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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)

2016 INTERIM RESULT ANNOUNCEMENT

The board of directors (the "Board") of Launch Tech Company Limited (the "Company") hereby announces the preliminary unaudited consolidated result of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 (the "Reporting Period") prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2016	31 December 2015 (Audited)
Current assets:			
Bank balances and cash		154,376	415,465
Bills receivable		28,420	17,037
Accounts receivable	4	247,683	241,169
Prepayments		59,992	57,399
Other receivables		58,185	39,648
Inventories	5	138,101	101,939
Other current assets		8,342	7,887
Total current assets		695,099	880,544

CONSOLIDATED BALANCE SHEET (continued)

	<i>Notes</i>	30 June 2016	31 December 2015 (Audited)
Non-current assets:			
Fixed assets		372,730	387,455
Construction in progress		17,127	1,719
Intangible assets		155,863	191,031
Development expenditure		37,249	11,068
Goodwill		1,139	1,139
Deferred income tax assets		7	7
Other non-current assets		6,391	6,912
Total non-current assets		590,506	599,331
Total assets		1,285,605	1,479,875
Current liabilities:			
Short-term borrowings		385,000	560,767
Accounts payable	6	98,072	88,357
Receipts in advance		63,017	79,365
Wage payables		2,901	3,930
Tax payables		4,283	5,086
Other payables		23,435	12,577
Non-current liabilities due within one year		–	468
Total current liabilities		576,708	750,550
Non-current liabilities:			
Long-term borrowings		1,438	1,190
Deferred income		25,500	25,500
Total non-current liabilities		26,938	26,690
Total liabilities		603,646	777,240
Shareholders' equity:			
Share capital		329,160	329,160
Capital reserve		231,020	231,422
Other Comprehensive income		2,461	3,222
Surplus reserve		18,099	18,099
Undistributed profit	7	101,380	120,570
Total owners' equity attributable to parent company		682,120	702,473
Minority shareholders' equity		-161	162
Total shareholders' equity		681,959	702,635
Total liabilities and shareholders' equity		1,285,605	1,479,875

CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Notes	2016	2015
Operating income	3	395,581	335,919
Less: Operating costs		218,205	188,893
Business tax and surcharge		2,506	1,761
Selling expenses		53,862	64,708
Administrative expenses		121,442	98,594
Finance costs		5,263	17,026
Impairment loss on assets		8,799	-3,146
Operating profit (loss “-”)		-14,496	-31,917
Add: Non-operating income		1,090	6,372
Less: Non-operating expenses		4,666	1,225
Total profit (loss “-”)		-18,072	-26,770
Less: Income tax expenses	8	1,440	7
Net profit (loss “-”)		-19,512	-26,777
Net profit attributable to owners of parent company (loss “-”)		-19,190	-26,743
Profit or loss attributable to minority shareholders (loss “-”)		-322	-34
Earnings per share (loss “-”):			
Basic earnings per share	9	-0.058	-0.089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the unaudited financial statements (the “Financial Statements”) published in the 2016 Interim 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 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereafter referred to as “the Accounting Standards for Business Enterprises”), in combination with 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. The accounting policies are consistent with those adopted in the preparation of the Group’s 2015 annual results.

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 Reporting Period is from 1 January 2016 to the six months ended 30 June 2016.

(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 RMB 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. OPERATING INCOME

Income 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:

	For the six months ended 30 June	
	Current year	Previous year
Revenue from main operations	386,910	330,134
Revenue from other operations: rent	8,671	5,785
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	395,581	335,919
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4. TRADE RECEIVABLES

	At the period end	At the beginning of the year
Trade receivables	332,382	317,069
Less: provision for bad debts	84,699	75,900
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Net amount	247,683	241,169
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Aging	At the period end	At the beginning of the year
Within 1 year	127,300	115,575
Over 1 year	120,383	125,594
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	247,683	241,169
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5. INVENTORIES

