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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)

ANNOUNCEMENT

**(1) CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED SUBSCRIPTION
OF NEW DOMESTIC SHARES**

(2) APPLICATION FOR WHITEWASH WAIVER

(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(4) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER AND

(5) RESUMPTION OF TRADING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



TC CAPITAL
天財資本

PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES

The Board is pleased to announce that on 20 March 2017, the Company entered into the Domestic Share Subscription Agreements with each of the Subscribers respectively. According to the terms of the Domestic Share Subscription Agreements, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 56,500,000 new Domestic Shares at the subscription price of approximately RMB8.16 (equivalent to approximately HK\$9.18) per new Domestic Share, raising gross proceeds of approximately RMB461 million (equivalent to approximately HK\$518.6 million). Net proceeds from the issue of the new Domestic Shares are expected to be approximately RMB454.1 million (equivalent to approximately HK\$510.8 million) and are intended to be used as (a) development fee of new technology (development of vehicles diagnosis cloud technology and development of vehicle big data) of the Company; (b) marketing development fee which are mainly applied to promote new products (including artificial intelligence vehicles diagnosis products and comprehensive hand-held vehicles diagnosis products) and to improve the market share of diagnostic facilities of internet for obtaining big data faster; and (c) reserve fund for the working capital of the Group. The 56,500,000 new Domestic Shares will be issued under a specific mandate to be sought at the SGM and the Class Meetings.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Liu Xin directly holds 66,000,000 Domestic Shares in the Company, representing approximately 20.05% of the Company's total issued share capital. Meanwhile, Mr. Liu Xin is the executive Director and chairman of the Board. Pursuant to Chapter 14A of the Listing Rules, Mr. Liu Xin is considered as a connected person of the Company and the Domestic Share Subscription constitutes a connected transaction of the Company, which is subject to reporting, announcement and independent shareholders' approval requirements. Mr. Liu Xin, the executive Director and Chairman of the Board, has abstained from voting in the board meeting approving the Domestic Share Subscription, the Specific Mandate, and the Whitewash waiver in accordance with the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Domestic Shareholders of the Company are set out below:-

Name	No. of the Domestic Shares	% of the total issued shares of the Company
Liu Xin	66,000,000	20.05%
Shenzhen Langqu (<i>Note 1</i>)	49,432,000	15.02%
Xizang Ruidong (<i>Note 2</i>)	20,000,000	6.08%
Shenzhen De Shi Yu (<i>Note 3</i>)	9,948,500	2.57%
Total	<u>145,380,500</u>	<u>44.17%</u>

Note 1: The legal and beneficial interests in the shares of Shenzhen Langqu are owned by Mr. Liu Xin as to 60% and by Mr. Liu Jun (an executive Director of the Company) as to 40% respectively. Mr. Liu Xin is therefore deemed to be interested in all domestic shares registered in the name of Shenzhen Langqu under Part XV of the SFO.

Note 2: Xizang Ruidong holds 20,000,000 Domestic Shares on trust for and on behalf of Rui Feng Internet of Vehicles Investment Fund ("**Rui Feng Fund**"). The partners of Rui Feng Fund are Li Yan (李艳) (36%), Yu Nan (余楠) (59%) and Guo Shanling (郭善苓) (5%) (one of the Subscribers) (all Independent Third Parties).

Note 3: The legal and beneficial interests in the shares of Shenzhen De Shi Yu are owned by Mr. Liu Xin as to 40% and by Ms. Liu Yong (a non-executive Director of the Company) as to 60%. Mr. Liu Xin is therefore deemed to be interested in all domestic shares registered in the name of Shenzhen De Shi Yu under Part XV of the SFO.

After completion of the Domestic Share Subscription and assuming no other changes to the issued share capital of the Company prior to Completion, Mr. Liu Xin and his concert parties will hold approximately 41.2% of the Company's enlarged issued share capital. As the aggregate shareholding held by Mr. Liu Xin and its concert parties will increase from 38.09% to 41.2% as a result of the issue of the new Domestic Shares, pursuant to Rule 26.1 of the Takeovers Code, Mr. Liu Xin will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by him and his concert parties in the absence of the Whitewash Waiver.

