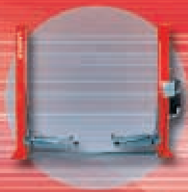
LAUNCH

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 2004

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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 requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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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(Stock Code: 8196)

HIGHLIGHTS:

- Turnover for the three months ended 30 June 2004 was approximately RMB83,668,000; increased by approximately 68.2% compared with corresponding period in 2003.

- Net profit for the three months ended 30 June 2004 reached approximately RMB15,994,000 representing an increase of approximately 14.6% as compared with the corresponding period in 2003; and basic earnings per share was approximately RMB0.06.

- The Directors do not recommend an interim dividend for the six months ended 30 June 2004.

CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the period of the three months and the six months ended 30 June 2004.

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

– Turnover rose approximately 68.2% as compared with corresponding period in 2003.

– Net profit rose approximately 14.6% as compared with corresponding period in 2003.

– The automotive lift factory in Shanghai had started production.

– The Group started the auto supermarket business in major cities in China.

Financial Overview

	Three months ended 30 June 2004 (RMB'000)	Three months ended 31 March 2004 (RMB'000)
Turnover	83,668	55,155
Costs of Sales	42,659	25,560
Gross Profit	41,009	29,595
Net Profit	15,994	12,726

Financial Review

The Group's unaudited consolidated turnover for the three months and six months ended 30 June 2004 amounted to approximately RMB83,668,000 and RMB138,823,000 respectively, representing a growth of approximately 68.2% and 76% over the corresponding period in 2003 respectively. The sharp increase in the Group's turnover was mainly due to the improvement of its product lines, the expansion of its sales network and the success in executing its market strategies. All these had resulted in good business development in the first two quarters of this year. During this period, the average gross profit margin of the Group was maintained at approximately 49%.

During this period, the administrative expenses of the Group rose significantly mainly due to the rapid growth of the Group's business scale. As such, additional staff was recruited in the first half of the year, which led to an increase in the Group's staff cost and related expenses. At the same time, a corresponding growth rate was recorded for the Group's selling expenses, which was in line with Group's turnover growth. The Group's unaudited net profit attributable to shareholders for the three months and six months ended 30 June 2004 amounted to approximately RMB15,994,000 and RMB28,720,000 respectively. Profit attributable to shareholders grew approximately 14.6% and 10.5% as compared with that of the corresponding periods in 2003 respectively.

BUSINESS REVIEW

Cooperations with domestic and overseas dealers

The Group continued consolidating and improving its domestic market presence with the strategy of developing both channels of direct sales and distribution. In terms of direct sales, we adopted new strategies in the first half of the year: (1) established auto supermarkets in Chengdu and Wuhan, which engaged in the business of wholesaling and retailing auto aftermarket products; (2) launched the mobile sales fleet program, in such the first batch of 100 mobile sales fleets had been placed into the market and engaged in the business of wholesaling and retailing auto aftermarket products; and, (3) established six new second-tier branches in Changsha, Nanning, Hangzhou, Nanchang, Nanjing and Foshan.

In terms of distribution, the Group adopted the following new policies: (1) developed distributor network according to product lines and regions; (2) formulated cooperations with established and reputable distributors; (3) renewed contracts with distributors in accordance with the new terms, of which 120 distributors have already renewed their contracts at the latest.

The Group had speeded up the progress of internationalization in the first half of the year. The cooperation with Japanese distributors earmarked the Group's full participation in the high-end auto markets like Europe, America and Japan. The Group then participated in international auto exhibitions in Japan, New Zealand, Spain, Australia and Germany. Through these exhibitions, the Group had displayed new products, publicized its image and gained a lot of new business opportunities.

Market Promotion

The Group's performed well in both domestic and overseas markets in the first half of the year.

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 national and local exhibitions in the industry. For the first half of the year, the Group took part in the "41st National Automobile Repair, Testing and Diagnostic Equipment and Automotive Appliances and Parts Exhibition" in Beijing in February, the "11th China International Automobile Repair Technologies, Appliances and Equipment Exhibition" in Beijing in March, the "2004 Spring National Ironware Exhibition" in Shanghai, and exhibitions held in Taiyuan, Changsha, Urumqi, Chengdu and Nanjing; (2) hosted product promotion conferences in major cities and new markets across the PRC. The Group held new product promotion conferences in several cities, including Beijing, Hurhot, Shanghai, Nanchang, Shenyang and Jiangxi in the first half of the year. Through on-site product demonstration and technology seminars, the Group could get to know its clients' needs and in turn provide them with better service. At the same time, the Group actively publicized and promoted its products and hence greatly boosted their sales; and (3) better technical training was also provided to customers, taking advantage of Launch's headquarters and training centres in various locations. Over 600 customers received trainings in the Group's headquarters and training centres in various locations in the first half of the year.

