

# LAUNCH

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

(於中華人民共和國註冊成立之股份有限公司)

(a joint stock limited company incorporated

in the People's Republic of China with limited liability)

(Stock Code 股份代號 : 8196)



2007 Half-Year Report

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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.*

# 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)**

### 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 first half-year ended 30 June 2007.

### Financial Overview

	Difference	First half-year results	
		30 June 2007 (RMB'000)	30 June 2006 (RMB'000)
Turnover	+27%	<b>202,810</b>	159,130
Gross Profit	+18%	<b>97,041</b>	82,148
Profit for the period	+18%	<b>33,295</b>	28,160
Basic earnings per share		<b>RMB6.0 cents</b>	RMB5.1 cents

The Group's principal developments in the first half of the year under review are set as follows:

### Products

The sales of X431 Electronic Eye during the first half of the year remained strong and about 10,000 units were sold. Among which, approximately 55% was exported overseas and sales met our export target. Domestic sales remained stable with 4,500 units sold. During the first half of the year, Launch continued to expand overseas business by sending staff to the countries to develop automobile diagnostic software specially catered for automobiles in particular market, familiarise market demand, participate in exhibitions in different places, line up with new high-standard distributors, with an aim to promote X431 Electronic Eye, Launch's strongest product and also top automobile diagnosis equipment in the industry, to every corner of the world.

In order to adapt to the garage environment, the design of our X431 Electronic Eye will be modified. X431Tool was designed with the concept of a tool cabinet. While its existing function has been maintained, harder material has been adopted to enhance the protectiveness of the outer shell. As automobile maintenance getting more and more complicated, diagnosis equipment has become the tool that an automobile repairman cannot do without. This design allows X431Tool to accommodate the garage environment and is convenient and durable. I believe, from a user's point of view, it is masterpiece of Launch produced with thoughts. The product will be launched into the market in the third quarter.

Another core product of the Group is the automobile lift. During the first half of the year, sales has been satisfactory with 7,500 units sold, breaking the last year first half's record of 6,000 units. In fact, the automobile lift has been in great demand, but Launch is persistent in serving the automotive aftermarket with the best quality products. Since the automobile lift is a large-sized equipment which requires a high degree of safety, we have devoted much time and effort to Shanghai's lift plant in order to ensure the quality of production and inspection and achieve a production flow with low cost and high efficiency. We believe that our customers can only be satisfied with stable production flow, strict quality inspection and efficient logistics. We perfect our lift business step by step. I am pleased to inform you that we have achieved this gradually.

### **Research and Development**

During the first half of 2007, under the efforts of the Launch R&D technicians, a new product was developed, the first personal crecorder (個人汽車故障診斷卡) in the world which was invented to cater for the global automobile DIY market. This small-sized personal crecorder is equipped with memory for recording different parameters like speed, direction, speeding, swerving at high speed and the driving condition of the driver, etc, during driving. Through the USB interfere and user-end software, users can connect the crecorder to the computer and the functions of the automobile can be analyzed clearly; or users can transfer information to Launch's corporate website through the internet where they are answered by Launch's technicians. A fixed fee will be charged for the report sent back to users accordingly.

The global automobile DIY market is enormous and gaining in popularity. With the support of Launch's strongest diagnosis technology as well as innovative usage concept, I am confident this product being the first Launch's products in the automobile DIY market, will make a great success. The product will be launched during the second half of the year.

### **Conclusion**

Launch has built up its brand name in the international automotive aftermarket. In addition to the excellent products, I would like to express my gratitude for the indispensable effort of the overseas distributors whom we have been working abreast with.

I would like to take this opportunity to express my appreciation to all our shareholders, the Board, staff and business partners for their support to Launch. Launch expects to further accelerate the pace in the development of new products by utilizing our strength in R&D, technology advancement and practical application of the Group's resources. The Group will also take measures to enhance its management quality and actively develop its market in order to deliver better service and contribution to automotive after-sales market.

**Liu Xin**  
*Chairman*

Shenzhen, the PRC, 14 August 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Financial resources and liquidity**

The Group adheres to a prudent financial management policy and has a healthy financial position. The Group had cash and bank balances of approximately RMB56,000,000 as at 30 June 2007.