An application will be made on behalf of Mr. Liu Xin to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the new Domestic Shares to him pursuant to the Domestic Share Subscription. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders by way of poll at the SGM and the Class Meetings. **The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Domestic Share Subscription Agreements shall lapse and the Domestic Share Subscription will not proceed.**

The Subscribers and their respective concert parties (including Liu Xin and his concert parties (Shenzhen Langqu and Shenzhen De Shi Yu), and Xizang Ruidong and its concert parties (Rui Dong Hairun and Rui Dong Qicai)) will (and any other shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate, and the Whitewash Waiver (including Mr. Zhang Jiangbo (assistant to president who was involved in the negotiation of the Domestic Share Subscription and is holding 71,000 H Shares as at the date of this announcement)) will be required to) abstain from voting in respect of the resolution(s) to approve the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate, and the Whitewash Waiver at the SGM and the Class Meetings.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee (comprising the non-executive Director and all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. In this connection, TC Capital International Limited has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and make recommendation(s) on voting.

PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposed to make certain amendments to the Articles, to take effect subject to and upon completion of the Domestic Share Subscription, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the new Domestic Shares.

The proposed amendments to the Articles are subject to approval by the Shareholders by way of special resolutions at the SGM and the approval of and registration or filing with the relevant PRC government authorities.

Further information in respect of the proposed amendments to the Articles will be set out in the circular to be issued by the Company in relation to, among others, the Domestic Share Subscription Agreements and the transactions contemplated thereunder and the Whitewash Waiver.

SGM AND CLASS MEETINGS

The SGM and the Class Meetings will be convened to consider and, if thought fit, approve the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles (as the case may be). The Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the proposed amendments to the Articles of Association of the Company will be proposed by way of special resolutions and the Whitewash Waiver will be proposed by way of an ordinary resolution at the SGM and the Class Meetings to be approved by the Independent Shareholders. The Subscribers and their respective concert parties (including Liu Xin and his concert parties (Shenzhen Langqu and Shenzhen De Shi Yu), and Xizang Ruidong and its concert parties (Rui Dong Hairun and Rui Dong Qicai)) will (and any other shareholder(s) who is involved or interested in the Domestic Share Subscription and the Specific Mandate (including Mr. Zhang Jiangbo (assistant to president who was involved in the negotiation of the Domestic Share Subscription and is holding 71,000 H Shares as at the date of this announcement)) will be required to) abstain from voting on the resolutions to be proposed for approving the proposed Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM and the Class Meeting.

DESPATCH OF CIRCULAR

According to Rule 8.2 of the Takeovers Code, a circular containing, among other things: (i) details of the Domestic Share Subscription Agreements and transactions contemplated thereunder, the Whitewash Waiver, the Specific Mandate and the proposed amendments to the Articles; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Domestic Share Subscription Agreements and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver; and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Domestic Share Subscription Agreements and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver will be required to be despatched in compliance with the Listing Rules and the Takeovers Code.

The Company may require additional time for finalising the information for inclusion in the circular, hence if required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

As the Domestic Share Subscription is subject to the satisfaction of the conditions precedent under the Domestic Share Subscription Agreements as set out in the section headed “Conditions precedent to the Domestic Share Subscription Agreements” in this announcement, including but not limited to the granting of the Whitewash Waiver by the Executive, the proposed Domestic Share Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action to be taken, should consult their stockbroker, bank manager or other professional advisers.

A. PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES

The Board is pleased to announce that, on 20 March 2017, the Company entered into the Domestic Share Subscription Agreements with each of the Subscribers respectively. Pursuant to the terms of the Domestic Share Subscription Agreements, the Company has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 56,500,000 new Domestic Shares at the subscription price of RMB8.16 (equivalent to approximately HK\$9.18) per new Domestic Share, raising gross proceeds of approximately RMB461 million (equivalent to approximately HK\$518.6 million). Net proceeds from the issue of the new Domestic Shares are expected to be approximately RMB454.1 million (equivalent to approximately HK\$510.8 million) and are intended to be used to (a) development fee of new technology of the Company; (b) marketing development fee and (c) reserve fund for working capital of the Group (details are set out under section “5. USE OF PROCEEDS” below).