The Group also engaged in negotiations with overseas dealers on opportunities of cooperations in the first half of the year; as there seemed to be increasing room for development in the overseas market. Marketing activities in North America in the second half of the year are expected to make substantial progress.

Management

Good management became an ever more important issue as the Group rapidly expanded its operations. In order to complement the Group's expansion, we strengthened our management works and relevant new management procedures have been adopted.

In the first half of the year, auto supermarket department, logistics department, production support department and cleansing department have been grouped to form the "Launch A Business Division". This formation could enhance the transportation, storage and management of the Group's products. As a result, the speed of launching new products and goods into the market can be controlled and improved effectively, thus avoiding the situations of waiting for or lacking of products.

Manpower is the most important factor to our productivity. In respect of staffing, over 100 market talents and professional management personnel with high qualifications have joined Launch during this period. They have provided momentum in enhancing and developing Launch's core competitiveness.

Research and Development ("R&D")

In terms of diagnostic products, the Group has launched the more advanced 431XP automotive diagnostic workshop, MX431 personal business diagnostic computer (palm electronic eye), X431-PCLINK, X431 exclusive PC version for Benz (BMW), sensor testing box and battery testing box. For testing products, the Group has developed the fourth generation of Four Wheel Alignment System KWA-521 and KWA-221, and the third generation of Automobile Exhaust Analyzer VEA-501B\401B.

Construction of new plant

The largest automotive lift production base in Asia invested by the Group had started production during this period. The production base is located in Anting County, Jiading District, Shanghai. The site has approximately 70,000 square metres in area and the gross floor area for phase one is approximately 25,000 square metres. As at 30 June 2004, the accumulated total investment amounted to approximately RMB72 million.

In the second quarter, the production plants for tire chargers and wheel balancers located in Shenzhen had started production. The new plant for manufacturing electrical appliances for automobiles located in Shenzhen was completed, and is expected to start production in the second half of the year. This new plant will manufacture multi-media electronic products for automobile, on-board DVD and mobile network positioning system, WIMC.

PROSPECTS

In the domestic market, the Group will open more than 10 auto supermarkets, such as in Shenyang and Shenzhen, this year. In respect of market development, the Group will continue to develop provincial second-tier branches to take up the operations while the Group's first-tier branches will be responsible for management. With regards to sales, the Group will change the past pattern of providing products only to providing professional total solutions.

Liu Xin
Chairman

Shenzhen, the PRC, 13 August 2004

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 RMB198,112,000 as at 30 June 2004.

As at 30 June 2004, shareholders' equity of the Group amounted to approximately RMB330,942,000. Current assets amounted to approximately RMB489,785,000. The Group's long-term liabilities amounted to approximately RMB7,826,000, which comprised non-current secured loans of RMB4,269,000, and its current liabilities amounted to approximately RMB312,652,000, which comprised short term bank borrowings amounted to approximately RMB126,300,000, and the remainder mainly consists of accounts payables and accruals. The Group's net asset value per share amounted to approximately RMB0.64. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 19%.

Pledge of assets

As at 30 June 2004, apart from the pledged bank deposits of approximately RMB16,660,000 and certain pledged property and motor vehicles of approximately RMB7,081,000, the Group had no other pledged assets.

Major investment

As at 30 June 2004, the Group had no material future investment, other than the acquisition of capital assets purchases as mentioned in the section headed "Statement of business objectives" in the Company's prospectus issued on 30 September 2002 (the "Prospectus"), the share placing announced in 9 July 2003 and the construction of the new corporate headquarter in Shenzhen in the second half of 2004 as stated in the circular of the Company dated 21 November 2003 ("the November 2003 Circular").

