

# LAUNCH



## 2008 2nd Quarterly Report

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)

## **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](http://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.*

# 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 the periods of the three months and the six months ended 30 June 2008.

#### Financial Overview

		<b>For the six months ended</b>	
	<b>Difference</b>	<b>30 June 2008</b>	30 June 2007
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Turnover	+19%	<b>240,276</b>	202,810
Profit for the period	+16%	<b>38,543</b>	33,295
Basic earnings per share		<b>RMB6.4 cents</b>	RMB6.0 cents

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

#### Business Review

Under the period of review, the Group's turnover increased by 19%, compared with corresponding period of last year, and reached a satisfactory amount of RMB240 million. The Group enjoyed strong sales for its core products, our engineers managed to pace the car manufacturers technology and speed up our software development process, we targeted to offer our customers very quick launch of new products and software to fit their demands.

During the first half of the year, the Group sold a total of 13,000 units of X431 Electronic Eye, with 60% to overseas markets. As the product has been mature and well developed, efficient and effective production control and raw material purchasing stabilized production costs in an age of severe inflation, thus brought the Group with a comparatively stable profit margin.

For another key product, automotive lifts, our Shanghai factory is nowadays very mature to produce high quality automotive lift to fulfill different demand of different markets. During the first half of the year, more than 8,000 units were sold, and half of them were exported. Subject to the continuous rise in material costs, profit margin of related products will be narrowed gradually in the second half of the year. The management has proactively studied the cost structure and transferred part of the costs to customers, supported by high quality products of the Group, it is believed that price adjustments will not have material impacts.

Other products of the Group also achieved satisfactory sale results, DIY products and software upgrading enjoyed excellent growth, with an expected better income in the second half of the year for the Group.

The Group has always strived to tap new resources and economize on expenses, under this year's severe inflation, the management will perform their duties to save sales and administrative expenses proactively, so as to maintain a good profit margin.

The Group has invested in the period the planned 30% in an associate, which is a joint cooperation car repair chain store between a subsidiary of SK Group of Korea and the Group, with a total investment of more than RMB50 million. At the moment, 40 stores have been opened, and brought the Group a loss of RMB4.3 million in the first two quarters of the year. The management believes that, car repair industry has great development potential in China, supported by financial strengths of major shareholders, together with rich industry experiences of the parties, the cooperation is set to lead the car repair industry in China into a new arena, and reward the Group accordingly.

Continued unstable exchange rates caused exchange losses to the Group, mainly from account receivables of overseas customers. The management will closely monitor the exchange rates, and such losses are expected to reduce in the second half of the year with price adjustments.

In this year, a major subsidiary's income tax free period expired, and this year it enjoyed only 50% exemption. During the first quarter of this year, around RMB4 million of income tax was provided. The profit after tax reached approximately RMB39 million; a 16% increase was noted. The variance between the sales increase percentage and the profit increase percentage was mainly due to the income tax impact and the losses of associates.

## **Prospects**

Looking ahead, Launch will devote all of its efforts to enhance its research and development, strengthen its management, expand its channels, establish its brand and create better return for the shareholders and investors.

**Liu Xin**  
*Chairman*

Shenzhen, the PRC, 13 August 2008

## **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 RMB144,000,000 as at 30 June 2008.

As at 30 June 2008, shareholders' equity of the Group amounted to approximately RMB531,000,000. Current assets amounted to approximately RMB634,000,000. The Group's long-term bank borrowings amounted to approximately RMB40,000,000, and current liabilities amounted to approximately RMB342,000,000, which comprised short term bank borrowings amounted to approximately RMB283,000,000, and the remainder mainly consists of account payables and accruals. The Group's net asset value per share amounted to approximately RMB0.88. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 35%.

### **Pledge of assets**

As at 30 June 2008, apart from the pledged land, property and plant of approximately RMB56,000,000 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.

### **Contingent liabilities**

The Group did not have any major contingent liabilities as at 30 June 2008.

### **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 2008.

### **Foreign exchange exposure**

For the period under review, most of the Group's transactions was denominated in RMB whereas all overseas sales were transacted in USD, and expenses were paid in RMB. As the exchange rate between RMB and USD experienced more significant adjustment since 2007, the management will try to minimise the Group's foreign exchange risk through price adjustment with overseas customers for the transactions of which are settled in USD, and it has reached initial understanding with these customers. Therefore, the Directors consider that the Group was not under substantial foreign exchange risk exposure.