1. DOMESTIC SHARE SUBSCRIPTION AGREEMENT

The major terms and conditions of the Domestic Share Subscription Agreements are set out as follows:

Date:

20 March 2017

Parties:

- (1) The Company as the issuer; and
- (2) The Subscribers as the subscribers, namely, Liu Xin, Rui Dong Hairun, Rui Dong Qicai, Guo Shanling (郭善苓), Jiang Quanhong (姜全紅), and Zhuhai MUYANG.

Number of new Domestic Shares to be subscribed for

The Subscribers will subscribe for an aggregate of 56,500,000 new Domestic Shares. The details of the number of new Domestic Shares to be subscribed for by each Subscriber are set out below:—

Name of the Subscriber	No. of new Domestic shares
Liu Xin	33,500,000
Rui Dong Hairun (<i>Note 1</i>)	5,500,000
Rui Dong Qicai (<i>Note 1</i>)	5,500,000
Guo Shanling (郭善苓)	4,000,000
Jiang Quanhong (姜全紅)	2,000,000
Zhuhai Muiyang (<i>Note 2</i>)	6,000,000
Total	56,500,000

Note 1: Rui Dong Hairun and Rui Dong Qicai are limited partnership enterprises incorporated in PRC and Xizang Ruidong is the general partner of Rui Dong Hairun and Rui Dong Qicai.

Note 2: The partners of Zhuhai Muiyang are six individual limited partners and an individual general partner who are all independent third parties (the details are set out under the section of “B. INFORMATION OF THE PARTIES” of this announcement).

Such new Domestic Shares represent approximately 17.16% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 14.65% of the enlarged share capital of the Company after Completion. Assuming there is no change to the issued share capital of the Company other than the issue of the new Domestic Shares pursuant to the Domestic Share Subscription Agreement prior to Completion, the Subscribers (together with their respective concert parties) will directly hold an aggregate of 201,880,500 Domestic Shares, representing approximately 52.35% of the enlarged total issued share capital of the Company immediately after Completion. Such 56,500,000 new Domestic Shares will be issued under the Specific Mandate. Same with the existing Domestic Shares in issue, the transfer and subsequent sale of the new Domestic Shares to be issued can be made in accordance with the relevant provisions of the Articles, subject to the applicable PRC laws.

Subscription price

RMB8.16 (equivalent to approximately HK\$9.18) per new Domestic Share under each Domestic Share Subscription Agreement. For the purpose of this announcement, all figures in HK\$ are calculated based on the exchange rate of approximately HK\$1 to RMB0.889 for illustration purpose.

The subscription price for the Domestic Share Subscription is determined after arm's length negotiations between the Company and the Subscribers, with reference to the prevailing market price of the H Shares.

The subscription price of RMB8.16 (equivalent to approximately HK\$9.18) per new Domestic Share represents:

- (1) a discount of approximately 24.7% to the price of approximately HK\$12.2 per H Share based on the closing price as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 5.34% to the average closing price of approximately HK\$9.698 per H Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day;
- (3) equal to the average closing price of approximately HK\$9.18 per H Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of approximately 271% to the audited net assets value attributable to owners of the Company of approximately RMB2.2 (equivalent to approximately HK\$2.47) per Share as at 31 December 2016.

Conditions precedent to the Domestic Share Subscription Agreements

Completion of the Domestic Share Subscription under each of the Domestic Share Subscription Agreements is conditional upon:

- (1) the Independent Shareholders approving (a) such Domestic Share Subscription Agreement and the transactions contemplated thereunder and the Specific Mandate by way of special resolutions and (b) the Whitewash Waiver by way of an ordinary resolution, both by way of poll at the SGM and the Class Meetings;
- (2) the Executive granting the Whitewash Waiver to Mr. Liu Xin and the satisfaction of all conditions (if any) attached to the Whitewash Waiver; and
- (3) the obtaining of all necessary consents, approvals, licences, permissions, waivers and notices by the Company and the Subscriber under such Domestic Share Subscription Agreement from and completion of necessary filing in relevant government and/or regulatory authorities (including relevant Hong Kong and PRC departments and authorities such as SFC, Stock Exchange, relevant department of Commerce and Industry of PRC and department of Ministry of Commerce of PRC) which are required for the Domestic Share Subscription and the same are not revoked or refused prior to Completion.

