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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: 2488)

2014 ANNUAL RESULT ANNOUNCEMENT

The board of directors (the “Board”) of Launch Tech Company Limited (the “Company”) hereby announces the preliminary consolidated result of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2014 (the “Reporting Period”) prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

Items	Notes	31 December 2014	31 December 2013
Current assets:			
Cash		343,796,861.36	315,244,998.39
Bills receivables		23,908,007.71	20,764,740.93
Accounts receivables	4	263,046,370.93	249,351,089.54
Prepayments		63,011,467.16	83,504,974.35
Other receivables		29,375,506.71	28,249,222.63
Inventories	5	92,241,372.70	110,538,015.17
Other current assets		54,196,947.70	3,955,512.66
Total current assets		869,576,534.27	811,608,553.67

CONSOLIDATED BALANCE SHEET (continued)

Items	Notes	31 December 2014	31 December 2013
Non-current assets:			
Fixed assets		307,605,358.61	342,590,092.43
Construction in progress		110,769,474.44	88,067,597.83
Intangible assets		172,113,179.72	110,239,142.01
Development expenditure		21,074,996.18	16,339,770.14
Goodwill		1,139,412.80	1,139,412.80
Deferred income tax assets		5,738.97	3,921.61
Total non-current assets		612,708,160.72	558,379,936.82
Total assets		1,482,284,694.99	1,369,988,490.49
Current liabilities:			
Short-term borrowings		435,089,931.12	528,442,468.00
Bill payables		280,420,000.00	–
Accounts payables	6	96,154,689.30	137,202,704.28
Receipts in advance		53,064,711.56	56,957,621.86
Wage payables		2,930,953.03	2,967,594.15
Tax payables		5,255,927.90	-8,012,740.87
Other payables		8,275,296.71	8,764,373.01
Non-current liabilities due within one year		139,792.50	631,417.50
Total current liabilities		881,331,301.85	726,953,437.93
Non-current liabilities:			
Long-term borrowings		2,095,867.32	157,854.38
Other non-current liabilities		20,000,000.00	20,000,000.00
Total non-current liabilities		22,095,867.32	20,157,854.38
Total liabilities		903,427,169.17	747,111,292.31
Shareholders' equity:			
Share capital		301,800,000.00	60,360,000.00
Capital reserve		41,748,427.20	283,188,427.20
Surplus reserve		18,099,377.81	18,099,377.81
Undistributed profit	7	214,468,933.63	261,412,303.61
Exchange difference arising on translation of foreign currency statements		2,523,274.66	323,440.16
Total owners' equity attributable to parent company		578,640,013.30	622,736,668.46
Minority shareholders' equity		217,517.52	140,529.72
Total shareholders' equity		578,857,525.82	622,877,198.18
Total liabilities and shareholders' equity		1,482,284,694.99	1,369,988,490.49

CONSOLIDATED INCOME STATEMENT

Items	Notes	2014	2013
Operating income	3	731,173,407.25	678,142,799.36
Less: Operating cost		483,349,303.05	447,071,332.05
Business tax and surcharge		2,727,638.55	5,102,138.18
Selling expenses		96,325,526.09	76,225,695.13
Administrative expenses		128,453,958.87	113,354,849.66
Financial expenses		48,629,840.08	27,977,359.52
Impairment loss on assets		38,839,665.75	11,910,205.29
Add: Gain on investments in associates and joint ventures		493.88	5,600,000.00
Operating profit (loss expressed with “-”)		-67,152,026.81	-7,898,780.47
Add: Non-operating income		20,841,641.00	17,543,361.21
Less: Non-operating expenses		487,015.92	453,249.55
Total profit (total loss expressed with “-”)		-46,797,401.73	9,191,331.19
Less: Income tax expenses	8	68,985.45	2,188,230.03
Net profit (net loss expressed with “-”)		-46,866,387.18	7,003,101.16
Net profit attributable to owners of parent company		-46,943,369.98	7,003,101.16
Profit or loss attributable to minority shareholders		76,982.80	-31,576.93
Earnings per share:			
Basic earnings per share	9	-0.1555	0.0233
Other comprehensive income		2,846,714.82	-252,146.83
Total comprehensive income		-44,019,672.36	6,750,954.33
Total comprehensive income attributable to owners of parent company		-44,096,655.16	6,782,531.26
Total comprehensive income attributable to minority shareholders		76,982.80	-31,576.93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the audited financial statements (the “Financial Statements”) published in the 2014 Annual Report.

The Company carried out recognition and measurement on a going concern and actual transaction and event basis in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as “the Accounting Standards for Business Enterprises”) and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (amended in 2010) issued by the China Securities Regulatory Commission (CSRC) and prepared the Financial Statements on such basis.

In addition, the Financial Statements have also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Accounting period

The accounting period is from 1 January to 31 December.

(2) Reporting currency

Renminbi was adopted as the reporting currency. The Company’s foreign subsidiaries choose their reporting currencies on the basis of the primary economic environment in which they operate and converted into when preparing financial statements.