## Employees

As at 30 June 2008, the Group had approximately 1,220 and 12 employees based in the PRC and overseas respectively. For the six months ended 30 June 2008, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB30,000,000 (2007: 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 2007.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	(4)	139,516	109,789	240,276	202,810
Cost of sales		(75,316)	(58,834)	(121,637)	(105,769)
Gross profit		64,200	50,955	118,639	97,041
Other income		3,783	1,039	4,821	1,750
Selling expenses		(15,164)	(12,991)	(31,105)	(27,116)
Administrative expenses		(12,175)	(11,243)	(21,296)	(19,390)
Research and development expenses		(5,977)	(5,791)	(9,914)	(9,591)
Finance costs		(8,046)	(4,310)	(14,256)	(9,010)
Share of result of an associate		(2,269)	(389)	(4,284)	(389)
Profit before taxation		24,352	17,270	42,605	33,295
Income tax	(5)	(2,419)	–	(4,062)	–
Profit for the period, attributable to the Company's equity holders		21,933	17,270	38,543	33,295
Dividends	(6)	–	–	–	–
Number of weighted average ordinary shares		603,600,000	558,000,000	603,600,000	558,000,000
Basic earnings per share		RMB3.6 cents	RMB3.1 cents	RMB6.4 cents	RMB6.0 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 2008

	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Notes	RMB '000	RMB '000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	(7) 197,212	215,656
Leasehold land and land use rights	(7) 21,122	22,453
Goodwill	(7) 3,658	3,658
Development costs	(7) 48,820	43,975
Interests in an associate	8,352	7,636
	<u>279,164</u>	<u>293,378</u>
<b>Current assets</b>		
Inventories	95,818	83,165
Trade receivables	(8) 250,390	251,582
Bills receivable	4,405	2,510
Other receivables, deposits and prepayments	137,616	142,414
Amount due from an associate	1,928	493
Pledged bank deposits	–	15,669
Cash and cash equivalents	143,691	175,203
	<u>633,848</u>	<u>671,036</u>
<b>Current liabilities</b>		
Trade payables	(9) 45,870	64,387
Bills payable	–	18,300
Other payables and accrued charges	10,389	19,274
Income tax payable	2,793	–
Current portion of borrowings	283,142	233,323
	<u>342,194</u>	<u>335,284</u>
<b>Net current assets</b>	<u>291,654</u>	<u>335,752</u>
<b>Total assets less current liabilities</b>	<u>570,818</u>	<u>629,130</u>
<b>Non-current liabilities</b>		
Borrowings	40,000	105,572
<b>Net assets</b>	<u>530,818</u>	<u>523,558</u>
<b>EQUITY</b>		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	60,360	60,360
Reserves	470,458	433,018
Proposed final dividend	–	30,180
<b>Total equity</b>	<u>530,818</u>	<u>523,558</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>523,558</b>	419,159
Profit for the period	<b>38,543</b>	33,295
Currency translation difference	<b>(1,103)</b>	(561)
Payment of final dividend	<b>(30,180)</b>	—
	<hr/>	<hr/>
At 30 June	<b><u>530,818</u></b>	<b><u>451,893</u></b>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2008</b>	2007
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cash flows from operating activities	<b>22,130</b>	35,643
Cash flows from investing activities	<b>(23,378)</b>	(19,476)
Cash flows from financing activities	<b>(30,264)</b>	(5,423)
	<hr/>	<hr/>
Net increase in bank balances and cash	<b>(31,512)</b>	10,744
Bank balances and cash at 1 January	<b>175,203</b>	45,197
	<hr/>	<hr/>
Bank balances and cash at 30 June	<b><u>143,691</u></b>	<b><u>55,941</u></b>



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

*For the six months ended 30 June 2008*

### **(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 2008 and 2007. 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 2007.

