

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)

2005

| 3rd Quarterly Report |



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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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:

- Turnover for the nine months ended 30 September 2005 was approximately RMB238,471,000; increased by approximately 18.7% compared with corresponding period in 2004.
- Net profit for the nine months ended 30 September 2005 reached approximately RMB40,468,000 representing an increase of approximately 24% as compared with the corresponding period in 2004; and basic earnings per share was approximately RMB7.8 cents.
- The Directors do not recommend an interim dividend for the nine months ended 30 September 2005.

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 periods of the three months and the nine months ended 30 September 2005.

Financial Overview

	For the nine months ended	
	30 September 2005	30 September 2004
	(RMB '000)	(RMB '000)
Turnover	238,471	200,836
Costs of Sales	119,365	101,198
Gross Profit	119,106	99,638
Net Profit	40,468	32,629
Earnings per share	7.8 cents	6.3 cents

The Group's unaudited consolidated turnover for the three months and nine months ended 30 September 2005 amounted to approximately RMB79,580,000 and RMB238,471,000 respectively, representing a growth of approximately 28.3% and 18.7% over the corresponding periods in 2004 respectively. During this period, the average gross profit margin of the Group maintained at approximately 50%.

During this period, the selling expenses of the Group rose slightly mainly due to the Group's solidification of its market network. At the same time, with effective control over cost, the administrative expenses remained stable. The Group's unaudited net profits attributable to shareholders for the three months and nine months ended 30 September 2005 amounted to approximately RMB11,840,000 and RMB40,468,000 respectively. Unaudited profits attributable to shareholders dropped by approximately 13.1% and grew by approximately 24% over the corresponding periods in 2004 respectively. The reason for the decrease in the unaudited profit attributable to shareholders for the third quarter of 2005 compared with the corresponding period last year is that the Group received a value-added tax refund of RMB 18,600,000 for software sales in respect of the year of 2003 and the first half year of 2004, and the relevant application for tax refund for the second half of year 2004 and the year of 2005 has been subject to the consideration and approval of the tax bureau and would be credited into accounts after receipt of the relevant funds.

Business Review

The Group's principle developments in the past three quarters of the year under review are set as follows:

Automotive diagnostic products

X431 Electronic Eye has been the Group's core and popular product. During the first three quarters of the year, approximately 14,000 units were sold, 7,600 units of which were exported to overseas market. Upon solving the language translation problem of the products, sales recorded rapid growth in Europe with total sales achieving the expected target.

Automotive mechanical products

Demand of the Group's lifts was persistently strong, especially in the overseas markets. During the first three quarters of this year, a total of 6,300 sets were sold, around half of which were exported to overseas markets.

The Group's lifts, being designed for good quality and competitive pricing, are highly preferred by overseas customers. As the productivity of the Group's lifts plant in Shanghai has become more stable, the Group successfully entered into cooperation with a well-established North American lifts distributor this October. By which the Group will supply to the said distributor not fewer than 31,500 sets of two-post lifts for the next five years and subsequently not fewer than 20,000 sets for two years. Not only will this move generate a stable revenue source for its lift business, but also represent an affirmation for various aspects of the Group's lifts such as quality, production capability and safety standards. In view of the above development, it is believed that the Group's lift business will also grow rapidly in other regions. The Group will also consider the possibility of forming alliances of different forms with distributors in other regions so as to acquire more stable revenue sources for the Group.

Launch Industrial Park

In line with the business development of the Group, the Group has decided to construct Launch Industrial Park (the “Industrial Park”) in Shenzhen as its headquarters. The Industrial Park will be built on an industrial use land of 50,000 square meters, locating at Banxuegang industrial district (坂雪崗工業區), Longgang, Shenzhen, purchased in 2004. The project includes office buildings, warehouses, production lines and staff quarters. Construction of the Industrial Park is expected to complete in mid 2006. Upon completion, the Industrial Park will replace current leased workshops, offices and staff quarters. It will not only upgrade the productivity of diagnostic and testing products but also centralize the operation units such as research and development, production, administration and logistics within the headquarters to enhance the management efficiency. It is expected that the Industrial Park will contribute significantly to the business development of the Group.

Prospects

Looking ahead, the management and I have full confidence in the prospects for the Group, as our development will witness a great leap forward. The management highly focuses on further reinforcing our existing distribution network, strengthening our sales teams and also actively improving the competitiveness of the Group’s products in overseas markets. It aims to gradually penetrate different markets through entering into alliances with large distributors abroad, and so earns more recognition for Launch’s brand and further improves our sales.

Liu Xin
Chairman

Shenzhen, the PRC, 7 November 2005

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		(Re-stated)		(Re-stated)	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Turnover	(3)	79,580	62,013	238,471	200,836
Cost of sales		<u>(42,880)</u>	<u>(32,979)</u>	<u>(119,365)</u>	<u>(101,198)</u>
Gross profit		36,700	29,034	119,106	99,638
Other operating income		1,071	19,406	4,230	20,778
Selling expenses		(10,590)	(12,308)	(30,672)	(27,431)
Administrative expenses		(10,065)	(10,230)	(30,295)	(30,695)
Research and development expenses		(2,101)	(4,014)	(6,239)	(6,514)
Other operating expenses		<u>–</u>	<u>(5,418)</u>	<u>(1,061)</u>	<u>(15,127)</u>
Profit from operations		15,015	16,470	55,069	40,649
Finance costs		<u>(1,179)</u>	<u>(2,725)</u>	<u>(8,829)</u>	<u>(5,698)</u>
Profit before taxation		13,836	13,745	46,240	34,951
Taxation	(4)	<u>(1,951)</u>	<u>(50)</u>	<u>(5,751)</u>	<u>(2,300)</u>
Profit before minority interests		11,885	13,695	40,489	32,651
Minority interests		<u>(45)</u>	<u>(77)</u>	<u>(21)</u>	<u>(22)</u>
Net profit for the period		<u><u>11,840</u></u>	<u><u>13,618</u></u>	<u><u>40,468</u></u>	<u><u>32,629</u></u>
Dividends	(5)	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>
Earnings per share – basic	(6)	<u><u>RMB0.023</u></u>	<u><u>RMB0.026</u></u>	<u><u>RMB0.078</u></u>	<u><u>RMB0.063</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 30 September 2005

(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 ended 30 September of 2005 and 2004.