(3) Method of preparing consolidated financial statements

All subsidiaries were included in the consolidated financial statements

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting periods of the Company. Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information and after the long-term equity investments in the subsidiaries are adjusted in accordance with the equity method. When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

3. REVENUE

Revenue from main operations includes the net value of the received and receivable for the sales of different types of vehicle maintenance equipment, and provision of internet upgrade service as follows:

	Current year	Previous year
Revenue from main operations	722,094,905.25	668,704,916.42
Revenue from other operations: rent	9,078,502.00	9,437,882.94
	<hr/> 731,173,407.25 <hr/>	<hr/> 678,142,799.36 <hr/>

4. ACCOUNTS RECEIVABLES

	At the year end	At the beginning of the year
Accounts receivables	316,965,673.26	286,126,349.69
Less: provision of bad debts	53,919,302.33	36,775,260.15
	<hr/> 263,046,370.93 <hr/>	<hr/> 249,351,089.54 <hr/>

Aging analysis of accounts receivable

Aging	At the year end	At the beginning of the year
Within 1 year	133,155,065.63	136,255,996.93
1 to 2 years	78,332,053.62	79,253,569.26
2 to 3 years	33,048,043.20	27,737,622.93
3 to 4 years	16,817,894.55	5,580,976.07
4 to 5 years	1,693,313.93	522,924.35
	<hr/> 263,046,370.93 <hr/>	<hr/> 249,351,089.54 <hr/>

5. INVENTORIES

	Ending balance			Beginning balance		
	Book value	Provision for diminution in value	Carrying amount	Book value	Provision for diminution in value	Carrying amount
Raw materials	24,294,004.47	707,096.95	23,586,907.52	35,386,784.71	8,872,107.82	26,514,676.89
Work in progress	11,024,247.34	824,688.64	10,199,558.70	15,775,677.93	1,882,454.39	13,893,223.54
Finished goods	58,454,906.48	–	58,454,906.48	71,287,814.49	1,157,699.75	70,130,114.74
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	93,773,158.29	1,531,785.59	92,241,372.70	122,450,277.13	11,912,261.96	110,538,015.17
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. ACCOUNTS PAYABLES

Accounts payables

Aging	At the year end	At the beginning of the year
Within 1 year	86,039,406.13	130,635,978.83
1 to 2 years	7,645,527.55	4,088,860.91
2 to 3 years	909,292.89	1,119,986.43
Over 3 years	1,560,462.46	1,357,878.11
	<hr/>	<hr/>
Total	96,154,689.03	137,202,704.28
	<hr/> <hr/>	<hr/> <hr/>

7. UNDISTRIBUTED PROFITS

Current year

	Amount
As at the beginning of the period	261,412,303.61
Add: net loss attributable to shareholders of the parent company in the current year	-46,943,369.98
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As at the end of the period	214,468,933.63
	<hr/> <hr/>

Previous year

	Amount
As at the beginning of the period	254,377,625.52
Add: net profit attributable to shareholders of the parent company in the current year	7,034,678.09
	<hr/>
As at the end of the period	261,412,303.61
	<hr/> <hr/>

8. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	70,802.81	2,170,042.57
Adjustment of deferred tax	-1,817.36	18,187.46
	<hr/>	<hr/>
Total	68,985.45	2,188,230.03
	<hr/> <hr/>	<hr/> <hr/>

Applicable tax rate for current year and previous year

The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe GmbH	32%
Xi'an Launch	25%
Peng Ao Da	15%

9. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit for holder of ordinary share of the parent company by average weighted number of outstanding ordinary share of the parent company.

Items	Current year	Previous year
Consolidated net profit for holder of ordinary share of the parent company	-46,943,369.98	7,003,101.16
Average weighted number of outstanding ordinary share of the parent company	301,800.000	60,360,000
Basic earnings per share (RMB/share)	-0.1555	0.0233

(2) Diluted earnings per share

As there was no ordinary shares with dilutive potential for the year 2014 and 2013, thus no diluted earnings per share was presented.

10. DIVIDEND

According to the proposal of capitalizing the capital reserve approved at the Annual General Meeting (H Shares Annual General Meeting and Domestic Shares Annual General Meeting) of the Company convened on 16 June 2014, the total number of 241,440,000 shares increased by an issue of shares on the basis of 40 shares for every 10 shares.

From the end of the reporting period, no dividend has been suggested by the board. (2013: nil).

11. SUBSIDIARIES

Name of the corporation	Shareholding	Business nature	Registered capital
上海元征機械設備有限責任公司 (“Shanghai Launch”)	Wholly-owned	Manufacturing of equipment and machines for maintenance	USD18,000,000
深圳市元征軟件開發有限公司 (“Launch Software”)	Wholly-owned	Software development	RMB40,000,000
Launch Europe GmbH	Wholly-owned	Sales of LAUNCH products	RMB671,875
西安元征軟件科技有限公司 (“Xi’an Launch”)	Wholly-owned	Software development	RMB100,000,000
深圳市鵬奧達科技有限公司 (“Peng Ao Da”)	Controlling subsidiary (88% shareholding)	Software development	RMB1,000,000

12. CONTINGENT LIABILITY

At the end of the reporting period, the Company did not have any significant contingent liability.

