

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

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)*

2015 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 2015 (the "Reporting Period") prepared in accordance with China Accounting Standards for Business Enterprises:

FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

Items	<i>Notes</i>	31 December 2015	31 December 2014
Current assets:			
Cash		415,464,672.34	343,796,861.36
Bills receivable		17,036,907.00	23,908,007.71
Accounts receivable	4	241,169,471.34	263,046,370.93
Prepayments		57,399,353.54	63,011,467.16
Other receivables		39,648,210.28	29,375,506.71
Inventories	5	101,939,465.29	92,241,372.70
Other current assets		7,886,496.93	54,196,947.70
Total current assets		880,544,576.72	869,576,534.27

CONSOLIDATED BALANCE SHEET (continued)

Items	Notes	31 December 2015	31 December 2014
Non-current assets:			
Fixed assets		387,455,236.13	307,605,358.61
Construction in progress		1,718,549.29	110,769,474.44
Intangible assets		191,031,014.69	172,113,179.72
Development expenditure		11,067,683.04	21,074,996.18
Goodwill		1,139,412.80	1,139,412.80
Deferred income tax assets		6,988.56	5,738.97
Other non-current assets		6,911,826.72	-
Total non-current assets		599,330,711.23	612,708,160.72
Total assets		1,479,875,287.95	1,482,284,694.99
Current liabilities:			
Short-term borrowings		560,767,159.96	612,089,931.12
Bills payable		-	103,420,000.00
Accounts payable	6	88,357,296.14	96,154,689.03
Receipts in advance		79,364,620.11	53,064,711.56
Wage payables		3,930,285.40	2,930,953.03
Tax payable		5,085,902.08	5,255,927.90
Other payables		12,576,859.75	8,275,296.71
Non-current liabilities due within one year		468,152.45	139,792.50
Total current liabilities		750,550,275.89	881,331,301.85
Non-current liabilities:			
Long-term borrowings		1,190,145.51	2,095,867.32
Deferred income		25,500,000.00	20,000,000.00
Total non-current liabilities		26,690,145.51	22,095,867.32
Total liabilities		777,240,421.40	903,427,169.17
Shareholders' equity:			
Share capital		329,160,000.00	301,800,000.00
Capital reserve		231,421,588.86	41,748,427.20
Other Comprehensive Income		3,221,298.19	2,523,274.66
Surplus reserve		18,099,377.81	18,099,377.81
Undistributed profits	7	120,570,279.29	214,468,933.63
Total owners' equity attributable to parent company		702,472,544.15	578,640,013.30
Minority shareholders' equity		162,322.52	217,517.52
Total shareholders' equity		702,634,866.55	578,857,525.82
Total liabilities and shareholders' equity		1,479,875,287.95	1,482,284,694.99

CONSOLIDATED INCOME STATEMENT

Items	Notes	2015	2014
Operating income	3	697,597,929.64	731,173,407.25
Less: Operating cost		427,983,171.61	483,349,303.05
Business tax and surcharge		4,154,526.73	2,727,638.55
Selling expenses		140,904,132.03	96,325,526.09
Administrative expenses		196,474,968.34	128,453,958.87
Financial expenses		16,699,476.48	48,629,840.08
Impairment loss on assets		22,676,442.73	38,839,665.75
Add:			
Gain on investment		2,592,876.71	493.88
Operating loss		-108,701,911.57	-67,152,026.81
Add: Non-operating income		14,972,085.28	20,841,641.00
Less: Non-operating expenses		1,127,719.08	487,015.92
Total loss		-94,857,543.37	-46,797,401.73
Less: Income tax expenses	8	-903,700.91	68,985.45
Net loss		-93,953,844.46	-46,866,387.18
Net loss attributable to owners of parent company		-93,898,654.34	-46,943,369.98
Profit or loss attributable to minority shareholders		55,190.12	76,982.80
Earnings per share:			
Basic earnings per share	9	-0.3111	-0.1555
Other comprehensive income		698,023.53	2,846,714.82
Total comprehensive loss		-93,255,820.93	-44,019,672.36
Total comprehensive loss attributable to owners of parent company		-93,200,630.81	-44,096,655.16
Total comprehensive income(-loss) attributable to minority shareholders		-55,190.12	76,982.80

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 2015 Annual Report.

