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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 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 2016 (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	Notes	31 December 2016	31 December 2015
Current assets:			
Cash		279,285,875.90	415,464,672.34
Bills receivable		21,825,071.53	17,036,907.00
Accounts receivable	4	232,262,423.02	241,169,471.34
Prepayments		52,441,476.55	57,399,353.54
Other receivables		18,538,048.22	39,648,210.28
Inventories	5	112,747,368.47	101,939,465.29
Other current assets		4,591,043.25	7,886,496.93
Total current assets		721,691,306.94	880,544,576.72

CONSOLIDATED BALANCE SHEET (continued)

Items	<i>Notes</i>	31 December 2016	31 December 2015
Non-current assets:			
Fixed assets		357,858,779.08	387,455,236.13
Construction in progress		18,066,974.12	1,718,549.29
Intangible assets		174,827,700.73	191,031,014.69
Development expenditure		27,767,751.41	11,067,683.04
Goodwill		1,139,412.80	1,139,412.80
Deferred income tax assets		4,203,375.52	6,988.56
Other non-current assets		7,993,843.94	6,911,826.72
Total non-current assets		591,857,837.60	599,330,711.23
Total assets		1,313,549,144.54	1,479,875,287.95
Current liabilities:			
Short-term borrowings		384,374,000.00	560,767,159.96
Accounts payable	6	94,392,524.66	88,357,296.14
Receipts in advance		61,061,913.18	79,364,620.11
Wage payables		2,848,980.63	3,930,285.40
Tax payable		11,144,019.08	5,085,902.08
Other payables		12,832,830.76	12,576,859.75
Non-current liabilities due within one year		505,399.54	468,152.45
Total current liabilities		567,159,667.85	750,550,275.89
Non-current liabilities:			
Long-term borrowings		676,536.08	1,190,145.51
Deferred income		22,331,000.00	25,500,000.00
Total non-current liabilities		23,007,536.08	26,690,145.51
Total liabilities		590,167,203.93	777,240,421.40
Shareholders' equity:			
Share capital		329,160,000.00	329,160,000.00
Capital reserve		231,020,325.76	231,421,588.86
Other Comprehensive Income		3,332,286.09	3,221,298.19
Surplus reserve		18,099,377.81	18,099,377.81
Undistributed profits	7	141,981,816.61	120,570,279.29
Total owners' equity attributable to parent company		723,593,806.27	702,472,544.15
Minority shareholders' equity		-211,865.66	162,322.40
Total shareholders' equity		723,381,940.61	702,634,866.55
Total liabilities and shareholders' equity		1,313,549,144.54	1,479,875,287.95

CONSOLIDATED INCOME STATEMENT

Items	Notes	2016	2015
Operating income	3	835,053,156.36	697,597,929.64
Less: Operating cost		460,003,587.78	427,983,171.61
Business tax and surcharge		9,485,126.03	4,154,526.73
Selling expenses		107,029,197.55	140,904,132.03
Administrative expenses		228,042,758.15	196,474,968.34
Financial expenses		3,270,145.98	16,699,476.48
Impairment loss on assets		20,467,399.80	22,676,442.73
Add: Investment -loss/gain		-604,656.50	2,592,876.71
Operating profit (-loss)		6,150,284.57	-108,701,911.57
Add: Non-operating income		20,413,851.19	14,972,085.28
Less: Non-operating expenses		1,382,473.06	1,127,719.08
Total profit (-loss)		25,181,662.70	-94,857,545.37
Less: Income tax expenses	8	4,144,313.44	-903,700.91
Net profit (-loss)		21,037,349.26	-93,953,844.46
Net profit attributable to owners of parent company		21,411,537.32	-93,898,654.34
Profit or loss attributable to minority shareholders		-374,188.06	55,190.12
Earnings per share:			
Basic earnings per share	9	0.0650	-0.3111
Other comprehensive income		110,987.90	698,023.53
Total comprehensive income (-loss)		21,148,337.16	-93,255,820.93
Total comprehensive income (-loss) attributable to owners of parent company		21,522,525.22	-93,200,630.81
Total comprehensive income (-loss) attributable to minority shareholders		-374,188.06	-55,190.12

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 2016 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 transactions.

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 the basing on 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

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.

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.

