

# LAUNCH



## 2008 3rd 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)

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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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement 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

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### HIGHLIGHTS:

- Turnover for the nine months ended 30 September 2008 was approximately RMB351,000,000; increased by approximately 11% compared with corresponding period in 2007.
- Net profit for the nine months ended 30 September 2008 reached approximately RMB51,000,000; and basic earnings per share was approximately RMB8.5 cents.
- The Directors do not recommend an interim dividend for the nine months ended 30 September 2008.

### 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 2008.

#### Financial Overview

	Difference	For the nine months ended	
		30 September 2008 (RMB'000)	30 September 2007 (RMB'000)
Turnover	+11%	350,816	316,098
Net Profit	+1%	51,372	51,046
Earnings per share		RMB8.5 cents	RMB9.1 cents

#### Business Review

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

During the period under review, the Group's turnover increased by 11%, compared with the corresponding period of last year, and reached a satisfactory amount of RMB351,000,000. The Group enjoyed strong sales for its core products, our engineers managed to pace the technology of car manufacturers 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 nine months, the Group sold a total of 18,000 units of X431 Electronic Eye, with approximately 55% 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 in producing high quality automotive lift to fulfill different demand of various markets. During the first nine months, more than 12,000 units were sold, and half of them were exported. Subject to the continuous rise in material costs, profit margin of related products has narrowed gradually. The management has proactively reviewed the cost structure and transferred part of the costs to customers as far as possible. Supported by the high quality of the Group's products, it is believed that such price adjustments will not have material impacts. Other products of the Group also achieved satisfactory sale results, DIY products and software upgrading enjoyed stable sales, and continued to provide better income 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 do their best to save sales and administrative expenses, so as to maintain a good profit margin.

The associate, currently opened 40 stores, is a joint cooperation car repair chain store between a subsidiary of SK Group of Korea and the Group. The Group has contributed its capital totaling RMB16 million to the associate in the first half of the year, which represents 30% of the total investment RMB50 million from both parties. In the third quarter, the other party contributed an additional capital of RMB64 million, and the total investment reached RMB120 million. During the third quarter, the associate brought a loss of RMB1.2 million to the Group. 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 gradually along with sale 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 three quarter of this year, RMB 5.5 million of income tax was provided. The profit after tax reached approximately RMB 51 million. 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 November 2008

## UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	(3)	110,540	113,288	350,816	316,098
Cost of sales		(62,050)	(61,660)	(183,687)	(167,429)
Gross profit		48,490	51,628	167,129	148,669
Other operating income		2,054	1,102	6,875	2,852
Selling expenses		(12,064)	(13,156)	(43,169)	(40,272)
Administrative expenses		(11,689)	(11,413)	(32,985)	(30,803)
Research and development expenses		(4,988)	(5,430)	(14,902)	(15,021)
Finance costs		(6,210)	(4,980)	(20,466)	(13,990)
Share of result of an associate		(1,264)	–	(5,548)	(389)
Profit before taxation		14,329	17,751	56,934	51,046
Income tax	(4)	(1,500)	–	(5,562)	–
Profit for the period, attributable to the Company's equity holders		<u>12,829</u>	<u>17,751</u>	<u>51,372</u>	<u>51,046</u>
Dividends	(5)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Number of weighted average ordinary shares		<u>603,600,000</u>	<u>558,000,000</u>	<u>603,600,000</u>	<u>558,000,000</u>
Basic earnings per share		<u>RMB2.1 cents</u>	<u>RMB3.2 cents</u>	<u>RMB8.5 cents</u>	<u>RMB9.1 cents</u>

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 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 consolidated financial statement incorporate the financial statement of the Company and its subsidiaries for the nine months ended 30 September of 2008 and 2007. 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

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.

**(5) Dividends**

The Board does not recommend an interim dividend for the nine months ended 30 September 2008 (2007: Nil).

**(6) Reserves**

	<b>2008</b>	2007
	<b>RMB'000</b>	RMB'000
At 1 January	<b>463,198</b>	363,359
Profit for the period	<b>51,372</b>	51,046
Dividend paid	<b>(30,180)</b>	(19,530)
	<hr/>	<hr/>
At 30 September	<b>484,390</b>	394,875
	<hr/> <hr/>	<hr/> <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 September 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	Beneficial 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 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 30 September 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 September 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 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>	23.00%

*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*

<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	103,275,500	37.75%	17.11% <i>(Note 1)</i>
Jayhawk China Fund (Cayman) Ltd. (「JCF」)	Investment manager	59,973,500	21.92%	19.94% <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	35,815,012	13.09%	5.93%
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 September 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 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 2007 annual report, 2008 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  
13 November 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 Zhang and Mr. Yim Hing Wah.*