The Company based on the actual transaction and event basis, in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises, 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 2014) issued by the China Securities Regulatory Commission (CSRC) and prepared the Financial Statements on such basis

The Company carried out assessment on the going concern for the 12 months period after the report date, and did not recognize any matters and situation which leading to material doubt on the continuity of operation. Therefore this financial report is based on recognition and measurement on a going concern and actual transaction .

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	683,678,245.76	722,094,905.25
Revenue from other operations: rent	13,919,683.88	9,078,502.00
	<u>697,597,929.64</u>	<u>731,173,407.25</u>

4. ACCOUNTS RECEIVABLE

The Company basically used credit terms when dealing with customers and normally offered credit period from 30 days to 210 days. Should a customer possessed long and good records or in case of being a major customer, or under the circumstances that the Company would like to maintain prolong operational relationship, and then a different credit period might be considered.

	At the year end	At the beginning of the year
Accounts receivables	319,478,687.62	316,965,673.26
Less: provision for bad debts	78,309,216.28	53,919,302.33
Net amount	<u>241,169,471.34</u>	<u>263,046,370.93</u>

Aging analysis of accounts receivable

Aging	At the year end	At the beginning of the year
Within 1 year	115,575,367.64	133,155,065.63
1 to 2 years	76,957,047.63	78,332,053.62
2 to 3 years	24,178,977.74	33,048,043.20
3 to 4 years	18,484,866.16	16,817,894.55
4 to 5 years	5,973,212.16	1,693,313.93
Net amount	<u>241,169,471.34</u>	<u>263,046,370.93</u>

	Ending balance			Beginning balance		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Not past due	61,183,510.02	3,059,175.50	58,124,334.52	77,827,516.63	3,891,375.83	73,936,140.80
Past due	258,295,177.60	75,250,040.78	183,045,136.82	242,136,052.87	53,025,822.74	189,110,230.13
Total	<u>319,478,687.62</u>	<u>78,309,216.28</u>	<u>241,169,471.34</u>	319,963,569.50	56,917,198.57	263,046,370.93

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	19,529,850.05	-	19,529,850.05	24,294,004.47	707,096.95	23,586,907.52
Work in progress	7,968,208.34	-	7,968,208.34	11,024,247.34	824,688.64	10,199,558.70
Finished goods	74,441,406.90	-	74,441,406.90	58,454,906.48	-	58,454,906.48
Total	101,939,465.29	-	101,939,465.29	93,773,158.29	1,531,785.59	92,241,372.70

6. ACCOUNTS PAYABLE

Aging	At the year end	At the beginning of the year
Within 1 year	84,412,542.71	86,039,406.13
1 to 2 years	1,616,623.84	7,645,527.55
2 to 3 years	1,282,317.77	909,292.89
Over 3 years	1,045,811.82	1,560,462.46
Total	88,357,296.14	96,154,689.03

7. UNDISTRIBUTED PROFITS

Current year

	Amount
As at the beginning of the period	214,468,933.63
Add: net loss attributable to shareholders of the parent company in the current year	-93,898,654.34
As at the end of the period	120,570,279.29

Previous year

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

8. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	-902,451.32	70,802.81
Adjustment of deferred tax	-1,249.59	-1,817.36
	<hr/>	<hr/>
Total	-903,700.91	68,985.45

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	-93,898,654.34	-46,943,369.98
Average weighted number of outstanding ordinary share of the parent company	301,800,000	301,800,000
Basic earnings per share (RMB/share)	-0.3111	-0.1555

(2) Diluted earnings per share

As there was no ordinary shares with dilutive potential for the year 2015 and 2014, thus no diluted earnings per share was presented.