13. PLEDGE OF ASSETS

As at 31 December 2014, the Company pledged properties and buildings with original value approximately amounted to 157,000,000 (2013: 168,000,000) and bank deposits of USD3,200,000 (2013: nil) for certain bank borrowings.

14. CAPITAL COMMITMENTS

As at 31 December 2014, the Company had entered into the contract of construction of research building of Shenzhen Launch with a total contract value of 117,000,000 (2013: 94,000,000), of which approximately 7,000,000 (2013: 13,000,000) had not been settled.

15. LEASE COMMITMENTS

As at 31 December 2014, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Unit: '000 Previous Year
Within 1 year	3,697	2,866
2 to 5 years	1,945	9,512
	<u>5,642</u>	<u>12,378</u>

16. POST-BALANCE SHEET EVENTS

There is no material post-balance sheet events which is required to be disclosed but has not been disclosed.

II. MANAGEMENT DISCUSSION AND ANALYSIS

I. Direction of Enterprise and Analysis of Operation

Over the years, the Group has been in a leading position in the automotive diagnostic equipment industry. With the onset of the mobile internet era, the Group strives to become the core enterprise of the **Internet of Vehicles** in the world. After planning and arranging for two years, the Group has successfully launched golo Car Cloud Platform (golo車雲平台), a global platform of automobile repair and maintenance and the life style of car with a series of Internet of Vehicles smart hardware. Users of the platform included a huge number of car owners, automotive technicians and automotive maintenance companies. The Group has also introduced enterprises for providing relevant applications and services such as China Unicom, China Mobile, Baidu maps, Ping An Insurance to constitute the golo Internet of Vehicles network and implemented strategic plan such as O2O business model, which basically completed the development layout of Internet of Vehicles. Based on the amazing experience edition of the product and the innovative business model, the Group has established a leading position in the Internet of Vehicles industry.

2014 was a year of development and deployment of Internet of Vehicles business for the Group. Internet of Vehicles experienced continuous technological innovation and improved its products. The Group implemented a strategic transformation as scheduled, rapidly adjusted operating strategies, increased investment in Internet of Vehicles business and terminated some short-term benefits business, reflected as follow:

- 1) Developed the internet business mindset so as to promote users' participation;
- 2) Expanded the research and development team of Internet of Vehicles and increased the research and development investment;
- 3) Expanded the internet marketing team, optimized the business model and implemented O2O strategic plan;
- 4) Continued to maintain the leading position in the automotive diagnostic equipment industry and reduced product gross profit in order to dominate the market rapidly;
- 5) Strengthened its research and development and marketing, enhanced its quality with less production and controlled low value-added business.

Based on the above operating strategies, the ultimate users such as car owners, automotive maintenance technicians, automotive maintenance enterprises, and the third party application service providers were the key development targets of the Group's Internet of Vehicles business. In 2014, in order to launch a user-oriented smart hardware and application service of Internet of Vehicles and promote users' participation, the Group provided a large number of trail products of golo series smart hardware and application service of Internet of Vehicles for golo fans and potential ultimate users, some of the hardware products were sold at cost. While implementing

the offline plan of the O2O strategy, the Group reduced the gross profit margin of the diagnostic products and actively promoted the vehicle cloud diagnostic products equipment. Also, the Group provided equipment upgrades, which was a replacement of the traditional diagnostic equipment with cloud diagnostic products with remote diagnostic functions, to the original users at a favorable price. Moreover, the Group distributed over 100 thousands of the golo Technicians Box to automotive maintenance technicians across the country for free. Through these efforts, the market coverage of cloud diagnostic products realized a rapid growth while the offline service providers of Internet of Vehicles Business spread over the country. Currently, as there are over 10 thousands automotive maintenance enterprises and over 100 thousands automotive maintenance technicians provide offline efficient service to the Group's Internet of Vehicles users at any time, the Group has the largest network in the Internet of Vehicles maintenance industry which is increasing its lead over its competitors.

Under the above marketing strategies, the average gross profit margin of the Group's automotive diagnostic equipment has a slight decrease. As the shipments and the market share of the equipment have achieved a substantial increase, the advantage of the Internet of Vehicles was significant. However, the traditional business profit could not meet the financial needs of Internet of Vehicles business, as a result, the huge investment in Internet of Vehicles business caused a significant loss in the operation of the Group this year. Nevertheless, the Group is highly confident of its future development. In view of the Internet of Vehicles has completed part of the development in 2014 with a proven edge of the brand name, the Group is well positioned to be a pioneer of the Internet of Vehicles industry.

II. Analysis of Internet of Vehicles Business

1. Internet of Vehicles Business

As the upgrading of the various industries was driven by widespread popularisation and rapid development of internet technologies, Internet of Vehicles, which is in the internet sub-industry, has a prosperous development. Internet of Vehicles utilized the internet and vehicle related technologies to obtain the relevant vehicle information and leverage on those information. Internet of Vehicles technologies lead to a revolution in automotive industry. The automotive industry giants in America, Europe and Asia are preparing to apply the Internet of Vehicles technologies into the new generation of automotive products. After few years planning, the internet leading companies in the PRC are desperately seeking for the imported goods. As one of the earliest enterprise to start developing the Internet of Vehicles technology, the Group has been reputable for its strong automotive diagnostic technologies.