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	818,148,347.46	683,678,245.76
Revenue from other operations: rent	16,904,808.90	13,919,683.88
	835,053,156.36	697,597,929.64

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	316,225,868.23	319,478,687.62
Less: provision for bad debts	83,963,445.21	78,309,216.28
Net amount	232,262,423.02	241,169,471.34

Aging analysis of accounts receivable

Aging	At the year end	At the beginning of the year
Within 1 year	126,513,072.12	115,575,367.64
1 to 2 years	56,500,662.54	76,957,047.63
2 to 3 years	33,427,866.16	24,178,977.74
3 to 4 years	9,873,141.96	18,484,866.16
4 to 5 years	5,947,680.24	5,973,212.16
	232,262,423.02	241,169,471.34

	Ending balance			Beginning balance		
	Book value	Provision	Carrying amount	Book value	Provision	Carrying amount
Not past due	74,266,039.83	3,713,301.99	70,552,737.84	61,183,510.02	3,059,175.50	58,124,334.52
Past due	241,959,828.40	80,250,143.22	161,709,685.18	258,295,177.60	75,250,040.78	183,045,136.82
Total	316,225,868.23	83,963,445.21	232,262,423.02	319,478,687.62	78,309,216.28	241,169,471.34

5. INVENTORIES

Book Value and Carrying Amount	At the year end	At the beginning of the year
Raw materials	17,113,460.95	19,529,850.05
Work in progress	9,157,436.72	7,968,208.34
Finished goods	86,476,470.80	74,441,406.90
Total	112,747,368.47	101,939,465.29

6. ACCOUNTS PAYABLE

Aging	At the year end	At the beginning of the year
Within 1 year	91,001,472.44	84,412,542.71
1 to 2 years	2,260,010.28	1,616,623.84
2 to 3 years	23,404.67	1,282,317.77
Over 3 years	1,107,637.27	1,045,811.82
Total	94,392,524.66	88,357,296.14

7. UNDISTRIBUTED PROFITS

Current year

	Amount
As at the beginning of the period	120,570,279.29
Add: net profit attributable to shareholders of the parent company in the current year	21,411,537.32
As at the end of the period	141,981,816.61

Previous 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

8. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	8,340,700.40	-902,451.32
Adjustment of deferred tax	-4,196,386.96	-1,249.59
Total	4,144,313.44	-903,700.91

Applicable tax rate for current year and previous year

The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe Gmbh	19%
Golo Internet	25%
Xi'an Launch	25%
PAD	15%
PJS	25%
Launch International	16.5%

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 (-loss) for holder of ordinary share of the parent company	21,411,537.32	-93,898,654.34
Average weighted number of outstanding ordinary share of the parent company	329,160,000	301,800,000
Basic earnings per share (RMB/share)	0.0650	-0.3111

(2) Diluted earnings per share

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

10. DIVIDEND

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」)	100%	Equipment	USD18,000,000
深圳市元征軟件開發有限公司 (「Launch Software」)	100%	Software	RMB40,000,000
Launch Europe GmbH	100%	Distribution	RMB671,875
西安元征軟件科技有限公司 (「Xi'an Launch」)	100%	Software	RMB100,000,000
深圳市鵬奧達科技有限公司 (「PAD」)	88%	Software	RMB1,000,000
深圳還是威健康科技有限公司 (「HSW」)	100%	Equipment	RMB10,000,000
深圳市軋輾車聯數據有限公司 (「golo Internet」)	100%	Equipment	RMB10,000,000
深圳鵬巨術信息技術有限公司 (「PJS」)	97%	R&D	RMB2,000,000
元征科技國際有限公司 (「Launch International」)	100%	Equipment	HKD50,000

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 2016, the Company pledged properties and buildings and land use rights with original value approximately amounted to 217,000,000 (2015: 231,000,000) for certain bank borrowings.

14. CAPITAL COMMITMENTS

As at 31 December 2016, the Company there is no material unsettled capital commitments.

15. LEASE COMMITMENTS

As at 31 December 2016, commitments for the Group in the future which brought by non-cancellable lease contracts are as follows:

	Current year	Previous Year
Within 1 year	1,621	943
2 to 5 years	240	157
	1,861	1,101

Unit: '000

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. Business Review

In 2016, artificial intelligence has become a crazy hot pursuit of capital market. Since artificial intelligence can not be separated from Big Data, automotive data is an important source of vehicle maintenance data, the Group has been actively expanding the layout and doing the appropriate preparation to transform to initiative and large-scale, in order to obtain high efficiency.