10. DIVIDEND

No dividend has been recommended by the Board (2014: 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
深圳還是威健康科技有限公司 (“還是威”)	Wholly-owned	Auto repair and maintenance equipment	RMB10,000,000
深圳市軋轆軟件開發有限公司 (“軋轆軟件”)	Wholly-owned	Auto repair and maintenance equipment	RMB10,000,000

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 2015, the Company pledged properties and buildings and land use rights with original value approximately amounted to 231,000,000 (2014: 157,000,000) for certain bank borrowings.

14. CAPITAL COMMITMENTS

As at 31 December 2015, the Company there is no material unsettled capital commitments (2014:7,000,000) .

15. LEASE COMMITMENTS

As at 31 December 2015, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	943	3,697
2 to 5 years	157	1,945
	1,101	5,642

16. POST-BALANCE SHEET EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Direction of Enterprise and Analysis of Operation

Since 2013, the development direction of the Group was set as " becoming global Internet of Vehicle core enterprise ". After taking nearly two years of focused exploration and practice, the Group further established the concrete strategy for achieving the target of being service provider of the global Internet of Vehicle big data (based on vehicle identification number "VIN") . Based on this strategic target, the Group has implemented a more positive, practical and open cooperation strategy, vigorously develops different kinds of B2B2C cooperation patterns for different sectors such as insurance companies, auto manufacturers, second-hand car sellers, automobile service providers, the automobile spare parts renders, the logistic industry etc,. Through the full cooperation, parties hand in hand explored and the depth excavates the big data application services, further optimized the Internet of Vehicle service development layout.

In 2015, the Group, processing huge automobile service maintenance and the performance data, started to attempt to carrying out multi-dimension excavation analysis on commercial value of automobile big data, and unified the profession applications to explore new business models. After the depth excavation, the Group issued for the first time the"2015 White Paper of Chinese Passenger Car Usage ", which caused giant echo in the industry. Moreover, he data specimen itself offered extremely positive impacts to the industry's development, the social public and so on.

In 2015, the Group leaned the strength to consummate the golo vehicle networking ecology the service experience, positively explored possible change in business models of O2O, insurance and finance.

The Group, having taken the golo vehicle cloud platform as the central global automobile service and the car life platform, as well as using a series of golo-based vehicle networking intelligence hardware, established a commercial closed circle for car owners, auto repair engineers, the automobile service enterprises, the third party application and the service providers and so on.

Through these cross industries conformity ability and the innovative business model, the Group has basically established the leading status in the Internet of Vehicle industry.

In 2015, the second year for the Group's development in the Internet of Vehicle, we according to plans, comprehensively implemented the strategic transformation to Internet of Vehicle. In order to complete the layout even more faster, we extended and optimized our management strategies, in which gave up short-term benefit, nevertheless continuously injected more resources to the Internet of Vehicle business, and make it to be mainly shown in the following five aspects:

1. Carried out thought of Internet business management to enhance the product users' activeness;
2. Expanded research and development team, and enlarged investment in the research and development in the Internet of Vehicle;
3. Expanded network marketing team, and implemented O2O strategic plan;
4. Carried out open strategy to invite cooperation for development of different kinds of B2B2C cooperation model;
5. Continued to maintain the leading role in the automobile diagnostic equipment industry, and proactively lowered the products' selling price to rapidly penetrate the market, and meanwhile controlled the low value-added business.

Car-owner users, automobile service technicians, automobile service enterprises, and third party application service providers become the Group's core focused target of the development on Internet of Vehicle business.

We carried out the following measures:

- a) Continued to subsidy golo series products to the market to speed up expansion of car-owner users ;
- b) Developed the channel vigorously, a series of B2B2C cooperations such as China Unicom, China Mobile, Car Inc, Lanyou Technology, Linkage Automobile Alliance, etc;
- c) Encouraged original equipment users to upgrade to new car cloud products with remote diagnosis functions ;
- d) Provided special offers of golo technician box, the portable automobile diagnostic tool, to automobile repair technician and adopted real-name registration system.