As one of the key deployment industries in the "Twelfth Five-Year" plan by the PRC government, Ministry of Industry and Information Technology made every effort to push forward the development of Internet of Vehicles from a number of aspects, including industry plan and technology criteria. The PRC government has put forward the new economic development of "Internet+(互聯網+)" with an aim to leverage the optimize and integrate effect from the internet in the allocation of production resources and apply

the innovative internet technologies into various aspects in economy and society for enhancing the creativity and productivity of the real economy, resulting an increase of using internet as the foundation facilities and forming a new economic development. Internet of Vehicles, with numerous potential business opportunities, is now warmly received by many investment institutions.

According to the GSMA and the report published by SBD, a market research company, 50% of the vehicles in the world require Internet of Vehicles service. It is expected that the market size will reach to RMB150.0 billion. In the following three to five years, it is expected that the market size will reach to RMB300.0 billion. According to the industry forecast, there will be 90% of the vehicles in the world equipped with Internet of Vehicles technology in 2020.

2. *Technical Research and Development*

Based on more than 20 years of accumulation of automotive diagnostic technologies, the Group gained insight into the industry's need and the future development trend several years ago, and inputted a large quantity of human resources and capital to develop Internet of Vehicles. In 2014, the Group substantially increased research and development talents for internet technologies such as application planning, platform development and extraction of large amount of information. The upgrade and innovation of Internet of Vehicles was accelerated and good results were achieved in the development and application of products and technologies.

As at the end of 2014, there were over 600 members in the research and development team of Internet of Vehicles and diagnostic technology, representing an increase of more than 100 members compared to the same period of the previous year. Except for the Internet of Vehicles research and research centre established at the headquarter, the Group also set up small-sized research and development teams overseas in order to accelerate the localized application and development of Internet of Vehicles technology. For the reporting period, the input in Internet of Vehicles technology and product development was RMB 80,000,000.

The research and development work of the Group strictly implements the CMMI system, adopts the advanced agile and IPD development flow at the same time, and emphasizes management models such as the structured development flows, profession talents and separation of technologies and product development. Meanwhile, in order to improve the research and development efficiency and arouse the innovative spirits of technicians, the Group implemented incentive mechanism that includes 9 five-level items with contribution and efficiency at the core and also 5 caring benefit measures for employees. Overall, research and development remained stable and very experienced, maintained a high morale and had a stronger sense of belonging to the enterprise.

In 2014, the Group was granted an accumulated number of 45 patents in respect of Internet of Vehicles technologies, 10 software copyrights, 12 trademarks and 7 honours. The patented chip which was first developed by the Group based on OBD technology was further improved, which became the core of golo smart hardware products. It is changing the model of traditional auto repair and maintenance and the life style of vehicle owners. Repair technicians can provide a remote diagnostic and repair service for car owners at anytime and become the standard of building the Internet of Vehicles business system.

In 2014, technological projects which the Group successfully developed and preliminarily research included: rcu/u project, golo4s projects, DPU431-A chip, golo 5 APP software, golo 6 smart hardware and software, golo 7 preliminary research project, ADAS project and V2X project etc.

3. *Product Development*

In 2014, the Group successfully developed Internet of Vehicles smart hardware of the golo series, which became the most advanced Internet of Vehicles application product and the smallest portable professional automobile repair tool on the market currently.

The functions of the golo smart hardware mainly include: 1) obtaining the instant information of vehicles, 2) real-time remote diagnosis for the vehicles, 3) consistent vehicle examination, 4) vehicle alarming, 5) driving record management, 6) instant communication, 7) advice and assistance and 8) group management of cars.

Using the golo smart hardware, through smartphones with Apple iOS and Android systems, car owners are able to realize the vehicle inspection, remote diagnosis, process management, safety management, advice and assistance as well as instant communication such as video, audio and text, and also able to form car groups with friends or colleagues. Automobile repair technicians can carry golo technician boxes to provide diagnostic and repair services for car owners anytime and anywhere. The strong functions of the golo smart hardware will build an all-rounded car safety and life platform for car owners.

In 2014, the Group successfully launched the following products: golo 2 project, golo 3 project, golo 4 project, golo mobilediag APP, golo easydiag APP, the domestic version of golo technician APP etc. In addition, 430 versions of the golo software were launched.

4. Domestic Market

In 2014, the production and sales volume of automobile exceeded 23,000,000 in China with car ownership of more than 150,000,000 and over 260,000,000 drivers. Coping with this vast market, in order to develop the Internet of Vehicles business rapidly, the Group conducted a lot of work in aspects including the market organisation, market promotion and customer expansion.

The main work of the market organisation was: 1) full implementation of ideas of internet enterprise management; 2) the optimization of the internet online distribution platform; 3) the expansion of network marketing team and golo car repair workstation experts group; 4) the planning of the offline service outlets of manufacturers in collaboration.