None of the conditions can be waived under each of the Domestic Share Subscription Agreements.

If any of the conditions precedent under the Domestic Share Subscription Agreement between Mr. Liu Xin and the Company (“**Mr. Liu’s Subscription Agreement**”) is not satisfied because of failing to obtain the necessary approval or consent on or before the Long Stop Date, all the Domestic Share Subscription Agreements shall lapse and neither party shall have any claims against the other save for any antecedent breaches.

If any of the conditions precedent under any Domestic Share Subscription Agreement other than Mr. Liu’s Subscription Agreement as set out above is not satisfied on or before the Long Stop Date, such Domestic Share Subscription Agreement shall lapse and neither party shall have any claims against the other save for any antecedent breaches. However, such lapse will not affect the Completion under other Domestic Share Subscription Agreements.

Specific Mandate

The 56,500,000 new Domestic Shares will be issued under a specific mandate to be sought at the SGM and the Class Meetings.

Shareholders and potential investors should be aware that the proposed Domestic Share Subscription is subject to the satisfaction of the conditions precedent under the Domestic Share Subscription Agreements as set out in the section headed “Conditions precedent to the Domestic Share Subscription Agreements” in this announcement, and accordingly, the proposed Domestic Share Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company.

2. RANKING OF NEW DOMESTIC SHARES TO BE ISSUED

The new Domestic Shares to be issued pursuant to the Domestic Share Subscription Agreements will rank, upon issue, *pari passu* in all respects with the existing Domestic Shares in issue at the time of allotment and issue of such new Domestic Shares.

3. SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately after the completion of the Domestic Share Subscription (assuming no other changes to the issued share capital of the Company prior to Completion):

	As at the date of this Announcement		Immediately after the completion of the Domestic Share Subscription		
	Share Class	No. of Shares held	Percentage of total issued Shares	Number of Shares held	Percentage of total issued Shares
The Subscribers and their respective concert parties	Domestic				
Liu Xin and parties acting in concert with it	Domestic	125,380,500	38.09%	158,880,500	41.20%
– Liu Xin		66,000,000	20.05%	99,500,000	25.80%
– Shenzhen Langqu		49,432,000	15.02%	49,432,000	12.82%
– Shenzhen De Shi Yu		9,948,500	3.02%	9,948,500	2.58%
Xizang Ruidong and parties acting in concert with it	Domestic	20,000,000	6.08%	31,000,000	8.03%
– Xizang Ruidong (<i>Note 1</i>)		20,000,000	6.08%	20,000,000	5.19%
– Rui Dong Hairun		0	0%	5,500,000	1.42%
– Rui Dong Qicai		0	0%	5,500,000	1.42%
Guo Shanling (郭善苓) (<i>Note1</i>)	Domestic	0	0%	4,000,000	1.04%
Zhuhai Muyang	Domestic	0	0%	6,000,000	1.56%
Jiang Quanhong (姜全紅)	Domestic	0	0%	2,000,000	0.52%
subtotal for the Subscribers and their respective concert parties	Domestic	145,380,500	44.17%	201,880,500	52.35%
Other Non-H Foreign Shareholders	Non-H Foreign	19,619,500	5.96%	19,619,500	5.08%
Total Domestic and Non-H Foreign Shares	Domestic & Non-H Foreign	165,000,000	50.13%	221,500,000	57.43%
H Shareholders					
Guo Shanling	H	4,402,250	1.34%	4,402,250	1.14%
Jiang Quanhong	H	362,000	0.11%	362,000	0.10%
Other public H Shareholders		159,395,750	48.42%	159,395,750	41.33%
Total H Shares	H	164,160,000	49.87%	164,160,000	42.57%
Total issued Shares		329,160,000	100%	385,660,000	100%

Note 1: Xizang Ruidong holds 20,000,000 Domestic Shares on trust for and on behalf of Rui Feng Fund. The partners of Rui Feng Fund are Li Yan (李艷) (36%), Yu Nan (余楠) (59%) and Guo Shanling (郭善苓) (5%) (one of the Subscribers) who are all Independent Third Parties.