The acquisition of the total issued capital of Launch Europe GmbH ("Launch Germany") from an outside party by the Group was completed on 30 June 2004. The aggregate amount of the investment was USD 80,000. Launch Germany was the Group's principal distributor in Europe and would continue to develop overseas business of the Group after acquisition. Furthermore, the Company and Launch Germany set up a Sino-foreign cooperative joint venture named Shanghai Launch Machinery Equipment Company Limited ("Launch Shanghai") to operate the Group's automotive lift factory in Shanghai.

Launch Shanghai was established in Shanghai, PRC and is mainly engaged in the production of automotive lifts. The registered capital of Launch Shanghai is USD 10,000,000 in which the Company and Launch Germany each will contribute USD 5,000,000. The joint investment in Launch Shanghai was completed on 30 June 2004. As at 30 June, Launch Germany was a wholly-owned subsidiary of the Company, thus the Company wholly-owned Launch Shanghai indirectly.

Relevant information about the investment in Launch Shanghai has been disclosed in the Circular of the Company dated 9 July 2004.

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

Contingent liabilities

The Group did not have any major contingent liabilities as at 30 June 2004.

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 2004, the Group had approximately 1500 and 40 employees based in the PRC and overseas respectively. For the six months ended 30 June 2004, the staff cost net of the remunerations of the Directors and Supervisors amounted to approximately RMB21,741,000 (2003: approximately RMB 7,846,000). 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 2003.

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**	
	Continue to increase functionality and introduce upgraded version of ADC2000	Completed
	Launch of 3D wheel alignment system in the US, Canda and Russia	Completed
	Continue to increase functionality and introduce upgraded version of "mobile container testing line"	Development was terminated due to change in actual market conditions
	Testing, completion and launch of "automobile satellite positioning, logistics and diagnostic system" on VOLVO models of trucks	Development was terminated due to change in actual market conditions
	Launch of iLAM version 4.0	Completed

Expected progress of projects	Actual progress of projects
2. Expansion of PRC market	
Continue to expand Launch GD programme by entering into arrangement with 18 operators in strategic locations in the PRC, including Beijing, Tianjin, Hebei, Shangdong and Henan	The Group's GD project was successfully transferred to "A Chain Development Business Division" in accordance with the Group's development strategy. The former GDs was transformed to be the "A Stores" of the Group. For the sake of prudence, "A Stores" will be set up in major cities across the country in the year except the "A Stores" transferred from the GD project. "A Stores" are planned by the Group to combine automobile services equipment sales, whole sale and retail of automobile maintenance and beauty products and automobile quick repair services three-in-one, and in franchise development.
Expand distribution network by entering into arrangement with 11 Launch Franchise Dealers located in strategic locations in the PRC, including Beijing, Tianjin, Hebei, Shangdong and Henan	While expanding the distribution network, Launch's mobile sales trucks launched direct sales across 8 cities in China, and thus improving the Group's direct sales network.
Continue to enter into collaborative arrangement with reputable academic institutions in the PRC to establish 13 training centres in strategic locations in the PRC, including Beijing, Tianjin, Hebei, Shangdong and Henan	All originally authorized training centres met the Group's requirements. The Group will continue to provide good training services to clients.
Continue to participate in major trade exhibitions and forums in the PRC	Proceeded according to plans
Conduct annual trade fair for dealers and distributors in the PRC	Proceeded according to plans
Advertise in trade journal, magazines and press to promote corporate and product brandname	Proceeded according to plans

Expected progress of projects	Actual progress of projects
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, Singapore and Vietnam	According to this plan, GD partners were sought in the U.S., Canada, Japan, Australia, the Middle East Malaysia, Germany, Russia 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;
Expand distribution network by entering into arrangement with 5 Launch Franchise Dealers located in strategic overseas locations, including the US, Russia, Australia, Singapore and Vietnam	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	Proceeded according to plans

USE OF PROCEEDS

The Company received net proceeds (after deducting relevant listing and placing expenses) of approximately HK$79,200,000 and HK$113,400,000 respectively from the initial public offering of 110,000,000 H Shares in October, 2002 and placing of 80,000,000 H Shares in October, 2003.