The main work of the marketing was: 1) conducting Internet of Vehicles product publicity targeting end users such as car owners and automotive repairing technicians; 2) organizing 5 new product conferences and nearly 100 golo technician boxes promotion conferences; 3) conducting promotion activities for automotive maintenance and repair enterprises beginning to upgrade and update vehicle cloud diagnostic equipment; 4) developing offline services provided by partners including automobile maintenance plant, repair technicians, manufacturers in collaboration for O2O; 5) conducting business co-operation with enterprises such as China Unicom, China Mobile, Baidu, CAR Inc. and Ping An Insurance.

In the third quarter of 2014, the Group began to launch Internet of Vehicles smart hardware in the market. As at the end of the reporting period, there have been nearly 100,000 car owner users, over 100,000 automotive repair technician users, tens of thousands of automobile maintenance plants and nearly 10,000 auto care stores in the country. A group of manufacturers in collaboration, service providers and partners in the industry were introduced. A Internet of Vehicles business system was constructed and the establishment of the first phase of offline service outlets was completed, providing a foundation for the rapid development in future.

5. Overseas Market

In 2014, the production and sales volume of automobile amounted to 86,000,000 in the world with car ownership of more than 1,200,000,000. Facing this vast market, the Group also conducted a lot of work in aspects including the market organization and market promotion.

The main work of the market organization was: 1) expanding the network marketing team; 2) setting up of the internet online distribution platform; and 3) expanding the after-sales service team.

The main work of the marketing was: 1) strengthening product promotion with the Internet of Vehicles business as the focus; 2) beginning the planning of offline service outlets of the Internet of Vehicles business; 3) organizing over 30 overseas road shows and product promotion conferences; 4) conducting promotion activities for automotive maintenance and repair enterprises beginning to upgrade and update vehicle cloud diagnostic equipment.

The main work of customer expansion was: 1) establishing connection with communication carriers in major countries; 2) establishing connection with major insurance companies; 3) establishing connection with large automotive organizations.

III. Analysis of Traditional Business

1. Traditional Business

Compared with the previous year, for 2014 sales of automotive diagnostic devices of the Group which has high profit margin was 98,000 units, representing an increase of 37,000 units, or an increase of 60%; sales of personal code readers were 115,000 units, representing an increase of 29,000 units, or an increase of 34%; sales of testing and maintenance products decreased by 11%, sales of lifts and tire equipments were 44,000 units, which have a low profit margin decreased by 6%.

Sales revenue for the year was approximately RMB720 million, representing an increase of 8%. Sales revenue of automotive diagnostic devices were RMB370 million, accounting for 51% of the total revenue, representing an increase of RMB70 million, or an increase of 23%; sales revenue of testing and maintenance products were RMB48 million, accounting for 6% of the total revenue, representing a decrease of 8%; sales revenue of lifts and other mechanical and electrical equipments were RMB260 million, accounting for 35% of the total revenue, representing a decrease of 6%; revenue from software upgrade was approximately RMB20 million, representing an increase of 10%, due to the upgrade and update of products, the new products were in the free upgrade phase, the increase in revenue from software was not significant. In general, sales of products of the Group with high profit margin rose substantially, sales of products with low profit margin fell significantly, this was in line with the business strategies of the Group.

2. Technical Development

As at the end of 2014, there were approximately 280 members in the R & D team of the traditional business. The traditional diagnosis and inspection techniques are the basis for the development of the Internet of Vehicles business. In 2014, the Group hired a group of high end personnel, adjusted the R & D direction of the traditional business, increased the investment in the R & D of technologies and products with high value added elements, controlled the R & D expenditure of businesses with low profit margin, total investment in the R & D of traditional business was RMB30 million.

As at 2014, the Group was granted an aggregate of 154 patents of vehicle diagnosis techniques, 57 software copyrights, 42 trade marks by the state, and 54 honors both at home and abroad.

3. *Product Development*

The projects that the Group had successfully developed included X-431 PADII development project, vehicle remote diagnosis customer tailor-made development project, CRP-HD development project, CRP229 development project, Maximus 2.0 project, Maxgo project, MaxMe project, X-712S four-wheel positioning development project etc, besides, 1,580 software were successfully developed during the year.

Some of the above projects are vehicle cloud diagnosis equipments, they can make use of the internet to realize remote diagnosis, their functions are very powerful, they are favourable for enhancing the quality and efficiency of offline services of the Internet of Vehicles business, and they are also the core products for speeding up the development of the Internet of Vehicles business.

4. *Domestic Market*

In 2014, the Group continued to maintain the leadership position in the industry. Compared with last year, sales of automotive diagnostic devices which has high profit margin were 70,000 units, accounting for 71% of the sales of that type of products, representing an increase of 25,000 units, or an increase of 56%; sales of personal code readers were 43,000 units, accounting for 37% of the sales of that type of products, representing an increase of 29,000 units, or an increase of 218%; sales of testing and maintenance products were 3,500 units, representing an increase of 29,000 units, or an increase of 3%; sales of lifts and other equipments which have a low profit margin were 34,000 units, accounting for 78% of the sales of that type of products, representing a decrease of 4%; there was a decrease in the sales of tire equipments.