The total Share interest (Domestic Shares and H Shares) held by each of the Subscribers are as follows:

1. Mr. Liu Xin is interested in 125,380,500 Domestic Shares as at the date of this announcement (representing 38.09% of the total issued share capital of the Company as at the date of this announcement), and will be interested in 158,880,500 Domestic Shares upon Completion, representing 41.20% of the enlarged issued share capital of the Company;
2. Rui Dong Hairun is not interested in any Shares as at the date of this announcement, and will be interested in 5,500,000 Domestic Shares (representing 1.42% of the enlarged issued share capital of the Company) upon Completion;
3. Rui Dong Qicai is not interested in any Shares as at the date of this announcement, and will be interested in 5,500,000 Domestic Shares (representing 1.42% of the enlarged issued share capital of the Company) upon Completion;
4. Guo Shanling (郭善苓) is interested in 4,402,250 H Shares as at the date of this announcement (representing 1.34% of the total issued share capital of the Company as at the date of this announcement), and will be interested in 8,402,250 Shares in total (4,402,250 H Shares and 4,000,000 Domestic Shares) upon Completion, representing approximately 2.18% of the enlarged issued shares capital of the Company upon Completion;
5. Jiang Quanhong (姜全紅) is interested in 362,000 H Shares as at the date of this announcement (representing 0.11% of the total issued share capital of the Company as at the date of this announcement), and will be interested in 2,362,000 Shares (362,000 H Shares and 2,000,000 Domestic Shares) in total upon Completion, representing approximately 0.62% of the enlarged issued shares capital of the Company upon Completion; and
6. Zhuhai Muyang is not interested in any Shares as at the date of this announcement, and will be interested in 6,000,000 Domestic Shares (representing 1.56% of the enlarged issued share capital of the Company) upon Completion.

4. PROPOSED AMENDMENTS TO THE ARTICLES

The Board proposed to make certain amendments to the Articles, to take effect subject to and upon Completion, in order to reflect the latest registered capital and shareholding structure of the Company as a result of the issue of the new Domestic Shares.

The proposed amendments to the Articles are subject to approval by the Shareholders by way of special resolutions at the SGM and the approval of and registration or filing with the relevant PRC government authorities.

Further information in respect of the proposed amendments to the Articles will be set out in the circular to be issued by the Company in relation to, among other things, the Domestic Share Subscription, Domestic Share Subscription Agreement and the Whitewash Waiver.

5. USE OF PROCEEDS

The Company expects to raise gross proceeds of approximately RMB461 million (equivalent to approximately HK\$518.6 million) from the Domestic Share Subscription. The net proceeds from the Domestic Share Subscription is expected to be approximately RMB454.1 million (equivalent to approximately HK\$510.8 million). It is the intention of the Company to use the net proceeds from the Domestic Share Subscription for the following purpose:—

- (a) as to approximately RMB136.2 million among the net proceeds will be used as development fee of new technology (development of vehicles diagnosis cloud technology and development of vehicle big data) of the Company;
- (b) as to approximately RMB272.5 million among the net proceeds will be used as marketing development fee which are mainly applied to promote new products (including artificial intelligence vehicles diagnosis products and comprehensive hand-held vehicles diagnosis products) and to improve the market share of diagnostic facilities of Internet for obtaining big data faster; and
- (c) as to RMB45.4 million as the reserve fund for working capital of the Group.

6. REASONS FOR AND BENEFITS OF THE DOMESTIC SHARE SUBSCRIPTION

Optimizing the Company's capital structure

The Company is of the view that the Domestic Share Subscription can further optimize the capital structure and enhance competitive strengths of the Company, the Board has been proactively considering various capital operation strategies. Before resorting to the Domestic Share Subscription, the Board had considered other relevant strategies such as H Shares new issue and placement, rights issue of Domestic Shares and H Shares. An analysis of each alternative strategy is as follow:

(1) Placement of new H Shares:

The Board considers that such option involves uncertainties as to the timing in obtaining approvals from relevant PRC authorities. The uncertainty may consequently impact the Company's strategy implementation on timely basis. Aside from the required regulatory approvals, any placement of new H Shares will also be subject to the ability to attract quality investors.