Our Plan

As a Internet of Vehicle Big Data (based on VIN) service provider, the Group used our automotive diagnostic technology as the core of our Internet of Vehicle business. Via real-time remote diagnosis technology as a link, through outputting core service capabilities for the owners, vehicle maintenance companies, vehicle maintenance technicians, Third-party applications and other users to provide a wealth of services to achieve efficient, safe and comfortable vehicle management and user experience. Focus on the future, the Group is speeding up the progress of landing work of promotion for ADAS, V2X and other projects. At the same time, the Group is actively exploring the commercial value of Big Data mining, insurance, and combining second-hand cars, automotive service and other industries to create more value for the industry.

Artificial intelligence once again leads the industry to change

In 2016, Machine Learning made a breakthrough, driving all walks of life made great progress in the application of artificial intelligence. The Group having successful experience in leading the traditional automotive market into the mobile Internet era, is committed to initiate the application of Deep Learning technology in automotive diagnostic equipment. Moreover, by upgrading remote diagnosis, real-time monitoring, online database, technicians mutual helping and other advanced features again brought great solutions to after-service technology sharing, manual sharing and other rigid needs, leading the change in the industry, significant efficiency enhancement, optimize the experience optimization, and so increase in competitiveness.

Deepen core diagnostic technology, layout “Cloud Diagnostics”

In the year 2016, the Group strengthened the R&D, continued to deepen core diagnostic technology, modularize and stabilize diagnostic functions, and set standards to serve the of B-type customers with different industry needs. Cloud Diagnostic technology promoted the Group to transform from an equipment manufacturer to automotive diagnostic service providers. The Group and partners can continuously improve the upgrade of diagnostic technology and services, and offer real time services to customers. In Diagnostic data cloud, all diagnosis and other related data uploaded to the cloud not only provided a base for optimization of diagnostic technology to the Group and partners industry but also being a link these data and other data for chain partners, and so a reliable basis facilitating secondary value mining of data for different Application scenarios and the industries.

Continue to introduce New Products

In the year 2016, the Group launched two series of “New diagnostic equipment” and “New heavy vehicle diagnostic equipment” which become a hot issue in the industry. The Group fully integrated the channels to further improve the market share of Internet diagnostic equipment, and on the same time formed a large-scale automotive market Big Data to realize the exploration of Big Data. The Group is committed to upgrading all non-networked diagnostic equipment to Internet-based diagnostic equipment, to create a sharp increase in market space. The next two years,, compared with the originally relatively stable traditional diagnostic equipment market, there will be a significant increase in sales of high-margin equipment, with an expected profit. The upcoming launch of the new artificial intelligence diagnostic equipment AIT also bring imaginative spaces to the market.

Sharing, Building, Creating

In 2016, the Group’s wide business strategy attracted more B-side partners to build a Internet of Vehicle ecology together. The program we launched not only for passenger cars, but also for commercial vehicles; not only offer customers to provide their services through an overall module, but also a choice of separate chip program to achieve their same purpose with higher stability. What the Group offered is one of the most advanced and comprehensive data collection solution in the industry. “Make Competitors to Friends”, the Group, via activetively provision of strong technical supports to “Competitors”, a very positive impact on the rapidly expansion of the Internet of Vehicle market is so expected.

Actively introduce talents and influential people of the Internet

In 2016, the Group set up a “Committee of Internet Strategies”, with Mr. Ye Peng, former vice president of Alibaba as Chairman, and Mr. Guo Zhaohui, former vice president of Amazon China, and former CEO of Shanda Guokr (盛大果殼) as a member. Internet executives joined, on the one hand highlighted the industry’s recognition of the Group’s strategies and the development prospects, on the other hand that the Group’s succeed in introduction of talents, attracting more excellent professionals to join the group to in the coming future to work together for a further prosperous business.

Unique maintenance technician resources

In 2016, the Group taking the advantage of our unique golo technician box, rapidly expanded auto-repair technicians group and society. Relying on the introduction of Internet professional team, the newly established subsidiary specialized to increase operational efforts to build a platform for technicians to learn, to exchange, to earn and so facilitate the formation of technician ecosystem, development of shared economy, realization of real-time remote diagnosis, achievement of collaborative repair, and sharing of resources within the technician society. Reputation of Golo technician box continues to rise in the technician society, while a significant spread effect is noted in the market. The group is now increasing efforts to integrate the core technicians into the core service capabilities, and gradually to the third party service platform. Through opening of the core service capabilities, it will greatly enhance competitiveness of golo car network ecology.