In 2014, sales revenue in the domestic market was approximately RMB430 million, representing an increase of 11%, accounting for 59% of the total revenue. Sales revenue of automotive diagnostic devices were approximately RMB200 million, representing an increase of 23%, accounting for 48% of the total revenue of China; sales revenue of lifts and other equipments was approximately RMB190 million, representing a decrease of 7%, accounting for 43% of the total revenue of China; sales revenue of testing and maintenance products was approximately RMB20 million, representing a decrease of 19%.

In 2014, the Group held dozens of promotion tours in total in various cities in China, covering over 400 distributors and the teachers and students of over 50 vocational schools.

5. Overseas Market

In 2014, due to the economic recovery in the US, there were improvement in the American, Asia Pacific, the Middle East and African markets, the overseas sales of the Group made record high results, there was remarkable growth in the sales of diagnosis products with high profit margin, products with low profit margin shown a downward trend, basically these were in line with the expected objectives. An analysis of the results indicates that the competitiveness of the automotive diagnostic devices of the Group in the overseas markets was apparently higher.

In 2014, sales of automotive diagnostic devices which has high profit margin in the overseas market exceeded 28,000 units, representing an increase of 72%; sales of personal diagnostic reading cards were 72,000 units, basically little changed; sales of testing and maintenance products were 3,200 units, representing an increase of 13%; sales of lifts and other equipment which have low profit margin were 9,300 units, representing a decrease of 10%.

In 2014, sales revenue of the overseas market was approximately RMB280 million, due to the trade-in marketing activities of some diagnosis equipment, the increase of 4%, accounting for 41% of the total revenue. Sales revenue of automotive diagnostic devices was approximately RMB170 million, representing an increase of 12%, accounting for 59% of the overseas revenue; sales revenue of lifts and other equipments was approximately RMB71 million, basically little changed; sales revenue of testing and maintenance products was approximately RMB27 million, representing an increase of 36%.

In 2014, The Group attended over 30 international famous trade fairs in Europe, America, Asia and Australia, organized dozens of professional training sessions through the overseas offices. Through these activities, the Group promoted the new products and development planning of the Internet of Vehicles business, properly prepared for the work related to the implementation of the O2O services model in the overseas market in the future.

IV. Operation Management

1. Marketing

In 2014, the main tasks of the Group in marketing were: 1) Focus on user experience to strengthen the marketing and promotion of the Internet of Vehicles business, concentrate on developing the user groups of car owners, repair technicians and car repair companies; 2) Develop the O2O offline third party service providers to provide good services to end users; 3) concentrate on the promotion of high value added car diagnosis products, control the investment in businesses with low profit margin.

To sum up, by adjusting the business strategies, the development trend of the Internet of Vehicles business in China is satisfactory, the brand advantages are apparent, the domestic and foreign clients were confident with the development prospect of the Internet of Vehicles business of the Group. Also, the traditional business was continued to be developed, the businesses with low value added were under control, the market share was obviously raised, the leadership position of the industry was solid.

2. *Organisation of Production*

In 2014, the main tasks of the Group in the production aspect were: 1) focus on proper quality control; 2) retain the manufacturing of key parts, implement advanced production model; 3) weaken production, basically implement outsourcing of low value added production tasks, let the supply chain management centre of the Group to be responsible for their management.

3. *Quality Management*

The Group centres on quality, employ management techniques in a comprehensive manner, sets up a quality management system for the entire processes from design, production to services etc. Based on the PDCA continuous improvement mentality, set up quality improvement teams, it continues to analyze, inspect and improve the quality etc.

4. *Finance*

In 2014, since the intelligent hardware of Internet of Vehicles of the Group was officially introduced in the market in the first quarter, subsequently in the third quarter repair technicians were given free of charge over 100,000 sets of diagnosis tools golo Technicians Box. In addition, of a large number of trial versions of the Internet of Vehicles products were given to users free of charge, the Internet of Vehicles business has not yet brought remarkable contribution to the revenue. The revenue of the reporting period basically came from the traditional business with a year-on-year increase of 8%.

Although there was a large growth of delivery of products with high profit margin, some equipments were under change of old for new arrangements, the average gross profit dropped. Judging from the composition of the main revenue, traditional diagnostic products accounted for 51% with an average gross profit of 47% which was the main source of profit for the Group.

To analyze from the composition of the sales revenue in the market, the market share of the Chinese market was 59%, the market share of the overseas market was 41%. The cooperation time with the foreign distributors was longer, it is hard to change the settlement period in a short period of time, thus the amount of account receivable was higher; although the long term creditability of overseas distributors was good, the Group still made provision for bad debts as stipulated on the principle of prudence, and at the same time, it strengthened the management of debt collection.

As the Group has been greatly expanding the Internet of Vehicles business, in 2014, it invested huge sums of expenditures in the areas of R & D, human resources and marketing, there was a significant increase in the bank borrowing interest costs, and the profit from the traditional business was insufficient to support the capital requirements of the Internet of Vehicles business, there was a substantial loss in the operation during the reporting period.

