months to its other trade customers.

Aged analysis of trade receivables are as follows:

	30 June 2003 (Unaudited) *RMB'000*	**31 December 2002 (Audited)** *RMB'000*
Within 6 months	43,265	29,215
Over 6 months but less than 1 year	–	23
Over 1 year but less than 2 years	283	283
	43,548	29,521

(11) TRADE PAYABLES

Aged analysis of trade payables are as follows:

	30 June 2003 (Unaudited) *RMB'000*	**31 December 2002 (Audited)** *RMB'000*
Within 6 months	6,928	12,157
Over 6 months but less than 1 year	–	253
Over 1 year but less than 2 years	253	–
	7,181	12,410

(12) CAPITAL COMMITMENTS

The Group had no capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements.

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

As at 30 June 2003, the Directors, supervisors and chief executives of the Company had 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 he is 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 Rules 5.40 to 5.58 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares

Name of Director	Capacity	Number of Shares	Approximate Percentage of holding
Mr. Liu Xin	Beneficial owner	132,000,000	30.00%
	Interest of controlled corporation	119,625,000	27.19% *(note 1)*
Mr. Liu Jun	Interest of controlled corporation	119,625,000	27.19% *(note 2)*
Mr. Wang Xue Zhi	Beneficial owner	9,636,000	2.19%
Ms. Liu Yong	Interest of controlled corporation	49,500,000	11.25% *(note 3)*
Mr. Zhang Jie	Interest of controlled corporation	19,239,000	4.37% *(note 4)*

Notes:

(1) Mr. Liu Xin holds 60% interest in 深圳市浪曲科技開發有限公司 ("Shenzhen Langqu") which holds approximately 27.19% interest in 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 the SFO, to be interested in approximately 27.19% interest in the Company apart from his 30% personal interest in the Company. Mr. Liu Xin is the brother of Mr. Liu Jun and Ms. Liu Yong.

(2) Mr. Liu Jun holds 40% interest in Shenzhen Langqu which holds approximately 27.19% interest in the Company. The corporate interest of Mr. Liu Jun in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Jun's holding more than one-third interest in Shenzhen Langqu which holds approximately 27.19% interest in the Company, Mr. Liu Jun is deemed, under the SFO, to be interested in approximately 27.19% interest in the Company. Mr. Liu Jun is the brother of Mr. Liu Xin and Ms. Liu Yong.

(3) Ms. Liu Yong holds 60% interest in 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") which holds approximately 11.25% interest in the Company. By virtue of Ms. Liu Yong's holding more than one-third interest in Shenzhen De Shi Yu, Ms. Liu Yong is deemed, under the SFO, to be interested in approximately 11.25% interest in the Company. Mr. Liu Yong is the sister of Mr. Liu Xin and Mr. Liu Jun.

(4) Mr. Zhang Jie holds 75% interest in 深圳市杰欣科技發展有限公司 ("Shenzhen Jie Xin") which holds approximately 4.37% interest in the Company. By virtue of Mr. Zhang Jie's holding more than one-third interest in Shenzhen Jie Xin, Mr. Zhang Jie is deemed, under the SFO, to be interested in approximately 4.37% interest in the Company.

(b) Interest in underlying shares pursuant to equity derivatives

Share options

No option has been granted by the Company under the share option scheme since its adoption.

Save as disclosed above, as at 30 June 2003, none of the Directors or supervisors or chief executives of the Company has any personal, family, corporate or other interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations, as defined in the SFO.

INTEREST DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as known to the Directors, as at 30 June 2003, the following, not being Directors or supervisors or chief executives 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 10% 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 or substantial shareholders as recorded in the register required to be kept by the Company under 336 of the SFO:

Long positions in Shares

Name	Capacity	Number of Shares	Approximate Percentage of holding
Shenzhen Langqu	Beneficial owner	119,625,000	27.19% *(note 1)*
Shenzhen De Shi Yu	Beneficial owner	49,500,000	11.25% *(note 2)*

Notes:

(1) The legal and beneficial interests in the shares of Shenzhen Langqu are owned by Mr. Liu Xin as to 60% and by Mr. Liu Jun as to 40% respectively. Mr. Liu Xin and Mr. Liu Jun are therefore deemed to be interested in all Shares registered in the name of Shenzhen Langqu under the SFO.

(2) The legal and beneficial interests in the shares of Shenzhen De Shi Yu are owned by Ms. Liu Yong as to 60%. Ms. Liu Yong is therefore deemed to be interested in all Shares registered in the name of Shenzhen De Shi Yu under the SFO.

Save as disclosed above, as at 30th June 2003, the Directors, Supervisors or chief executives of the Company were not aware of any other person (other than Directors, Supervisors or chief executives of the Company) who had 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 2 and 3 of Part XV of the SFO or, directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and neither the Directors, supervisors nor chief executives, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the period ended 30 June 2003, the Group had the following transactions with connected parties as defined in the GEM Listing Rules.

Pursuant to an agreement dated 13 December 2002 entered into between the Company and Shenzhen De Shi Yu, Shenzhen De Shi Yu agreed to provide a shareholder guarantee to a bank amounting to RMB15,000,000, at no cost and expense and without interest or security from the Company, to secure the bank loan of RMB15,000,000 granted to the Company. The guarantee was effective from 16 December 2002 and will be terminated upon full repayment of the relevant bank loan. Shenzhen De Shi Yu is a company which holds 11.25% interest in the Company and Ms. Liu Yong, a Director, has beneficial interests. Details of this arrangement are set out in the announcement dated 27 December 2002 issued by the Company.

Save as disclosed above, 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 period or at any time during the period.

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

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

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the period.

An audit committee was established on 21 March 2002 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises the two independent non-executive directors, Mr. Zhang Xiao Yu and Mr. Hu Zi Zheng, and one executive director, Mr. Liu Jun.

The audit committee has reviewed the Group's unaudited results for the six months ended 30 June 2003 and has provided advice and comment thereon.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited ("CPY Capital"), neither CPY Capital nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 30 June 2003.

CPY Capital has entered into a sponsor agreement with the Company whereby, for a fee, CPY Capital will act as the Company's retained sponsor for the purpose of Chapter 6 of the GEM Listing Rules for the remaining period up to 31 December 2004 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

On behalf of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC, 13 August 2003