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

(3) Turnover

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

(4) 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 pays the Income Tax, at the rate of 15%. The Company's subsidiaries are subject to income tax rates varying 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.

(5) Dividends

The Board does not recommend an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

(6) **Earnings per share**

The calculation of the basic earnings per share was based on the net profits of approximately RMB11,840,000 and RMB40,468,000 for the three months and nine months ended 30 September 2005 respectively (the three months and nine months ended 30 September 2004: net profits of approximately RMB13,618,000 and RMB32,629,000) divided by the 520,000,000 shares in issue during the periods.

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

(7) **Reserves**

	Share premium <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Statutory public welfare fund <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Accumulated profits <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2004	169,594	10,118	10,118	–	37,843	18,200	245,873
2003 final dividend paid	–	–	–	–	–	(18,200)	(18,200)
Net profit for the period (restated)	–	–	–	–	32,629	–	32,629
	<u>169,594</u>	<u>10,118</u>	<u>10,118</u>	<u>–</u>	<u>70,472</u>	<u>–</u>	<u>260,302</u>
At 30 September 2004	<u>169,594</u>	<u>10,118</u>	<u>10,118</u>	<u>–</u>	<u>70,472</u>	<u>–</u>	<u>260,302</u>
At 1 January 2005	169,594	10,118	10,118	150	59,234	18,200	267,414
Appropriations	–	1,441	1,441	–	(2,882)	–	–
2004 final dividend paid	–	–	–	–	–	(18,200)	(18,200)
Net profit for the period	–	–	–	–	40,468	–	40,468
	<u>169,594</u>	<u>11,559</u>	<u>11,559</u>	<u>150</u>	<u>96,820</u>	<u>–</u>	<u>289,682</u>
At 30 September 2005	<u>169,594</u>	<u>11,559</u>	<u>11,559</u>	<u>150</u>	<u>96,820</u>	<u>–</u>	<u>289,682</u>

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' 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 2005, 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 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 5.48 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	Nature and Types of shares Held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Mr. Liu Xin	Beneficiary Owner	132,000,000	40.00%	25.39%
	Interest in controlled company	138,864,000	42.08% (Note 1)	26.70%
	Interest in controlled company	10,261,000	3.11% (Note 2)	1.97%
Mr. Liu Jun	Interest in controlled company	138,864,000	42.08% (Note 3)	26.70%
Mr. Wang Xue Zhi	Beneficiary Owner	9,636,000	2.92%	1.85%

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 42.08% 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 42.08% 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 Xin holds 40.00% interest in 深圳市得時域投資有限公司 (“Shenzhen De Shi Yu”) which holds 3.11% interest in the issued domestic shares of the Company. By virtue of Mr. Liu Xin’s holding more than one-third interest in Shenzhen De Shi Yu, Mr. Liu Xin is deemed, under Part XV of the SFO, to be interested in 3.11% 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.
- (3) Mr. Liu Jun holds 40.00% interest in Shenzhen Langqu which holds approximately 42.08% 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 42.08% 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 42.08% interest in the issued domestic shares of the Company.

Save as disclosed above, as at 30 September 2005, none of the Directors, chief executives 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 2005, 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 of the Company

(i) Domestic shares

Name	Nature and types of shares held	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 in controlled company	138,864,000	42.08% <i>(Note 1)</i>	26.70%

Notes:

- (1) The statutory 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.

(ii) *H Shares*

Name	Nature and types of shares held	Interests in H shares long position	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 in controlled company	45,755,000	24.08%	8.80%
Baring Asia Private Equity Fund II L.P.1	Interest in controlled company	45,755,000	24.08%	8.80% <i>(note 1)</i>
Atlantis Investment Management Ltd	Interest in controlled company	16,485,000	8.68%	3.17%
Citigroup Inc.	Interest in controlled company	13,549,000	7.13%	2.61%
Carlson Fund Equity Asian Small Cap	Interest in controlled company	12,180,000	6.41%	2.34%
GAM Hong Kong Limited	Interest in controlled company	12,000,000	6.32%	2.31%
APAC Capital Advisors sub a/c APAC Greater China Fund (Cayman) Ltd	Interest in controlled company	10,000,000	5.26%	1.92%

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 2005, the Group did not have 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").

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 Rule 5.34 of the GEM Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules during the period except that the Board of the Company is in the process of defining the composition and terms of reference of the Remuneration Committee.

AUDIT COMMITTEE

An audit committee was established on 21 March 2002 with written terms of reference in compliance with Rules 5.28 to 5.33 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 three independent non-executive directors, Mr. Zhang Xiao Yu, Mr. Hu Zi Zheng, and Mr. Yim Hing Wah.

Four audit committee meetings were held during the year to perform the following duties:

- review 2004 annual report, 2005 first quarterly report, second quarterly report and this report of the Company;
- review and supervise the internal control system of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry to all Directors and the Company is not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the period.

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.

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

Shenzhen, the PRC
7 November 2005