	At the period end	At the beginning of the year
Raw materials	16,769	19,530
Work in progress	37,162	7,968
Finished goods	84,170	74,441
	<u>138,101</u>	<u>101,939</u>

6. TRADE PAYABLES

Aging	At the period end	At the beginning of the year
Within 1 year	87,816	84,413
Over 1 year	10,256	3,944
	<u>98,072</u>	<u>88,357</u>

7. UNDISTRIBUTED PROFITS

Current year

	Amount
As at the beginning of the period	120,570
Add: net profit (loss) attributable to owners of parent company in the current period	(19,190)
	<u>101,380</u>

8. INCOME TAX EXPENSE

Applicable tax rate

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

9. EARNINGS PER SHARE

(1) Basic earnings per share

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

Items	Current year	Previous year
Consolidated net profit for holder of ordinary shares of the parent company	19,190	26,743
Average weighted number of outstanding ordinary shares of the parent	329,160,000	301,800,000
Basic earnings per share (RMB/share)	-0.058	-0.089
After adjustment (RMB/share)	-0.058	-0.089

(2) Diluted earnings per share

As there was no ordinary share with dilutive potential for the year 2016 and 2015, thus no diluted earnings per share is presented.

10. DIVIDEND

From the end of the Reporting Period, no dividend has been recommended by the board. (2015: 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
Shenzhen Haishiwei Health Technology Co., Ltd (“Haishiwei”)	Wholly-owned	Automobile repair and matenance equipment	RMB10,000,000
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. (“Golo Internet”) formerly known as (Shenzhen Golo Software Development Co., Ltd)	Wholly-owned	Automobile repair and matenance 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 30 June 2016, the Company pledged land, properties and buildings with original value approximately amounted to 215,000,000 for certain bank borrowings.

14. CAPITAL COMMITMENT

As at 30 June 2016, the Company did not have any significant capital commitment.

15. POST-BALANCE SHEET EVENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half year, this Company continues to prioritize the development of vehicle networking application technology and service, and positively develops the exploration and cooperation of Big Data application, so as to deliver highly effective and high-quality services to the vehicle owners, the technicians, the service enterprises, the third party application parties. Moreover we also explore the revenue from the operation based on the Big Data of the human, the vehicles, and enterprises. The key directions are as follows:

- Through cooperations with each vertical profession domains' existing and latent strategic partners, delivers better O2O automobile after services experience;
- Develops the B2B2C service model vigorously, and builds closed society ecologies for small sectors, and then speeds up the users development;
- The penetration in motor repair technicians operation fully displays the potentials of motor repair technicians, and provides prompt, intimate, economical services for the vehicle owners, simultaneously creating the values of the motor repair technicians;
- Applies flexibly the financial instruments, finance services and the integration of resources, with innovation in business models, ascertains stability in the cash flow;
- Excavates the values of data, and impels the realization of income from data application in the professional sectors including insurance, second-hand vehicles market, management of motorcade, energy saving and environmental protection;

For business directions, the Company impelled the optimization of personnel structure, and conformed it to the service development. The company has set up specialized department for Big Data and organization solutions center, in order to serve efficient and effective plans and data services to our professional business partners.

For technological innovations, the Company has break through in the automobile cloud diagnosis technology, using it as the core link to create a ecology chain of diagnosis based automobile after services, and to facilitate the resources integration and the values creation; it reveals a positive progress of results.

For the financials, the Company emphasizes: 1) the cash flow as the core; 2) strength in the accounts receivable management; 3) optimization of the cooperation plan with financial institutions, so as to obtain a better control over finance cost; 4) adoption of suitable relaxed policy on human resources, research and development as well as marketing expenses. With continuous optimizations and adjustments in the market strategies, the cancellation of subsidy policy for user products, the landing of core services and the realization of revenue from services based on Big Data, we expects it will gradually bring the new income source to the Company and improve the financial position.