(2) Rights issue of Domestic Shares and H Shares:

For similar reasons as set out in (1) above, there are uncertainties as to the timing in obtaining approvals from the relevant authorities for a rights issue of Domestic Shares and H Shares and the uncertainty may consequently impact the Company's strategy implementation on timely basis. Rights issue will also involve transaction costs such as underwriting fees, and pressure on the Company's share price may result due to the common market practice of discounting of the issue price.

Having carefully weighed the above alternatives, the Board believes that a subscription of new Domestic Shares by the Subscribers is the most efficient and economical approach to raise funds at the current market circumstances and satisfy the proposed uses of proceeds stated in the paragraph headed "**5. USE OF PROCEEDS**" in this announcement. The Domestic Share Subscription demonstrates a strong vote of confidence in the Company by its controlling shareholder. Furthermore, the Company believes that such injection of new equity by its controlling shareholder together with other subscribers will optimize its capital structure, enhance its potential for sustainable debt financing and allow flexibility to further tap into the PRC bond market if and when considered appropriate by the Board, where the size of any potential bond issuance by any issuer is determined based on, inter alia, its equity capital.

As such, the Directors (other than the members of the Independent Board Committee whose view will be contained in the Circular having considered the advice from the Independent Financial Adviser) believe that the Domestic Share Subscription by the Subscribers is fair and reasonable and on normal commercial terms, and is in the interests of the Group and the Shareholders as a whole.

7. RECENT FUND RAISING ACTIVITIES

The Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the date of this announcement.

8. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Liu Xin directly hold 66,000,000 Domestic Shares in the Company, representing approximately 20.05% of the Company's total issued share capital. Pursuant to the Listing Rules, as a substantial shareholder and director of the Company, Mr. Liu Xin is a connected person of the Company. Accordingly, the Domestic Share Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Liu Xin, the executive Director and Chairman of the Board, has abstained from voting in the board meeting approving the Domestic Share Subscription, the Specific Mandate, and the Whitewash waiver in accordance with the Listing Rules.

The Domestic Share Subscription Agreements and the Specific Mandate will be proposed by way of special resolutions and the Whitewash Waiver will be proposed by way of an ordinary resolution at the SGM and the Class Meetings to be approved by the Independent Shareholders. The Subscribers and their respective concert parties (including Liu Xin and his concert parties (Shenzhen Langqu and Shenzhen De Shi Yu), and Xizang Ruidong and its concert parties (Rui Dong Hairun and Rui Dong Qicai)) will (and any other shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate and the Whitewash Waiver (including Mr. Zhang Jiangbo (assistant to president who was involved in the negotiation of the Domestic Share Subscription and is holding 71,000 H Shares as at the date of this announcement)) will be required to) abstain from voting on the resolutions to be proposed at the SGM and the Class Meetings for approving the proposed Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM and the Class Meetings.

9. IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Liu Xin, Shengzhen Langqu and Shenzhen De Shi Yu hold 125,380,500 Domestic Shares in total in the Company, representing 38.09% of the total issued share capital of the Company as at the date of this announcement.

After completion of the Domestic Share Subscription and assuming no other changes to the issued share capital of the Company prior to Completion, Mr. Liu Xin and his concert parties will hold approximately 41.2% of the Company's enlarged issued share capital. As the shareholding held by Mr. Liu Xin and his concert parties will increase from 38.09% to 41.2% as a result of the issue of the new Domestic Shares, pursuant to Rule 26.1 of the Takeovers Code, Mr. Liu Xin will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by him and his concert parties in the absence of the Whitewash Waiver.