Deepen the car diagnostic equipment business, and gradually to the diagnosis of SAAS cloud service providers to evolve

In 2016, the Group developed micro-car diagnostic chip technology with independent intellectual property rights. With continuous innovation on diagnostic equipment's miniaturization and connectivity to Internet, equipment connected can upload diagnostic reports onto the cloud automatically. The Group also vigorously promote the "cloud diagnostic" applications, which the diagnosis is no longer simply relying on human judgment, but a more scientific approach through the "cloud diagnosis". The Group gradually transform from the role of equipment provider to a service provider. Services reliance together with advance business model innovation gradually achieve SAAS cloud diagnosis service.

Environmental protection drive, New outbreak in Internet for Commercial vehicle

In 2016, the Ministry of Environmental Protection issued "Strengthening of motor vehicle environmental supervision work – Notice", clearly mentioned strict implementation of motor vehicle emission inspection system. The environmental protection department established and standardized the motor vehicle emission inspection system in accordance with the "Atmospheric Law". The car manufacturers and car owners should carry out emission inspection according to law and upload the environmental inspection data and electronic inspection report to environmental protection department. Ministry of Environmental Protection developed national six standards, clearly proposed to improve the OBD monitoring requirements and greenhouse gas synergistic control. As long as commercial vehicles are now be subject to supervision, the Group has made advance layout on commercial vehicle OBD data collection, by improving module, various forms of solutions with setting line to T-Box to meet different market needs. For OBD emission monitoring aspects, we are based on upcoming outbreak of commercial vehicle network, the Group is well prepared to face coming challenge.

Big Data connects everything

In 2016, the Group firmly considered vehicle and related operational data as our current primary objectives, focusing the redeployment and planning of each line of businesses, and the implementation of product upgrades, prioritizing business promotion together with Big data collection needs and purpose. We flexibly worked with Partners to achieve data sharing and exchange, extension or supplement upstream and downstream data in the ecological chain, enabling richer and more accurate Big Data in collection and accumulation. The Group connects partners through diagnostic technology and connects industry chain through Big Data. In 2016, the Group has completed a Big Data PaaS hierarchical storage, and is committed for combination of different industry's applications, mining and transformation of data values, connecting everything and so working for a better future.

Health and Internet of Vehicle, go hand in hand

In 2016, the Group having followed the successful launch of smart health wristband with human and environmental perception, continued to devote to advanced technology and devices around the Internet of Vehicle environment, such as artificial intelligence and somatosensory sensors. We make positive progress on correlation algorithm based on driving behavioral analysis, promoting applications of wearable innovative products in high-end auxiliary driving, which is definitely a typical cross borders collaboration.

Advanced technology reveals the coming of future

In 2016, the Group continued to increase investment and actively explore the layout of V2X, ADAS, artificial intelligence, in-depth learning and other advanced technology areas. Project V2X, an exclusive project for Shenzhen Municipal Government Science and Technology, after three years of development, now is about to have road test-run. Artificial intelligence, in-depth learning and other technologies are striving to blossom to take the lead in automotive industry. Accumulation of valuable experiences about future smart and unmanned vehicles is expected.

With more than accumulation of automotive diagnostic technology and experience over 20 years, the Group a few years ago early having recognized future industry's demands and development trends, injected a lot of resource in Internet of Vehicle related research and development. In 2016, the Group continued to increase the R&D talents of Internet technology in the areas such as application planning, platform development and Big Data mining, and accelerated upgrading and innovation of the Internet of Vehicle, and so achieved good results in products, technology development and application.

As of 2016, the Group has received more than 200 patents granted by the State, including nearly 100 invention patents; 750 out of 754 patents under the current application are invention patents; nearly 100 certified software copyrights obtained and. 4 software copyrights is under current application. The Group's development of the world's first OBD technology based patent chip has been further improved, has become a core automotive data collection product, changing the traditional vehicle maintenance mode and car life. Repair technicians can now provide real-time remote maintenance and repair services, which this way of service production is now a benchmark for the construction of internet of Vehicle ecosystem.