As at 30 June 2007, shareholders' equity of the Group amounted to approximately RMB452,000,000. Current assets amounted to approximately RMB485,000,000. The Group's long-term bank borrowings amounted to approximately RMB75,000,000, and current liabilities amounted to approximately RMB254,000,000, which comprised short term bank borrowings amounted to approximately RMB200,000,000, and the remainder mainly consists of account payables and accruals. The Group's net asset value per share amounted to approximately RMB0.81. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 35.2%.

### **Pledge of assets**

As at 30 June 2007, apart from the pledged bank deposits of approximately RMB24,000,000, and certain land, property and plant of approximately RMB59,000,000 the Group had no other pledged assets.

### **Major investment**

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

### **Capital commitments and future plans for material investments**

The Group did not have material capital commitment and future plans for material investment or capital assets as at 30 June 2007.

### **Contingent liabilities**

The Group did not have any major contingent liabilities as at 30 June 2007.

### **Foreign exchange exposure**

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

## Employees

As at 30 June 2007, the Group had approximately 1,500 and 12 employees based in the PRC and overseas respectively. For the six months ended 30 June 2007, the staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB26,000,000 (2005: approximately RMB26,000,000). 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 2006.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	(4)	109,789	85,168	202,810	159,130
Cost of sales		(58,834)	(41,499)	(105,769)	(76,982)
Gross profit		50,955	43,669	97,041	82,148
Other income		1,039	1,795	1,750	2,233
Selling expenses		(12,991)	(13,242)	(27,116)	(23,942)
Administrative expenses		(11,243)	(10,063)	(19,390)	(18,390)
Research and development expenses		(5,791)	(3,010)	(9,591)	(5,138)
Finance costs		(4,310)	(3,944)	(9,010)	(6,951)
Share of result of an associate		(389)	–	(389)	–
Profit before taxation		17,270	15,205	33,295	29,960
Income tax	(5)	–	(900)	–	(1,800)
Profit for the period, attributable to the Company's equity holders		17,270	14,305	33,295	28,160
Dividends	(6)	–	–	–	–
Number of weighted average ordinary shares		558,000,000	558,000,000	558,000,000	556,110,492
Basic earnings per share		RMB3.1 cents	RMB2.6 cents	RMB6.0 cents	RMB5.1 cents

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

## CONSOLIDATED BALANCE SHEET

As at 30 June 2007

		<b>30 June 2007 (Unaudited)</b>	31 December 2006 (Audited)
	<i>Notes</i>	<b>RMB '000</b>	<b>RMB '000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(7)	<b>220,288</b>	215,508
Leasehold land and land use rights	(7)	<b>23,584</b>	23,794
Goodwill	(7)	<b>3,658</b>	3,658
Development costs	(7)	<b>43,576</b>	41,247
Interest in an associate		–	389
Pledged bank deposit		<b>5,040</b>	5,040
		<hr/> <b>296,146</b>	<hr/> 289,636
<b>Current assets</b>			
Inventories		<b>91,033</b>	82,219
Trade receivables	(8)	<b>225,323</b>	233,784
Other receivables, deposits and prepayments		<b>92,339</b>	105,864
Amount due from an associate		<b>486</b>	43
Amount due from a related company		–	1,271
Pledged bank deposits		<b>19,433</b>	20,784
Cash at banks and in hand		<b>55,941</b>	45,197
		<hr/> <b>484,555</b>	<hr/> 489,162
<b>Current liabilities</b>			
Trade payables	(9)	<b>45,329</b>	68,119
Bills payable		<b>1,510</b>	6,324
Other payables and accrued charges		<b>6,849</b>	16,486
Income tax payable		<b>7</b>	371
Current portion of borrowings		<b>200,113</b>	173,339
		<hr/> <b>253,808</b>	<hr/> 264,639
<b>Net current assets</b>		<hr/> <b>230,747</b>	<hr/> 224,523
<b>Total assets less current liabilities</b>		<hr/> <b>526,893</b>	<hr/> 514,159
<b>Non-current liabilities</b>			
Borrowings		<hr/> <b>75,000</b>	<hr/> 95,000
<b>Net assets</b>		<hr/> <b>451,893</b>	<hr/> 419,159
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital		<b>55,800</b>	55,800
Reserves		<b>376,563</b>	343,829
Proposed final dividend		<b>19,530</b>	19,530
<b>Total equity</b>		<hr/> <b>451,893</b>	<hr/> 419,159