4.1 Table of movement analysis for the related items in income statement

Unit: million

Items	Current period	Corresponding period of previous year	Changes %
Operation income	731	678	8
Operation cost	483	447	8
Selling cost	96	76	21
Administrative expenses	128	113	13
Financing expenses	49	38	29

4.2 Major clients and suppliers

(1) Sales to major clients

During the Reporting Period, total operation revenue from the top five clients of the Company was approximately 155,000,000 (2013: 135,000,000), accounting for approximately 21% (2013: 20%) of total operation revenue for the year. The largest client accounted for approximately 8% (2013: 9%) of the total operation revenue for the year.

(2) Major suppliers

During the Reporting Period, total purchasing amount from top five suppliers of the Company amounted to 135,000,000 (2013: 127,000,000), accounting for approximately 31% (2013: 32%) of the total purchasing amount for the year. The largest supplier accounted for approximately 8% (2013: 11%) of the total purchasing amount for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the share capital of listed issuer) had any interest in any of the five largest clients or the five largest suppliers.

4.3 Cost

Unit: million

Items	Current period	Corresponding period of previous year	Changes %
Selling expenses	96	76	21
Administrative expenses	128	113	13
Finance expenses	49	38	29

Description:

The selling expenses for the year were approximately 13% of operating revenue for the year (2013: 11%). The increase in ratio is due to the vigorous promotion of Internet of Vehicles-related business by the group during the year. Administrative expenses were 18% of operating revenue for the year, representing a slight increase of 1% compared to last year. Finance costs increased starting from the second half of 2013, which has increased by 29% in 2014 compared to 2013. The management will gradually control the increase of relevant expenses through adjusting the loan mix.

4.4 R&D expenditure

R&D expenditure

Unit: million

R&D expenditure for current period	32
Capitalized R&D expenditure for current period	73
Total R&D expenditure	105
Percentage of total R&D expenditure over operation income (2013: 10%)	14%

Description:

We actively invested in research and development projects during the year and expenditure increased by 48% compared with last year. Research and development expenditure to total operating income ratio increases to at 14%, which is in line with the annual budget plan of the Company.

4.5. Analyzing of asset and liability

Unit: million

Items	At the end of current period	Percentage of the amount at the end of current period over total assets %	At the end of previous period	Percentage of the amount at the end of previous period over total assets %	Changes in amount from the end of previous period to current period %
Monetary fund	343	23	312	23	10
Receivables	263	18	250	18	5
Inventories	92	6	111	8	-17
Fixed assets	308	21	343	25	-10
Construction in progress	111	7	88	6	26
Intangible assets	172	12	110	8	56
Short-term loan	435	29	528	39	-18
Total assets	1,482		1,370		

5. Analysis of Financial Status and Business Performance During the Reporting Period

5.1 Operating results

In 2014, total profit of the Company decreased by 54,000,000 as compared with the same period last year.

- (1) Operation revenues and operation costs were both 8% higher than the same period of last year. Gross profits margin remained at 34%. Gross profit increased by 17,000,000.
- (2) During the period, provision for asset impairment of accounts receivables and other receivables amounted to 25,000,000 in total and the impairment of research and development costs was approximately 14,000,000.
- (3) Despite the increase of operating income for the period, value-added tax refund from government decreased by 2,000,000, due to the change in sales mix, and other subsidies related to technological development from government increased by 3,000,000.

5.2 Analysis of assets, liabilities and equity interests

Total assets value amounted to 1,482,000,000 during the reporting period, increased by 18% as compared with the beginning of the year, of which inventory decreased by 17% and fixed asset and construction in progress decreased by 3%. Total liabilities amounted to 903,000,000, increased by 21% as compared with the beginning of the year, mainly due to increase in short term loans and bill receivables. Total equity interest attributable to shareholders amounted to 579,000,000, decreased by 7% as compared with the beginning of the year, mainly due to a turn from gain to loss for the year.

6. Principal Sources of Fund and Its Use

6.1 Cash flows from operating activities

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to 853,000,000, while cash outflow amounted to 722,000,000. Net cash flow during the reporting period from operating activities amounted to 131,000,000, in which net of an increase of deposits not included in cash and cash equivalents amounted to 124,000,000, the net cash outflow from actual operating activities amounted to 255,000,000.

6.2 Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to 6,000,000 which was mainly attributable to the disposal of fixed assets. Cash outflow to investment activities amounted to 96,000,000, which was mainly used for capital expense on construction of plant and research building. The above expenditures were partly financed by the Company's internal resources and bank loans. Net cash outflow from investment activities for the reporting period amounted to 90,000,000.

6.3 Cash flows from fund-raising activities

Cash inflow from fund-raising activities during the reporting period amounted to 689,000,000, which was mainly derived from bank loans. Cash outflow from fund-raising activities during the reporting period amounted to 824,000,000 was mainly for repayment of bank loans and interest. Net cash outflow from fund-raising activities for the reporting period amounted to 136,000,000.

