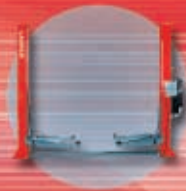


LAUNCH

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)

Third Quarterly 2004 Report



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

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 these 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

LAUNCH

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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 8196)

HIGHLIGHTS:

- Net profit for the three months ended 30 September 2004 reached approximately RMB23,478,000, representing an increase of approximately 48.4% as compared with the corresponding period in 2003; and basic earnings per share for the nine month ended 30 September 2004 was RMB0.10.
- The Directors do not recommend an interim dividend for the three months ended 30 September 2004.

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 periods of the three months and the nine months ended 30 September 2004.

The major achievements of the Group during the third quarter of 2004 include:

- Net profit climbed approximately 48.4% as compared with corresponding period in 2003.
- The Group's domestic sales continued to achieve satisfactory results despite the slower than expected development in the domestic automotive service market.

Financial Overview

	Nine months ended 30 September 2004 <i>(RMB '000)</i>	Nine months ended 30 September 2003 <i>(RMB '000)</i>
Turnover	203,573	143,488
Costs of Sales	101,346	65,483
Gross Profit	102,227	78,005
Net Profit	52,198	41,821

Financial Review

The Group's unaudited consolidated turnover for the nine months ended 30 September 2004 amounted to approximately RMB203,573,000, representing a growth of approximately 41.9% over the corresponding periods in 2003. The 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 three quarters of this year. During these nine months, the average gross profit margin of the Group was maintained at approximately 50.3%.

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 3 quarters 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 profits attributable to shareholders for the three months and nine months ended 30 September 2004 amounted to approximately RMB23,478,000 and RMB52,198,000 respectively. Profits attributable to shareholders grew approximately 48.4% and 24.8% as compared with that of the corresponding periods in 2003. 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 three quarters of this year.

Business Review

During the period under review, development of the PRC automotive service market was discouraged by the government's policies to curb the overheated automotive industry, and in turn the automotive aftermarket was also affected. As automotive ownerships continued to rise in the PRC, the principal end users in the market, such as auto workshops and maintenance centres, had continued to increase their purchase of auto repair and maintenance equipment during this quarter. As a result, the Group continued to enjoy a healthy growth of its domestic sales, though at a slower pace as compared with the previous periods, during the third quarter. However, we believe that the current unfavorable macro environment of the auto sales and service markets will be short lived. We also believe sales in China's automotive aftermarket will resume its rapid development in the near future, as the country moves to become the third largest auto producer in the world.

Domestic sales were approximately RMB56,802,000 during this quarter, representing an increase of approximately 17.0% when compared with the corresponding period in the previous year. To encourage distribution sales, the Group closed several branch offices in second tier cities in the PRC and allowed more distributors to participate in its “Launch Van” program, hence reduced direct competitions with its customers. In the domestic market, the Group maintained its market leadership in the sales of diagnostic and testing equipment, while emphatically promoted its maintenance and cleaning equipment. Numerous workshops and distributors in big cities such as Shenzhen and Beijing joined the Group’s new “Launch Auto Maintenance Centre” franchise, adopting the full line of the Group’s auto maintenance and cleaning equipment.

International sales were approximately RMB7,948,000 during this quarter, representing a decline approximately 50.0% when compared with the corresponding period the previous year. Since most of the Group’s overseas distributors had not sold the products that they purchased from the Group during the previous quarters; in order to protect working capital and shorten accounts receivable cycle, the Group had reduced the shipment of products to its overseas distributors during this quarter. The Group’s overseas sales declined significantly during the third quarter due to such measure adopted by the management to strengthen the Group’s balance sheet. In Europe, the sales of the Group’s mechanical products such as lifts started to pick up along with the growing sales of diagnostic equipment. And in Japan, the Group’s X431 Electronic Eye became one of the most popular mid-price diagnostic equipment in this market. The sales of the Group’s products in the US market was less than satisfactory due to the slow and difficult development of diagnostic software for North American car models and complicated certification process for the Group’s lifts. During this quarter, the Group’s international marketing department was busy preparing to participate in industrial trade shows in Frankfurt and Las Vegas in the fourth quarter, where the Group, together with its overseas distributors, would organise the largest Launch product exhibitions.

During this quarter, the Group’s lift plant in Shanghai produced on average only approximately 600 units per month, due to unstable steel supplies and complicated certification process of the Group’s lifts destined for the US market. The sales at the newly opened auto supermarkets in Chengdu and Wuhan were also less than satisfactory, which caused the Group to temporarily postpone its plans to expand into the automotive aftermarket retailing sector. The development of the Group’s major R&D projects was on schedule, including the R&D of 431XP Electronic Eye, a high end auto diagnostic computer with repair solutions, which development is expected to be completed by the end of the year.

