

LAUNCH



2009 1st 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 Rules Governing the Listing of Securities on GEM 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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CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited results of the Company and its subsidiaries (hereinafter referred to as the "Group") for the period of the three months ended 31 March 2009.

Financial Review

	Difference	For the three months ended	
		31 March 2009	31 March 2008
		RMB'000	RMB'000
Turnover	-23%	77,520	100,760
Profit after tax	-78%	3,580	16,610

Turnover for the first quarter of the year decreased by 23% as compared with the corresponding period of last year, mainly due to the decrease in overseas orders as a result of the influence of an unstable global economy and weakened consumer sentiment after the financial tsunami. Production cost declined relatively which benefited the automotive lift product business. Gross profit margin was driven up to 58%, representing an increase of 4% as compared with last year. The Group continued to adopt a cost-saving strategy. Both selling expense and administrative expense were lowered than those of the last fourth quarter of last year. Benefiting from the lower interest rate, financial cost recorded a 20% decrease at the beginning of the year. Effective tax rate of a major subsidiary of the Group for the year rose from 9% to 10%. About RMB300,000 had been provided for enterprise income tax during the period.

Under the difficult economic environment, the Group recorded a profit after tax of RMB3,580,000, representing a decrease of 78% as compared to last year. No additional shares were issued during the period. Based on an aggregate of 603,600,000 shares, average earnings per share were RMB0.006, representing a decrease of RMB0.022 as compared with last year.

Business Review

Under the impact of the global financial tsunami at the end of 2008, during the first three months of the year, sales volume of diagnostic products of the Group declined, with only 4,500 items sold, representing a decrease of 10% as compared with the corresponding period of last year. The overseas market was quite reserving, leading to a substantial decrease in orders. The sales team of the Group switched their focus to the domestic market. Diagnostic products had been slow-down for a certain period of time in the domestic market last year, which was mainly due to our adjustment in market strategies. The adjustment has been completed at the beginning of the year and new marketing strategies were launched with prominent effects. Domestic sales of diagnostic products represented a portion of over 70%, which demonstrated satisfactory results.

Automotive lift product business has been a product line of the Group which is mostly sensitive to steel and fuel costs. The upsurge of steel cost and fluctuation in exchange rate posed significant impact on automotive lift product business in last year, where a loss was recorded. As the steel price and transportation cost became more stable, the Group re-focused on promoting automotive lifts to its customers. At the beginning of the year, 3,000 automotive lifts were sold and it is expected that a new high in the annual volume can be reached.

For regional sales, due to the effect of economic environment on Americas and the issue on cooperation between the Group and the South American distributors, there was a decrease in the sales in the Americas as a whole. However, sales in reading cards were quite satisfactory. Europe as a whole was very even while Asian Pacific was only slightly affected for the time being. On the other hand, sales in the PRC during the beginning of the year were very satisfactory, representing approximately 50% of sales. The achievements today were attributable to the Group's efforts in responding to its customer demands, improving its equipment, reforming its sales team and reinforcing promotion.

Prospects

For the rest of 2009, the Group expects that the market will remain difficult and the Group's turnover and profitability may be affected. Nevertheless, the Group has actively implemented a range of business strategies. The management, together with all staff, are well-positioned for any further deterioration in the general economy and consumer sentiment.

The management will take active steps in managing cash reserves and maintain operating cash flow with due diligence. The Group, by introducing new income stream and saving cost, adjusting cost control, strengthening the depth and quality of research and development of new products, lay a foundation to face the future economic recovery.

Liu Xin
Chairman

Shenzhen, the PRC, 14 May 2009

UNAUDITED CONSOLIDATED INCOME STATEMENT

	NOTES	For the three months ended	
		31 March	
		2009	2008
		RMB '000	RMB '000
Revenue	(2)	77,520	100,760
Cost of sales		(32,558)	(46,321)
Gross profit		44,962	54,439
Other income		250	1,038
Selling expenses		(15,456)	(15,941)
Administrative expenses		(15,013)	(9,121)
Research and development expenses		(4,558)	(3,937)
Finance costs		(5,000)	(6,210)
Share of results of an associate		(1,275)	(2,015)
Profit before income tax		3,910	18,253
Income tax expense	(3)	(330)	(1,643)
Profit for the period attributable to the Company's equity holders		<u>3,580</u>	<u>16,610</u>
Dividends	(4)	<u>–</u>	<u>–</u>
Numbers of weighted average ordinary Shares		<u>603,600,000</u>	<u>603,600,000</u>
Basic earnings per share		<u>RMB0.006</u>	<u>RMB0.028</u>

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(1) Basis of consolidation

The consolidated financial statement incorporates the financial statements of the Company and its subsidiaries made up to 31 March 2009 and the corresponding period in 2008.

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

(2) Revenue

Revenue, which is also the Group's turnover, represents the net amount received and receivable (net of any business tax) for goods and software system sold and services rendered arising from the principal activities of the Group, net of value-added tax and/or business tax.

(3) 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's overseas subsidiary is subject to income tax at the rate of 42%.

The Company is subject to income tax at the rate of 20% (2008: 18%). No provision for EIT has been made for the Company as it did not derive any taxable income for the period.

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 subject to income tax at the rate of 25%. It 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 subject to income tax at the rate of 20% (2008: 18%). It 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 second "three-year 50% reduction" year.

(4) Dividends

The Directors do not recommend an interim dividend for the three months ended 31 March 2009.

(5) Reserves

	2009 <i>RMB '000</i>	2008 <i>RMB '000</i>
At 1 January	433,674	433,018
Net Profit for the period	3,580	16,610
As at 31 March	<u>437,254</u>	<u>449,628</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 31 March 2009, 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 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	(1) Beneficiary Owner	138,636,000	42.01%	22.97%
	(2) Interest in controlled company	138,864,000	42.08% <i>(Note 1)</i>	23.01%
	(3) Interest in controlled company	10,261,000	3.11% <i>(Note 2)</i>	1.70%
Mr. Liu Jun	Interest in controlled company	138,864,000	42.08% <i>(Note 3)</i>	23.01%

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 31 March 2009, 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 31 March 2009, 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

Name	which shares were held	Capacity in 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 controlled company	138,864,000	42.08% <i>(Note)</i>	23.01%

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*

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	46,383,000	16.95% <i>(Note)</i>	7.68%
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%
Jayhawk Private Equity Fund II, L.P. ("JPEF II")	Investment manager	15,973,000	5.84%	2.65%
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 JPEF and JPEF II. 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 31 March 2009, the Group did not have transaction 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 period 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rule 5.34 to 5.45 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.

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.

AUDIT COMMITTEE

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.33 of the GEM Listing Rules during the period.

An audit committee was established on 21 March 2002 with written terms of reference in compliance 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.

Two audit committee meetings were held in this period to perform the following duties:

- review 2008 annual report and the first quarterly report 2009 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.

By order of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
14 May 2009

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.