Through the measures mentioned above, we completed the penetration into different sectors, and well prepared to accumulate further more Big Data. Nevertheless, reduction in selling price, positively encouragements to new and old users as well as series of cooperates on the one hand stimulated the sales volume but on the other hand adversely affected operating profits. The management believed the overall strategy is fruitful for development in coming few years. For these years this group always possessed a dominant role in the industry, along with the arrival of the information age, the Group aimed at transforming to a core global enterprise of Internet of Vehicle.

Passing through these two years plan and the deployment, in 2015, the Group succeeded to promote golo vehicle cloud platform, a global automobile service and car life platform. Moreover a series of intelligent hardware for Internet of Vehicles based on this platform were also promoted. We developed massive users groups including car owners, auto repair technicians, automobile service enterprises, and also introduced cooperation parties and application cooperation groups such as China Unicom, China Mobile, Baidu Map, PingAn Insurance, etc.. We constructed the golo vehicle networking ecology, and carried out strategic plans for O2O business model. We basically completed the layout for the Internet of Vehicle business. With superior product experience offered and innovation business model rendered, this group has basically established the leading status in Internet of Vehicle profession.

II. Analysis of Internet of Vehicle business

During the “Two Sessions 2015”, the PRC Government, again, mentioned that “speeding up the construction of Internet of vehicle, Internet of ship, automation of driving, digitization of facilities and intelligent operations” in the “Thirteenth Five-Year” plan. Simultaneously, the Big Data has also be included in “Thirteenth Five-Year” plan as the strategic development direction. For that the PRC Government hope the Internet innovation achievements could deeply get into economic societies and sectors, so as to enhance the strength in creativity and productivity in the real economy, and to form a new economic development of fundamental facilities and instruments with more popularized Internet usage. With numerous opportunities, we have completed the corresponding preliminary layout, ensuring that could take the initiative the development scale to obtain the highest benefits.

Our Plans

Being service provider of Big Data of Internet of Vehicle (based on VIN) the Group set up an auto networking business whith golo car cloud platform as the center and underneath, there were platforms for car owners, the technicians, the service enterprises, the third party services, so as to form the ecology of auto maintenance and car life. It provided high quality services to the users, with realization of high efficiency, safety, comfortable and friendly car management and user experience. At the same time, explored the commercial values of auto Big Data positively unified with applications in different industries and sectors, to make it to be mutually beneficial.

Leading the reform

In 2015, the application of Internet entered into all sectors. We did quickly become the wind vane of the industry, leading the traditional auto aftermarket to step into the Internet and information technology boundary. Through advanced functions and features like remote diagnosis, the real-time monitoring, online data bank, the interactive mode of technician, etc..to a large extent changed the services originally served in traditional customs and manners, resulting the reversion from passive services to pro-active services and then can be benefited from enhancement of working efficiency, optimization of user experiences and improvement of the industry competitiveness.

Unique repair technicians resources

In the repair technician aspect, we popularized the golo technician box comprehensively, and therefore the golo technician box became famous among the technicians, leading the sales quantity increase. With the adoption of real name registration system of golo technician, we can unify and accumulate the core ability of services provision. The opening of the service platform to the third party services providers could enhance the competitiveness of golo ecology competitive power also lets the second-hand vehicle appraisers and valuers, the aftermarket chain enterprises, the vocational training colleges and universities those market's subdivision become more activated

Care of users' experience

We succeeded to develop the smallest and most advanced built-in intelligent hardware product for Internet of Vehicle. Taking the user experience as our first goal, made an multi auto life platform, the powerful functions and features included:

- 1) real-time path
- 2) remote diagnosis
- 3) entire car examination
- 4) Report to police
- 5) driving record
- 6) car servicing
- 7) drive and earn
- 8) Making friends
- 9) Rescue consultation
- 10) fleet management
- 11) remote control
- 12) WIFI etc.