For the year ended six months 30 June 2004 the net proceeds arising from initial listing and subsequent placing of Shares, as set out in the Prospectus and the circular of the Company issued on 9 July 2003 (the "July 2003 Circular"), were utilized as follows:

	Intended use of proceeds *HK$ million*	**Actual expenditure** *HK$ million*
As set out in the Prospectus:		
Stengthening research and development	6.5	6.9
Developing the PRC market	2.0	9.4
Developing overseas markets	1.0	1.0
	9.5	17.3

The actual use of proceeds from listing of shares exceeded the estimation in the Prospectus. The actual use of proceeds in respect of strengthening research and development is lower than that set out in the Prospectus, because the Company was able to improve the efficiency and effectiveness of research and development of certain products, particularly wheel alignment system and X431 Electronic Eye, during 2003. The unutilized proceeds were held as short-term bank deposits. The Directors consider that the net proceeds will be sufficient for the requirement of future business objectives as stated in the Prospectus.

	Intended use of proceeds *HK$ million*	**Actual expenditure** *HK$ million*
As set out in the circular:		
Construction of a production base of automotive lifts in Shanghai	68.04	57.33
Enhancing the existing capacity of the plant	22.68	32.01
Expanding distribution channels by setting up overseas offices	11.34	3.70
Working capital	11.34	11.34
	113.40	104.38

As at 30 June 2004, the accumulated actual use of proceeds from placing of shares was less than the estimation in the July 2003 Circular as part of the proceeds will be utilized in second half of 2004 and 2005, the unutilised proceeds were held as short-term bank deposits. The Directors consider that the net proceeds from placing will be sufficient for the requirement of future business development as stated in the July 2003 Circular.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
		2004	**2003**	**2004**	**2003**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*(4)*	83,668	49,737	138,823	78,883
Cost of sales		(42,659)	(23,004)	(68,219)	(33,372)
Gross profit		41,009	26,733	70,604	45,511
Other operating income		1,251	443	1,372	900
Selling expenses		(9,548)	(4,805)	(15,123)	(7,546)
Administrative expenses		(11,762)	(4,240)	(20,465)	(6,610)
Research and development costs		(1,100)	(2,218)	(2,500)	(3,002)
Profit from operations	*(5)*	19,850	15,913	33,888	29,253
Finance costs		(2,612)	(931)	(2,973)	(1,255)
Profit before taxation		17,238	14,982	30,915	27,998
Taxation	*(6)*	(1,250)	(1,024)	(2,250)	(2,000)
Profit before minority interests		15,988	13,958	28,665	25,998
Minority interests		6	(9)	55	(3)
Net profit for the period		15,994	13,949	28,720	25,995
Dividends	*(7)*	–	–	–	–
Earnings per share – basic	*(8)*	RMB0.03	RMB0.03	RMB0.06	RMB0.06

CONSOLIDATED BALANCE SHEET

	NOTES	30 June 2004 (Unaudited) RMB'000	31 December 2003 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	(9)	124,915	41,562
Goodwill		28,974	836
Development costs		3,551	24,192
Payments for other investments		4,185	33,994
Deposits paid for acquisition of property, plant and equipment		–	1,711
		161,625	102,295
Current assets			
Inventories		107,833	76,749
Trade receivables	(10)	133,142	86,508
Other receivables, deposits and prepayments		48,531	26,107
Amount due from a related Company		2,177	–
Pledged bank deposits		16,660	2,160
Bank balances and cash		181,452	171,188
		489,795	362,712
Current liabilities			
Trade payables	(11)	136,240	33,270
Receipt in advance, other payables and accrued charges		40,062	36,159
Secured loans – amount due within one year		589	642
Amount due to a related company		–	291
Income tax payable		9,461	6,961
Bank loans		126,300	76,300
		312,652	153,623
Net current assets		177,143	209,089
Total assets less current liabilities		338,768	311,384
Non-current liabilities			
Secured loan – amount due after one year		4,269	5,549
Deferred taxation		3,385	3,385
		7,654	8,934
Minority interests		172	228
Net assets		330,942	302,222
Capital and reserves			
Share capital		52,000	52,000
Reserves		278,942	250,222
Shareholders' funds		330,942	302,222

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
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
At 1 January 2004	52,000	169,594	10,118	10,118	60,392	302,222
Net profit for the period	–	–	–	–	28,720	28,720
At 30 June 2004	52,000	169,594	10,118	10,118	89,112	330,942

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June 2004 *RMB'000*	2003 *RMB'000*
Cash flows from operating activities	41,857	30,261
Cash flows from investing activities	(80,260)	(10,750)
Cash flows from financing activities	48,667	(10,350)
Net increase in bank balances and cash	10,264	9,161
Bank balances and cash at 1 January	171,188	76,464
Bank balances and cash at 30 June	181,452	85,625

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

(1) GENERAL

The Company was established in Shenzhen, the People's Republic of China (the "PRC") as a joint stock limited company and its overseas listed foreign invested shares ("H Share") are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

(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 2004 and 2003.