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>2007</b>	2006
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>419,159</b>	337,520
Issue of H shares	–	60,838
Profit for the period	<b>33,295</b>	28,160
Currency translation difference	<b>(561)</b>	(466)
	<hr/>	<hr/>
At 30 June	<b>451,893</b>	426,052
	<hr/> <hr/>	<hr/> <hr/>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2007</b>	2006
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash flows from operating activities	<b>35,643</b>	9,244
Cash flows from investing activities	<b>(19,476)</b>	(97,679)
Cash flows from financing activities	<b>(5,423)</b>	101,680
	<hr/>	<hr/>
Net increase in bank balances and cash	<b>10,744</b>	13,245
Bank balances and cash at 1 January	<b>45,197</b>	89,984
	<hr/>	<hr/>
Bank balances and cash at 30 June	<b>55,941</b>	103,229
	<hr/> <hr/>	<hr/> <hr/>



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2007*

### **(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 2007 and 2006. 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 unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. The accounting policies adopted in the preparation of the interim results are consistent with those adopted in the preparation of the Group's results for the year ended 31 December 2006.

### **(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 by geographical analysis as below:

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b><i>RMB '000</i></b>	<i>RMB '000</i>
Turnover, by geographical market:		
PRC (not including Hong Kong)	<b>97,838</b>	74,827
Europe	<b>35,098</b>	29,497
America	<b>25,948</b>	15,830
Others	<b>43,926</b>	38,976
	<b>202,810</b>	159,130
Unallocated other income	<b>1,750</b>	2,233
Unallocated costs and expenses	<b>(171,265)</b>	(131,403)
Profit before tax	<b>33,295</b>	29,960

**(5) Income tax**

The charge for the period represents provision for the Company's PRC taxation which is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable of 7.5%. The Company's PRC subsidiary did not derive any taxable income for the period. The Company's overseas subsidiary is subject to income tax rates of 42%. The Group and the Company did not have any significant unprovided deferred taxation for the period or at the balance sheet date.

**(6) Dividends**

The Board does not recommend an interim dividend for the six months ended 30 June 2007 (2006: Nil).

(7) **Non-current assets**

	<b>Property, plant and equipment</b> <i>RMB '000</i>	<b>Leasehold land and land use rights</b> <i>RMB '000</i>	<b>Goodwill</b> <i>RMB '000</i>	<b>Development costs</b> <i>RMB '000</i>
Net book amounts at 31 December 2006 and 1 January 2007	215,508	23,794	3,658	41,247
Additions	14,968	–	–	5,829
Depreciation/annual charges/ amortisation	(10,188)	(210)	–	(3,500)
Net book amounts at 30 June 2007	<u>220,288</u>	<u>23,584</u>	<u>3,658</u>	<u>43,576</u>

(8) **Trade receivables**

The Group allows a credit period of one to six months to its trade customers.

Aging analysis are as follows:

	<b>30 June 2007 (Unaudited)</b> <i>RMB '000</i>	31 December 2006 (Audited)
Within 6 months	145,197	107,868
Over 6 months but less than 1 year	80,126	56,495
Over 1 year but less than 2 years	–	69,421
	<u>225,323</u>	<u>233,784</u>

(9) **Trade payables**

Aging analysis are as follows:

	<b>30 June 2007 (Unaudited)</b> <i>RMB '000</i>	31 December 2006 (Audited)
Within 6 months	45,329	59,939
Over 6 months but less than 1 year	–	5,971
Over 1 year but less than 2 years	–	2,209
	<u>45,329</u>	<u>68,119</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 June 2007, 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	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Mr. Liu Xin	Beneficiary owner	132,000,000	40.00%	23.66%
	Interest in a controlled company	138,864,000	42.08% (Note 1)	24.89%
	Interest in a controlled company	10,261,000	3.11% (Note 2)	1.84%
Mr. Liu Jun	Interest in a controlled company	138,864,000	42.08% (Note 3)	24.89%
Professor Wang Xue Zhi	Beneficiary owner	9,636,000	2.92%	1.73%

*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 the 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 the 30 June 2007, 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 June 2007, 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*

<b>Name</b>	<b>Capacity in which shares were held</b>	<b>Number of domestic shares</b>	<b>Approximate percentage of the Company's issued domestic shares</b>	<b>Approximate percentage of the Company's total issued shares</b>
Shenzhen Langqu	Interest of corporation controlled by substantial shareholder	138,864,000	42.08% <i>(Note)</i>	24.89%

*Note:*

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.

(ii) *H Shares*

<b>Name</b>	<b>Capacity in which shares were held</b>	<b>Interests in H shares long position</b>	<b>Approximate percentage of the Company's issued H shares</b>	<b>Approximate percentage of the Company's total issued shares</b>
McCarthy Kent C.	Interest of corporation controlled by substantial shareholder	123,141,000	54.01%	21.76% <i>(Note 1)</i>
Jayhawk China Fund (Cayman) Ltd. (「JCF」)	Investment manager	85,886,000	37.67%	15.39% <i>(Note 1)</i>
International Finance Corporation	Beneficial owner	38,000,000	16.67%	6.81%
Genesis Fund Managers, LLP	Investment manager	38,000,000	16.67%	6.81%
Genesis Asset Managers, LLP	Investment manager	38,000,000	16.67%	6.81%
Jayhawk Private Equity Fund, L.P. (「JPEF」)	Investment manager	29,822,325	13.08%	5.34% <i>(Note 1)</i>
Genesis Smaller Companies SICAV	Investment manager	22,651,000	9.93%	4.06%
ABN AMRO Holding N.V. (「AAH」)	Interest of corporation controlled by substantial shareholder	15,349,000	6.73%	2.75% <i>(Note 2)</i>
ABN AMRO Mellon Global Securities Services B.V. (「AAMGSS」)	Custodian corporation	15,349,000	6.73%	2.75% <i>(Note 2)</i>
Mellon Financial Corporation (「MFC」)	Interest of corporation controlled by substantial shareholder	15,349,000	6.73%	2.75% <i>(Note 2)</i>

Name	Capacity in which shares were 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
United Technologies Corporation Master Trust	Investment manager	15,349,000	6.73%	2.75%
Baring Asia Private Equity Fund II L.P.1	Interest of corporation controlled by substantial shareholder	12,275,000	5.38%	2.20%
Carlson Fund Equity Asian Small Cap	Investment manager	12,180,000	5.34%	2.18%

*Notes:*

1. McCarthy Kent C is interested in 100% of the issued share capital of JCF and JPEF. Therefore, by virtue of Part XV of the SFO, the H Shares in which JCF and JPEF are shown as being interested are included in, and duplicate with, the interest in the H Shares held by McCarthy Kent C.
2. AAH and MFC are each interested in AAMGSS 50% respectively. Therefore, by virtue of Part XV of the SFO, the H Shares in which AAH and MFC are shown as being interested are included in, and duplicate with, the interest in the H Shares held by AAMGSS.

## **DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS**

During the period ended 30 June 2007, 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.

## **AUDIT COMMITTEE**

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

Three audit committee meetings were held this year to perform the following duties:

- review 2006 annual report, 2007 first 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 of all directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the 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  
14 August 2007

*As at the date of this report, the Board comprises 3 executive Directors, namely Mr. Liu Xin, Mr. Liu Jun and Professor Wang Xue Zhi; 1 non-executive Director, namely Ms. Liu Yong and 3 independent non-executive Directors, namely Mr. Zhang Xiao Yu, Professor Hu Zi Zheng and Mr. Yim Hing Wah.*