Net cash flow from operating activities in 2014 increased by 15% over last year, mainly due to a much higher amount of cash received from sales of goods and provision of services. Net cash flow generated from investment decreased by 43% over last year mainly attributable to the cash paid for the Shenzhen research building relatively decreased. Net cash flow generated from fund-raising activities decreased by 315% over last year, mainly due to the increase in repayment of debt as compared to last year.

Total net cash flow turned to negative of 95,000,000 and the deposits not included in cash and cash equivalents of 124,000,000, net cash inflow amounted to 29,000,000. This year saw a turn from gain to loss and reduced the level of short term loans, cash level remained reasonably stable.

7. Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to 579,000,000; and total liabilities amounted to 903,000,000. Total assets amounted to 1,482,000,000. As at the end of the year, the Company's gearing ratio was 164% (2013: 183%).

Capital structure by liquidity

Total current liabilities	881,000,000 (2013: 727,000,000)	Accounting for 59% (2013: 53%) of the capital
Total equity interest	623,000,000 (2013: 623,000,000)	Accounting for 39% (2013: 45%) of the capital

8. Administrative Management

In 2014, The Group optimized several internal management measures bearing personnel as the focus, the main tasks were: 1) carried out position determination and level determination and remuneration adjustment of staff regularly based on the results of the performance appraisal, to ensure the fairness of the remuneration system; 2) increased the degree of incentive and punishment of staff under "Nine Items Five Level"; 3) enriched the contents of the "Five Care for Staff"; 4) introduced a large number of good internet operational staff and technicians; 5) strengthened the vocational training of the staff. Through the above tasks, the Group adequately motivated the work passion and sense of responsibilities of the staff, particularly the R & D personnel and marketing and sales staff.

In 2014, the Group continued to optimize the work flow of the CRM · IO · OA systems, further improved the R & D system of IPD. In addition, it continued to improve, optimize and refine the marketing and sales, cost control, work efficiency and building of corporate culture etc.

V. Future Prospects

On the development planning aspects, the Group will focus on developing the application techniques and services of the Internet of Vehicles, using user experience as the core, introduce cooperation partners in the industry in the field of applications, strive for building a global car repair, maintenance and automobile life platform with golo vehicle cloud platform as its centre, use the O2O business model to provide highly efficient and quality services to car owners, technicians, maintenance companies and third party applications providers, and realize the operation of the big data of people, cars and companies.

On the marketing aspect, the Group will 1) increase users' participation; 2) optimize the internet sales team; 3) carry out online, offline marketing activities at several levels, e.g. exhibitions, annual meetings, promotion tours, technique competition, advertisement in the media etc to continue to enhance the brand awareness; 4) continue to improve services; 5) Strengthen the management of account receivable.

On the R & D aspect, the Group will 1) continue to hire R & D personnel, optimize the team structure; 2) continue to innovate, speed up the R & D of new products, use the differential advantages of techniques and services to gain the market.

On the production aspect, the Group will 1) reduce production & manufacturing; 2) guarantee the quality of products, reduce the production costs; 3) effectively control inventory level etc.

On the financial aspect, the Group will 1) maintain good cash flow; 2) strengthen the management of account receivable; 3) optimize cooperation proposals with financial institutions, control finance costs; 4) loosen the human resources costs, R & D expenditure and selling expenses etc in an appropriate way.

The Group will continue to strengthen and improve internal management, continue to deepen the corporate culture of “innovation, quality, efficiency, professionalism and competition”, motivate the innovative potential of staff, enhance the overall competitive advantages, and bring better benefits to shareholders.

III NOTES TO OTHER MATERIAL EVENTS

1. Receipt of government subsidies

The Company had received return of value-added tax amounting to approximately 11,000,000 (Last year: approximately 13,000,000) from the government. Other government subsidies concerning the development of science and technology was approximately 6,000,000 (2013: 3,000,000).

2. Scope of consolidation

During the reporting period, there was no change in respect of the consolidation of subsidiaries.

3. Audit of financial statements for the reporting period by the audit committee

The 2014 financial statements has been reviewed and confirmed by the audit committee of the Board of the Company.

4. Code on Corporate Governance Practices

During the reporting period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited. Details of implementation of the Code on Corporate Governance Practices will be set out on the Corporate Governance Report in 2014 Annual Report.

5. Model Code for securities transactions by directors and supervisors

During the reporting period, the Company has adopted a set of code of practice regarding securities transactions by directors and supervisors on terms no less exacting than the standards set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 12 months ended 31 December 2014.

6. Share capital

- (1) During the reporting period, the total number of shares increased to 301,800,000 shares by an issue of shares on the basis of 40 bonus shares for every 10 shares held.
- (2) During the reporting period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.
- (3) During the reporting period, the Company had no share options granted under the share option scheme.

IV. ANNUAL REPORT AND OTHER INFORMATION

This announcement is set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Annual report will be despatched to shareholders and will be published on the aforesaid websites in due course.

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

Shenzhen, the PRC
31 March 2015

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Xin (Chairman), Mr. Liu Jun, Ms. Huang Zhao Huan and Mr. Jiang Shiwen as executive Directors, Ms. Liu Yong as non-executive Director, and Ms. Zhang Yan, Mr. Liu Yuan and Dr. Zou Shulin as independent non-executive Directors.