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 2003, except that the Group has adopted the new and revised SSAPs which became effective on 1 January 2004. 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**	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Geographical market:				
PRC (not including Hong Kong)	31,738	36,628	12,117	19,057
Europe	12,269	3,288	6,380	2,366
Africa and the Middle East	9,047	3,588	4,614	2,265
America	14,256	722	8,268	462
Australia	4,269	3,786	2,135	1,796
Asia (not including PRC)	12,089	1,725	7,495	787
	83,668	49,737	41,009	26,733
Unallocated other operating incomes			1,251	443
Research and development costs			(1,100)	(2,218)
Unallocated corporate expenses			(21,310)	(9,045)
Profit from operations			19,850	15,913

	Turnover For the six months ended 30 June		**Contribution to net profit For the six months ended 30 June**	
	2004	**2003**	**2004**	**2003**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Geographical market:				
PRC (not including Hong Kong)	62,768	63,384	24,904	36,369
Europe	20,026	3,519	11,035	2,531
Africa and the Middle East	10,423	3,957	5,864	2,507
America	21,281	1,955	13,459	1,264
Australia	7,333	3,786	3,891	1,796
Asia (not including PRC)	16,992	2,282	11,451	1,044
	138,823	78,883	70,604	45,511
Unallocated other operating incomes			1,372	900
Research and development costs			(2,500)	(3,002)
Unallocated corporate expenses			(35,588)	(14,156)
Profit from operations			33,888	29,253

(5) PROFIT FROM OPERATIONS

	For the six months ended 30 June	
	2004	**2003**
	RMB'000	*RMB'000*
Profit from operations has been arrived at after charging:		
Depreciation and amortisation on:		
– property, plant and equipment	3,589	2,010
– intangible assets (including goodwill and development costs)	1,341	673

(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 varies from 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) DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2004 (2003: Nil).

(8) EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and six months ended 30 June 2004 was based on the net profit of approximately RMB15,994,000 and approximately RMB28,720,000 (three months and six months ended 30 June 2003: net profit of approximately RMB13,949,000 and RMB25,995,000) divided by the weighted average number of shares issued during the periods of 520,000,000 shares (three months and six months ended 30 June 2003: 440,000,000 shares).

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

(9) PROPERTY, PLANT, AND EQUIPMENT

During the period, the Group spent approximately RMB86,943,000 (2003: approximately RMB879,000) on acquisition of property, plant and equipment. The substantial increase is mainly because of the investment in the Launch Shanghai.

(10) TRADE RECEIVABLES

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 2004 (Unaudited) *RMB'000*	**31 December 2003 (Audited)** *RMB'000*
Within 6 months	84,843	72,722
Over 6 months but less than 1 year	47,644	13,294
Over 1 year but less than 2 years	655	492
	133,142	86,508

(11) TRADE PAYABLES

Aged analysis of trade payables are as follows:

	30 June 2004 (Unaudited) *RMB'000*	**31 December 2003 (Audited)** *RMB'000*
Within 6 months	109,746	30,221
Over 6 months but less than 1 year	25,606	2,161
Over 1 year but less than 2 years	888	888
	136,240	33,270

(12) CAPITAL COMMITMENTS

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

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

(a) Interests and short positions of Directors, chief executives and supervisors of the Company in the share capital of the Company and its associated corporations

As at 30 June 2004, the Directors, chief executives and supervisors of the Company have the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the 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 5.48 to 5.67 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:

Long positions in Shares

Domestic Shares

Name of Director	Capacity and types of interests	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	(1) Beneficial owner	132,000,000	40.00%	25.39%
	(2) Interest of a controlled corporation	119,625,000	36.25% *(note 1)*	23.00%
Mr. Liu Jun	Interest of a controlled corporation	119,625,000	36.25% *(note 2)*	23.00%
Mr. Wang Xue Zhi	Beneficial owner	9,636,000	2.92%	1.85%
Ms. Liu Yong	Interest of a controlled corporation	49,500,000	15.00% *(note 3)*	9.52%
Mr. Zhang Jie	Interest of a controlled corporation	19,239,000	5.83% *(note 4)*	3.70%

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 36.25% 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 36.25% interest in the issued domestic shares of the Company apart from his personal interest of 40.00% interest in the issued domestic shares of the Company.