The Group will continue to strengthen and perfect the internal management, continuously deepen enterprise culture of “innovation, quality, efficiency, the specialty, and competition”, stimulate staff’s innovation potential, enhance the whole competitive advantage, so as to create a better benefit for the shareholders.

FINANCIAL ANALYSIS

Analysis of Financial Status and Business Performance During the Reporting Period

Operating results

In the first half year, the Operating income of the Company, compared with the same period last year, grows approximately 60,000,000, and approximately 18%. Keeping last year’s main management directions, with high gross profit products as the core, got a good sale results in first half year with maintenance of the gross profit margin at 45% which has a slight growth of approximately 1.5% compared to the same period last year.

In this period, the Company continues to broaden the income source and reduce expenditures, a reduction of selling expenses of approximately 11,000,000 is noted; In order to save the finance costs, the short-term bank borrowings has been cut down by 180,000,000, and the finance costs compared with the same period last year is reduced by 12,000,000 approximately. The overall cost of operation raises day by day, along with injection of more research expenses into the new projects, the administrative overhead charges grew approximately 22,000,000. During the period approximately 8,800,000 of the fair value adjustment on the accounts receivable has been made in accordance with the accounting policy. Net loss for the period reduced to approximately RMB 19,000,000, representing approximately 6 cents per share.

Analysis of assets, liabilities and equity interests

Total assets value amounted to 1,286,000,000 during the Reporting Period, decreased by 13% as compared with the beginning of the year, of which Bank and cash decreased relatively significantly. Total liabilities amounted to 604,000,000, decreased by 22% as compared with the beginning of the year, mainly due to decrease in short term loans. Total equity interest attributable to shareholders amounted to 682,000,000, decreased by 2% as compared with the beginning of the year.

Principal Sources of Fund and Its Use

Cash flows from operating activities

The Company’s cash inflows during the Reporting Period were mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company’s net cash inflow from operating activities for the Reporting Period amounted to 164,000,000.

Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period was nil. Cash outflow to investment activities amounted to 238,000,000, which was mainly used for capital expense on purchase of plant facilities and research. The above expenditures were mainly financed by the Company's internal resources.

Cash flows from fund-raising activities

Net cash outflow from fund-raising activities during the Reporting Period amounted to 187,000,000 was mainly for repayment of bank loans and interest.

Capital Structure

The Company's capital structure consists of interests attributable to shareholders and liabilities during the Reporting Period. Interests attributable to shareholders amounted to 682,000,000; and total liabilities amounted to 604,000,000. Total assets amounted to 1,286,000,000. As at the end of the period, the Company's gearing ratio was 213% (At the beginning of the period: 190%).

Capital structure by liquidity

Total current liabilities	577,000,000	Accounting for 45%
	(At the beginning of the period: 751,000,000)	(At the beginning of the period: 51%) of the capital
Total equity interest	682,000,000	Accounting for 53%
	(At the beginning of the period: 703,000,000)	(At the beginning of the period: 48%) of the capital

NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the Reporting Period, there was no change in respect of the consolidation.

2. Review of financial statements for the Reporting Period by the audit committee

The 2016 interim 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.

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 6 months ended 30 June 2016.

5. Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association, the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

6. Share capital

- (1) During the Reporting Period, there was no change in the total number of shares and the structure of share capital of the Company.
- (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.

7. Use of proceeds from placing of New Shares

	Expected usage	Actual usage up to 30 June 2016
Development of internet of vehicle business (60%)	130,200,000	130,200,000
Development of smart devices and vehicle cloud platforms (30%)	65,100,000	36,000,000
General working capital (10%)	21,700,000	21,700,000
	<u>217,000,000</u>	<u>187,900,000</u>

The aggregate net proceeds from placing obtain by the Group was approximately RMB217,000,000, and about 88% of it has been utilized in the first half of 2016, and the remaining is expected to be utilized in the second half of 2016.

INTERIM REPORT AND OTHER INFORMATION

This announcement will set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Interim 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
29 August 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 purpose only*