II. Operation Management

In the year of 2016, the Group made the strategic adjustment on our business strategies. Based on the core strategy of collection of Big Data, we changed the original strategy of investing in the C-type customers. Instead we focused high-margin operations, stabilization of cash flow, cost reduction, and constantly optimization of internal management and adjustment on business structure, and so remarkable results is noted. The major marketing efforts are: 1) to improve the market share by strengthening marketing of Internet-based automotive diagnostic equipment and accumulation of diagnostic reports; 2) to develop cooperative relationships with B-type customers of major industries, aiding them provide to quality services Internet of Vehicle end-users; 3) to focus on the promotion of high value-added diagnostic products, and meanwhile control the level of resources allocated to low-margin business.

In 2016, compared with previous year, the quantity of Internet car diagnostic equipment sold is about 13 million units, representing an increase of over 30,000 units and, an increase of 33%; average gross margin increased by 6% to about 44%; overseas operating income of 300 million, showing an increase of 12%; Domestic operating income of 500 million, showing an increase of 25%; total operating income of 800 million, showing an increase of 20%; reflecting the succeed in realization of the series of steady growth strategies implemented.

In view of the Finance management, in order to maintain its leading position, in 2016 the Group has been continuously and actively injecting resources for innovate new products, R&D and human resources areas. With the active and flexible market strategies, a remarkable growth of revenue and better gross margin were contributed by the new diagnostic products. Together with prudent fiscal policy by management, significant drop in financial costs was also noted. AS a result, by the end of this reporting period operating losses turned to income with significant improvement in cash flow as well.

Major Financial Data for the reverse of loss to profit

With improved sales figures and increased gross profit margin noted in 2016, together with the lower finance cost resulting from the lowered borrowing level, we successfully turn the loss in 2015 of 93 millions to a profit of 21 million in 2016, revealing a net change of 114 million.

RMB million

Gross profit increase resulting from improved sales	105
Decrease in finance cost due to lower borrowing level	14
Profit tax impact	-5
Change in net profit compared to last year	114

Principal Sources and Usage of Fund

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 935,000,000, while cash outflow amounted to 827,000,000. The net cash inflow from operating activities amounted to 108,000,000.

Cash flows from investing activities

Cash inflow from investing activities during the reporting period amounted to 1,000,000. Cash outflow for investing activities amounted to 51,000,000, which was mainly used for capital expenditure on fixed assets and capitalized research and development costs. 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 50,000,000.

Cash flows from financing activities

Cash inflow from financing activities during the reporting period amounted to 404,000,000, which was mainly derived from bank loans and placement of new shares. Cash outflow from financing activities during the reporting period amounted to 584,000,000 was mainly for repayment of bank loans and interest. Net cash outflow from financing activities for the reporting period amounted to 234,000,000.

Total net cash outflow for the year was of 117,000,000 and the cash and cash equivalents was 275,000,000.

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 591,000,000; and total liabilities amounted to 723,000,000. Total assets amounted to 1,314,000,000. As at the end of the year, the Company's gearing ratio calculated by total liabilities divided by interests attributable to shareholders was 0.85 (2015: 1.10). Resulting from the decreased borrowings and improved profitability, the gearing ratio reveals a fall of 25% to and reach our satisfactory gearing ratio level of below 1.00.

Major clients and suppliers

During the Reporting Period, total revenue from the top five customers of the Company was approximately 166,000,000 (2015: 144,000,000), accounting for approximately 20% (2015: 21%) of total revenue for the year. The largest customer accounted for approximately 8% (2015: 8%) of the total revenue for the year.

During the Reporting Period, total purchases from top five suppliers of the Company amounted to 196,000,000 (2015: 133,000,000), accounting for approximately 44% (2015: 31%) of the total purchases for the year. The largest supplier accounted for approximately 22% (2015: 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

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. In O2O, insurance, used cars, fleet management and other fields the Group will continue to actively carry out exploration and cooperation of Big Data applications, and to achieve the realization of Big Data operations. 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. NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, other than the newly setup of PJS (鵬巨術) and Launch International, two subsidiaries, there was no change in respect of the scope of consolidation.

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

The 2016 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 2016 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 2016.

5. Share capital

- (1) During the reporting period, there is no change in the share capital.
- (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.

V. 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
17 March 2017

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*