(2) Mr. Liu Jun holds 40.00% interest in Shenzhen Langqu which holds approximately 36.25% interest in the issued domestic shares of 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 36.25% interest in the issued domestic shares of the Company, Mr. Liu Jun is deemed, under Part XV of the SFO, to be interested in approximately 36.25% interest in the issued domestic shares of the Company.

(3) Ms. Liu Yong holds 60.00% interest in 深圳市得時域投資有限公司("Shenzhen De Shi Yu") which holds 15% interest in the issued domestic shares of 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 Part XV of the SFO, to be interested in 15% interest in the issued domestic shares of the Company.

(4) Mr. Zhang Jie holds 75.00% interest in 深圳市杰欣科技發展有限公司("Shenzhen Jie Xin") which holds approximately 5.83% interest in the issued domestic shares of 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 Part XV of the SFO, to be interested in approximately 5.83% interest in the issued domestic shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors of the Company has any personal, family, corporate or other interests or short positions in any shares, debentures or underlying shares of the Company or any of its associated corporations as defined in the SFO.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as known to the Directors, as at the Latest Practicable Date, the following, not being a Director or supervisor of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions of 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 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:

Long positions in Shares and underlying Shares in the Company

(i) Domestic Shares

Name	Capacity and types of interests	Number of Domestic Shares	Approximate percentage of the Company's issued Domestic Shares	Approximate percentage of the Company's total issued Shares
Shenzhen Langqu	Interest of a controlled corporation	119,625,000	36.25% *(note 1)*	23.00%
Shenzhen De Shi Yu	Interest of a controlled corporation	49,500,000	15.00% *(note 2)*	9.52%
Shenzhen Jie Xin	Interest of a controlled corporation	19,239,000	5.83% *(note 3)*	3.70%

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 Domestic Shares registered in the name of Shenzhen Langqu under Part XV of 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 Domestic Shares registered in the name of Shenzhen De Shi Yu under Part XV of the SFO.

(3) The legal and beneficial interests in the shares of Shenzhen Jie Xin are owned by Mr. Zhang Jie as to 75%. Mr. Zhang Jie is therefore deemed to be interested in all Domestic Shares registered in the name of Shenzhen Jie Xin under Part XV of the SFO.

(ii) H Shares

Name	**Capacity and types of interests**	**Interests in H Shares long position**	**Interests in underlying H Shares pursuant to debentures**	**Approximate percentage of the Company's issued H Shares**	**Approximate percentage of the Company's total issued Shares**
Baring Asia II Holdings (20) Limited	Interest of a controlled corporation	45,755,000	–	24.08%	8.80%
Baring Asia Private Equity Fund II L.P.1	Interest of a controlled corporation	45,755,000	–	24.08% *(note 1)*	8.80%
Victory Investment China	Interest of a controlled corporation	18,500,000	–	9.74%	3.56%
Carlson Fund Equity Asian Small Cap	Interest of a controlled corporation	12,180,000	–	6.41%	2.34%

Notes:

1. Baring Asia Private Equity Fund II L.P. 1 is interested in 47.14% of the issued share capital of Baring Asia Holdings (20) Limited. Therefore, by virtue of Part XV of the SFO, the H Shares in which Baring Asia II Holdings (20) Limited is shown as being interested are included in and duplicate with interest in the H Shares held by Baring Asia Private Equity Fund II L.P. 1.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the period ended 30 June 2004, the Group had the following transactions with connected parties as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 9.52% 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. The bank loan was repaid in March 2004.

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 year 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

An audit committee was established on 21 March 2002 with written terms of reference in compliance 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.

One audit committee meeting was held this year to perform the following duties:

– review 2003 annual report, 2004 first quarterly report and this report of the Company;

– review and supervise the internal control system of the Group.

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 2004.

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 2004