With efforts from parties, we realized innovative dual channel data flow management modes which the users can only paid for their own data usage free of WIFI, and so resolved the problem of discontinuity of data collection the industry normally faced.

We also developed golo in car mobile products, with focus on driving safety support features which provide assistance to drivers for song selections, broadcasting, shopping and voice control etc, expecting to have good feedbacks in new sectors like travelling by car, new media radio etc.

Traditional equipment, the origin of technology

The Group believed that the strategy of raising importance of the online diagnosis products, and expected to shift the revenue and allocate more resources allocation to Internet of Vehicle business. In future, the scale of revenue from traditional equipment was expected to drop but it does not mean to the slowdown of the technology development. Our ultimate direction is still making the development of the best auto diagnosis technology as our first prioritized target.

Commercial cars, Internet, and finance, a new territory

In 2015, the Group, with strategic alliance with Linkage Automobile Alliance, set up a all in one commercial car internet finance platform, unifying and linking various commercial car related chain service industries likes car finance, insurance, manufacturers, distributors, repair and maintenance, spare parts suppliers, utilities suppliers etc. Though the number of commercial cars is much fewer than passengers cars, we focused the huge after market in reality resulted from it's shorter commercial car usage cycle. Being forward looking and aggressive, this strategic operational move to the commercial car sectors is definitely a very important decision and action.

Setting up Big Data Company, connecting everything for future

During 2015, We, via tools and instruments like cooperations, huge sum of mobile terminals, huge sums of car diagnosis reports, raising technicians user group, data from online maintenance equipments etc, with focus China's passenger car market, prepared an in-depth research and analysis and got very significant findings about the patterns, behaviors and preferences of car usage, car owners and driving, repairs technicians patterns and potential consumers, figuring out the silhouette of the situation and movement of latest China's passenger car market, and offering useful information to auto enterprises and government divisions, revealing a benchmark for the Big Data usage of the Internet of Vehicle. We are planning in progress to form a professional Big Data Company, so as to connect everything for future.

New product, our Smart bracelet for Internet of Vehicle

2015, the Group promoted a new smart bracelet named “Hesvit”. With total of 143 Intellectual property rights, with 106 invention patents, everything surrounding the Internet of Vehicles living situations, it provides exceptional alert notification for car conditions and driving manners etc. Based on the concept inspired from body sensitivity smart and healthy bracelet for human, now we extend this concept to the car, which is a very innovative collaboration for both territories.

Reserve technology, research in advance, release when mature

Basing on over 20 years accumulation of auto diagnosis technology, the Group, few years ago, gained insight into the needs and future trend of the industry, and then started inputting a large quantity of human resources and capital into the research and development of the related matters of Internet of Vehicle. In 2015, we continued to invite talents of Internet research and development in connection with application plan, open platforms, Big Data exploration etc to join our Company, speeding up technology update and innovation of the Internet of Vehicle business. Good results were achieved in respect of development and application of the products and technology.

In 2015, we, having worked very hard, was granted over 80 patents, software copyrights, trademarks etc relating to Internet of Vehicle technologies, and the accumulated number of items was over 450. The patented chip firstly developed by the Group based on the OBD technology was further improved, and has become the core part of the golo smart hardware products. They have kept changing the modes of traditional auto repair and maintenance business and the life style of car owners. Repair technicians can provide a remote diagnostic and repair service for car owners anytime and such kind of service has become a benchmark of the ecosystem of the Internet of Vehicle.

III. Future Prospects

The Group will focus on the development of application technologies and services on Internet of Vehicle, and endeavor to create the automobile repair and maintenance and car life ecology based on the golo car cloud platform. By strengthening and optimizing internal control, and meanwhile by ceaselessly deepening “Innovation, Quality, Efficiency, Professional, Competitive”, our enterprise’s culture and stimulating the creativity of our staff, enhances our overall competitive advantage, and of course create better results to our shareholder.