### **(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>2008</b>	2007
	<b>RMB '000</b>	RMB '000
Turnover, by geographical market:		
PRC (not including Hong Kong)	<b>104,469</b>	97,838
Europe	<b>52,544</b>	35,098
America	<b>38,151</b>	25,948
Others	<b>45,112</b>	43,926
	<b>240,276</b>	202,810
Unallocated other income	<b>4,821</b>	1,750
Unallocated costs and expenses	<b>(202,492)</b>	(171,265)
Profit before tax	<b>42,605</b>	33,295

**(5) Income tax**

PRC enterprise income tax ("EIT") has been provided based on the estimated taxable income for PRC taxation purposes at the rates of taxation prevailing in the provinces in which the group companies operate. The Company is subject to income tax at the rate of 18% (2007: 15%); the Company's PRC subsidiaries are subject to income tax at the rates of 18% (2007: 15% to 33%) and the Company's overseas subsidiary is subject to income tax at the rate of 42%.

Pursuant to the relevant laws and regulations in the PRC, the Company has been designated as a new and high technology enterprise. The Company was exempted from PRC enterprise income tax for the financial years 2000 and 2001 and was eligible for and entitled to 50% tax relief for the financial years 2002 to 2004. Upon obtaining the approval from local tax bureau, the Company is eligible and entitled to 50% tax relief for the 3 additional financial years from 2005 to 2007. No tax exemption for year 2008.

上海元征機械設備有限責任公司 ("Launch Shanghai") a subsidiary of the Company established in the PRC, is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation. No provision for EIT has been made for Launch Shanghai as it did not derive any taxable income for the period.

深圳市元征軟件開發有限公司 a subsidiary of the Company established in the PRC, as a software company recognised by local tax bureau, is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation. This year is the first "three-year 50% reduction" year.

(6) **Dividends**

The Board does not recommend an interim dividend for the six months ended 30 June 2008 (2007: 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 2007 and 1 January 2008	215,656	22,453	3,658	43,975
Additions	3,656	–	–	11,345
Depreciation/annual charges/ amortisation	(22,100)	(1,331)	–	(6,500)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book amounts at 30 June 2008	<u>197,212</u>	<u>21,122</u>	<u>3,658</u>	<u>48,820</u>

(8) **Trade receivables**

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

Aged analysis are as follows:

	<b>30 June 2008 (Unaudited)</b> <i>RMB '000</i>	31 December 2007 (Audited)
		<i>RMB '000</i>
Within 6 months	<b>167,821</b>	136,782
Over 6 months but less than 1 year	<b>82,569</b>	72,111
Over 1 year but less than 2 years	–	42,689
	<u>          </u>	<u>          </u>
	<u><b>250,390</b></u>	<u>251,582</u>

**(9) Trade payables**

Aged analysis are as follows:

	<b>30 June 2008 (Unaudited) RMB'000</b>	31 December 2007 (Audited) RMB'000
Within 6 months	<b>43,613</b>	54,876
Over 6 months but less than 1 year	<b>2,257</b>	7,105
Over 1 year but less than 2 years	–	2,406
	<hr/> <b>45,870</b> <hr/>	<hr/> 64,387 <hr/>

## 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 2008, 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	138,636,000	42.01%	22.97%
	Interest in a controlled company	138,864,000	42.08% (Note 1)	23.00%
	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)	23.00%

*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 42.01% 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 42.01% 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 2008, 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 2008, 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 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>	23.00%

*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	118,298,500	43.24%	19.60% <i>(Note 1)</i>
Jayhawk China Fund (Cayman) Ltd. (「JCF」)	Investment manager	66,023,500	24.13%	10.94% <i>(Note 1)</i>
Templeton Asset Management Ltd.	Investment manager	45,600,000	16.67%	7.55%
International Finance Corporation	Beneficial owner	38,000,000	13.89%	6.30%
Genesis Fund Managers, LLP	Investment manager	38,000,000	13.89%	6.30%
Jayhawk Private Equity Fund, L. P. (「JPEF」)	Investment manager	31,995,497	11.68%	5.29%
Genesis Smaller Companies SICAV	Investment manager	22,651,000	8.28%	3.75%
United Technologies Corporation Master Trust	Investment manager	15,349,000	5.61%	2.54%
Carlson Fund Equity Asian Small Cap	Investment manager	12,180,000	4.45%	2.02%

*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 interest in the H Shares held by McCarthy Kent C.



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

During the period ended 30 June 2008, 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 2007 annual report, 2008 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  
13 August 2008

*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.*