As a recognized key software development enterprise by both the national and municipal governments, the Group is entitled to receive value added tax (“VAT”) returns of 13% on its domestic software sales. As a result, the Group received a total of approximately RMB18,600,000 in VAT refund from the local tax bureau during this quarter. The Group will continue to enjoy such taxation benefit in the coming quarter.

Prospects

The Group has a clear vision in the production, management, promotion and distribution of automotive service equipment for the near future. Looking forward, the Group will continue to capitalize on its strengths in research and development as well as its extensive local and overseas distribution networks. Relying on its sound financial position and the team spirit of the management and staff, I believe the Group's business will continue to prosper.

Liu Xin
Chairman

Shenzhen, the PRC, 12 November 2004

UNAUDITED CONSOLIDATED INCOME STATEMENT

	NOTES	Three months ended 30 September		Nine months ended 30 September	
		2004 RMB '000	2003 RMB '000	2004 RMB '000	2003 RMB '000
Turnover	(2)	64,750	64,605	203,573	143,488
Cost of sales		(33,127)	(32,111)	(101,346)	(65,483)
Gross profit		31,623	32,494	102,227	78,005
Other operating income	(3)	19,898	335	21,270	1,235
Selling expenses		(12,273)	(5,919)	(27,396)	(13,465)
Administrative expenses		(9,869)	(6,717)	(30,334)	(13,327)
Research and development costs		(3,169)	(1,398)	(5,669)	(4,400)
Profit from operations		26,210	18,795	60,098	48,048
Finance costs		(2,405)	(1,352)	(5,378)	(2,607)
Profit before taxation		23,805	17,443	54,720	45,441
Taxation	(4)	(250)	(1,522)	(2,500)	(3,522)
Profit before minority interests		23,555	15,921	52,220	41,919
Minority interests		(77)	(95)	(22)	(98)
Net profit for the period		23,478	15,826	52,198	41,821
Dividends	(5)	–	–	–	–
Earnings per share – basic	(6)	RMB0.045	RMB0.036	RMB0.100	RMB0.095

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the nine months ended 30 September 2004

(1) BASIS OF CONSOLIDATION

The consolidated financial statement incorporate the financial statements of the Company and its subsidiaries made up to 30 September of 2004 and 2003.

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

(2) TURNOVER

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

(3) OTHER OPERATING INCOME

Other operating income mainly included VAT refund amounted to approximately RMB14,700,000 and RMB3,900,000 for the year end 31 December 2003 and the period ended 30 June 2004 respectively (2003: nil) received in this quarter.

(4) TAXATION

The charge for the period 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.

(5) INTERIM DIVIDENDS

The Directors do not recommend an interim dividend for the three months ended 30 September 2004 (2003: nil).

(6) EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months and nine months ended 30 September 2004 was based on the net profits of approximately RMB23,478,000 and approximately RMB52,198,000 (three months and nine months ended 30 September 2003: net profits of approximately RMB15,826,000 and RMB41,821,000) divided by the weighted average number of shares issued during the periods of 520,000,000 shares (three months and nine months ended 30 September 2003: 440,000,000 shares).

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

(7) RESERVES

	Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2003	57,242	5,108	5,108	32,077	99,535
Dividend for 2002, paid	–	–	–	(13,200)	(13,200)
Net profit for the period	–	–	–	41,821	41,821
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2003	57,242	5,108	5,108	60,698	128,156
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2004	169,594	10,118	10,118	60,392	250,222
Dividend for 2003, paid	–	–	–	(18,200)	(18,200)
Net profit for the period	–	–	–	52,198	52,198
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	169,594	10,118	10,118	94,390	284,220
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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 September 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 30 September 2004, 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 30 September 2004, 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% <i>(note 1)</i>	23.00%
Shenzhen De Shi Yu	Interest of a controlled corporation	49,500,000	15.00% <i>(note 2)</i>	9.52%
Shenzhen Jie Xin	Interest of a controlled corporation	19,239,000	5.83% <i>(note 3)</i>	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%
Carlson Fund Equity Asian Small Cap	Interest of a controlled corporation	12,180,000	–	6.41%	2.34%
Atlantis Investment Management Ltd A/C GAM Trading (No 24) Inc	Interest of a controlled corporation	11,000,000	–	5.79%	2.12%
GAM Hong Kong Limited	Interest of a controlled corporation	11,000,000	–	5.79%	2.12%

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 September 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 three independent non-executive directors, Mr. Zhang Xiao Yu, Mr. Hu Zi Zheng and Mr. Yim Hing Wah.

Audit committee meetings was held this year to perform the following duties:

- review 2003 annual report, 2004 first quarterly report, 2004 second 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, 12 November 2004