IV. Finance

In 2015, the Group's intelligent hardware of Internet of Vehicle attracted a huge number of new users from the markets. We played significant role in the traditional equipment market but the ratio of revenue of traditional products dropped. The overall turnover slightly dropped by 5%. The high gross-profit-margin new products took over the pace and the overall volume of output increased tremendously. The average gross profit raised by 5% to approximately 39%. The change in combination of the turnover, and the increased gross profit margin revealed that the real in transformation from traditional equipment business to Internet of Vehicle business was happened. The big improvement of the sale of new products relied much on the marketing strategies and promotions throughout the year. It caused the increase in the selling expenses. The continuously pioneered products' behind was the huge sum of investment in research and development in this year. The overall cost of operation also increased rapidly and caused the increase in administrative expenses. However with careful judgments in fiscal measures, the Group's finance costs and impairment loss on assets reduced much. Even though the loss for the year enlarged, with exploration of new markets and then careful and right allocation of resources into those sectors, the management endeavored to improve our assets' quality and reduce indebtedness level. We will continue to work very hard to keep our mind that to work on the operation and management aggressively with care; on the one hand to explore new source of revenue and on the other hand tightly monitor the budgets, looking forward to having a reverse profit and loss situation in the new year.

Major clients and suppliers

(1) Major customers

During the Reporting Period, total revenue from the top five customers of the Company was approximately 144,000,000 (2014: 155,000,000), accounting for approximately 21% (2014: 21%) of total revenue for the year. The largest customer accounted for approximately 8% (2014: 8%) of the total revenue for the year.

(2) Major suppliers

During the Reporting Period, total purchases from top five suppliers of the Company amounted to 133,000,000 (2014: 135,000,000), accounting for approximately 31% (2014: 31%) of the total purchases for the year. The largest supplier accounted for approximately 8% (2014: 8%) of the total purchases 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 customers or the five largest suppliers.

R&D expenditure

R&D expenditure

Unit: million

R&D expenditure for current period	62
Capitalized R&D expenditure for current period	65
Total R&D expenditure	127
Percentage of total R&D expenditure over operation income (2014: 14%)	18%

We actively invested in research and development projects during the year and 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.

Principal Sources of Fund and Its Use

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 842,000,000, while cash outflow amounted to 925,000,000. The net cash outflow from actual operating activities amounted to 83,000,000.

Cash flows from investing activities

Cash inflow from investing activities during the reporting period amounted to 60,000,000. Cash outflow to investing activities amounted to 42,000,000, 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 investing activities for the reporting period amounted to 18,000,000.

Cash flows from financing activities

Cash inflow from financing activities during the reporting period amounted to 1,052,000,000, which was mainly derived from bank loans and placement of new shares. Cash outflow from financing activities during the reporting period amounted to 817,000,000 was mainly for repayment of bank loans and interest. Net cash inflow from fund-raising activities for the reporting period amounted to 234,000,000.

Total net cash inflow for the year was of 175,000,000 and the cash and cash equivalents was 415,000,000, a n increase of 71,000,000 was noted.

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 703,000,000; and total liabilities amounted to 777,000,000. Total assets amounted to 1,480,000,000. As at the end of the year, the Company's gearing ratio was 190% (2014: 164%).

Capital structure by liquidity

Total current liabilities	751,000,000 (2014: 727,000,000)	Accounting for 51% (2014: 59%) of the capital
Total equity interest	703,000,000 (2014: 623,000,000)	Accounting for 48% (2014: 39%) of the capital

III NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, other than the newly setup of 還是威 and 軋軋軟件, two wholly-owned subsidiaries, there was no change in respect of the consolidation of subsidiaries.

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

The 2015 financial statements has been reviewed and confirmed by the audit committee of the Board of the Company.

3. 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 2015 Annual Report.

4. 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 2015.

5. Share capital

- (1) During the reporting period, the total number of shares increased to 329,160,000 shares by an issue of 27,360,000 H shares issued pursuant to the General Mandate
- (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 dispatched 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
30 March 2016

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 Mr. Ning Bo as independent non-executive Directors.

- *for identification only*