

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分司)

(a joint stock limited company incorporated

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

(Stock Code 股份代號 : 8196)



2007 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.

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 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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HIGHLIGHTS:

- Turnover for the nine months ended 30 September 2007 was approximately RMB316,000,000; increased by approximately 26% compared with corresponding period in 2005.
- Net profit for the nine months ended 30 September 2007 reached approximately RMB51,000,000; and basic earnings per share was approximately RMB9.1 cents.
- The Directors do not recommend an interim dividend for the nine months ended 30 September 2007.

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 2007.

Financial Overview

		For the nine months ended	
	Difference	30 September 2007 (RMB'000)	30 September 2006 (RMB'000)
Turnover	+26%	316,098	250,980
Net Profit	+25%	51,046	40,871
Earnings per share		RMB9.1 cents	RMB7.4 cents

Business Review

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

For the first three quarters of the year, the sales of X431, the Group's core product, was satisfactory. About 2,000 more units were sold on a year over year basis and the total sales has reached around 17,000 units. Among which, about half were exported overseas. The Group has been actively cooperated with overseas distributors and have successfully exchanged ideas on customer services, product technology and market information. The distributors sent staff to the Group to study product technology, and the Group's engineers also provided training for the distributors' customer services personnel abroad. Such close relationship not only enables the Group to develop suitable diagnostic software targetting the needs of different markets but also enhances distributors' knowledge on product technology and the quality of after-sale services. Hence, products can enjoy extensive promotion in overseas markets.

Furthermore, lift business also experienced satisfactory growth and the expected target was achieved with over 10,000 units sold up to the third quarter. The Group considers such business as a long term investment and we aim at producing high quality products with stable production flow. We are pleased to see our lift plants have made improvements on both technology and production procedures. Our products' quality is stable and production efficiency has also been gradually raised. Now we can meet the various specifications of different markets overseas and we firmly believe the sales of lifts can enjoy considerable growth in the future.

Furthermore, other series of automobile maintenance products which represents a quarter of the total sales also saw stable sales performance. The Group will strengthen research in this area and develop different products to meet market demands in order to open up a new stream of business growth for the Group in the long run.

In respect of management, the Group will strive to control costs and enhance efficiency on merchandising, logistics, selling expenses, office management costs, human resources as well as research and development with a view to fully maximizing the utilization of resources and reduce costs.

Prospects

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 aftermarket.

Liu Xin
Chairman

Shenzhen, the PRC, 14 November 2007

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Turnover	(3)	113,288	91,850	316,098	250,980
Cost of sales		(61,660)	(44,340)	(167,429)	(121,322)
Gross profit		51,628	47,510	148,669	129,658
Other operating income		1,102	1,098	2,852	3,331
Selling expenses		(13,156)	(16,275)	(40,272)	(40,217)
Administrative expenses		(11,413)	(11,184)	(30,803)	(29,574)
Research and development expenses		(5,430)	(2,898)	(15,021)	(8,036)
Finance costs		(4,980)	(4,640)	(13,990)	(11,591)
Share of result of an associate		–	–	(389)	–
Profit before taxation		17,751	13,611	51,046	43,571
Income tax	(4)	–	(900)	–	(2,700)
Profit for the period, attributable to the Company's equity holders		17,751	12,711	51,046	40,871
Dividends	(5)	–	–	–	–
Number of weighted average ordinary shares		558,000,000	558,000,000	558,000,000	556,747,253
Basic earnings per share		RMB3.2 cents	RMB2.3 cents	RMB9.1 cents	RMB7.4 cents

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

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 30 September 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 consolidated financial statement incorporate the financial statement of the Company and its subsidiaries for the nine months ended 30 September of 2007 and 2006. 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) 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.

(5) Dividends

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

(6) Reserves

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
At 1 January	363,359	285,520
Issue of H shares	–	53,238
Profit for the period	51,046	40,871
Dividend paid	(19,530)	(19,530)
At 30 September	<u>394,875</u>	<u>360,099</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 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	Beneficial 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	Beneficial 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 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 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 September 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 of the Company

(i) Domestic shares

Name	Nature and 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
Shenzhen Langqu	Interest of corporation controlled by substantial shareholder	138,864,000	42.08% <i>(Note)</i>	24.89%

Note: 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	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
McCarthy Kent C.	Interest of corporation controlled by substantial shareholder	123,276,000	54.07%	22.09% <i>(Note)</i>
Jayhawk China Fund (Cayman) Ltd. (「JCF」)	Investment manager	84,276,000	36.96%	15.10% <i>(Note)</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	31,995,497	14.03%	5.73% <i>(Note)</i>
Genesis Smaller Companies SICAV	Investment manager	22,651,000	9.93%	4.06%
United Technologies Corporation Master Trust	Investment manager	15,349,000	6.73%	2.75%
Carlson Fund Equity Asian Small Cap	Investment manager	12,180,000	5.34%	2.18%

Note: 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.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the period ended 30 September 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 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, Professor Hu Zi Zheng, and Mr. Yim Hing Wah.

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

- review 2006 annual report, 2007 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
14 November 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 Zhang and Mr. Yim Hing Wah.