Completion of the Domestic Share Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. An application will be made to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the new Domestic Shares to Mr. Liu Xin pursuant to Mr. Liu's Subscription Agreement. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders by way of poll at the SGM and the Class Meetings. The Executive may or may not grant the Whitewash Waiver and in the event that it is not granted, the Domestic Share Subscription Agreements shall lapse and the Domestic Share Subscription will not proceed. The Subscribers and their respective concert parties (including Liu Xin and his concert parties (Shenzhen Langqu and Shenzhen De Shi Yu), and Xizang Ruidong and its concert parties (Rui Dong Hairun and Rui Dong Qicai)) will (and any other shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate and the Whitewash Waiver (including Mr. Zhang Jiangbo (assistant to president who was involved in the negotiation of the Domestic Share Subscription and is holding 71,000

H Shares as at the date of this announcement)) will be required to) abstain from voting in respect of the resolution(s) to approve the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM and the Class Meetings.

As at the date of this announcement, the Company does not believe that the Domestic Share Subscription and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Domestic Share Subscription and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver do not comply with other applicable rules and regulations.

It is one of the conditions under the Domestic Share Subscription Agreements that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders by way of poll at the SGM and the Class Meetings. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Domestic Share Subscription Agreements will not become unconditional and the Domestic Share Subscription will not proceed.

As at the date of this announcement, save as disclosed in this announcement and other than the 38.09% interest in the total existing issued share capital of the Company owned or controlled by Mr. Liu Xin and his concert parties (details of which are set out in the section headed “A. PROPOSED SUBSCRIPTION OF NEW DOMESTIC SHARES” in this announcement) and all the transactions contemplated under the proposed Domestic Share Subscription and as disclosed in this announcement, neither the Subscribers nor any of their respective concert parties:

- (i) hold, own, control or direct any shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company nor have entered into any outstanding derivatives in respect of the securities in the Company;
- (ii) have secured any irrevocable commitment from any Independent Shareholders to vote in favour of or against the resolutions approving the transactions contemplated under the Domestic Share Subscription Agreement and/or the Whitewash Waiver;
- (iii) have any arrangement as referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) or contract with any other parties in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscribers which might be material to the Domestic Share Subscription and/or the Whitewash Waiver;

- (iv) have any agreement or arrangement to which the Subscribers or any of their respective concert parties are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Domestic Share Subscription and/or the Whitewash Waiver; and
- (v) have borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

The transaction of Shares by the Subscribers or their respective concert parties during the 6 months prior to the date of this announcement

Set out below is the relevant information regarding transaction of Shares by the Subscribers or their respective concert parties during the 6 months prior to the date of this announcement

1. Guo Shanling (郭善苓)

Date	Number of Shares	Price per share
28 December 2016	Acquisition of 4,473,750 H Shares	HK\$8.65
30 December 2016	Disposal of 20,500 H Shares	HK\$8.94
3 January 2017	Disposal of 51,000 H Shares	HK\$8.9

2. Shenzhen De Shi Yu

Shenzhen De Shi Yu has acquired 4,818,000 Domestic Shares of the Company (representing approximately 1.46% of the existing issued share capital of the Company) on 16 December 2016.

3. Jiang Quanhong (姜全紅)

Date	Number of Shares	Price per share
28 November 2016	Acquisition of 45,000 H Shares	HK\$7.98
7 December 2016	Acquisition of 30,000 H Shares	HK\$8.00
9 December 2016	Acquisition of 42,000 H Shares	HK\$8.16
14 December 2016	Acquisition of 18,000 H Shares	HK\$8.40

The above mentioned share transaction was taken place in the 6 months prior to this announcement but all prior to the negotiations (commenced on 5 February 2017), discussions or the reaching of understandings or agreements with the Director in relation to the Domestic Share Subscription.

Save for the entering into of the Domestic Share Subscription Agreements, neither the Subscribers nor any of their respective concert parties have acquired any voting rights of the Company or have dealt for value in any shares, convertible securities, warrants, options or

derivatives in respect of the securities of the Company in the six-month period prior to the date of this announcement but subsequent to negotiations (commenced on 5 February 2017), discussions or the reaching of understandings or agreements with the Directors in relation to the Domestic Share Subscription. The Subscribers and their respective concert parties will not acquire or dispose of any voting rights of the Company after the date of this announcement until Completion.

The Company has no outstanding warrants, options or securities convertible into shares of the Company as at the date of this announcement.

B. INFORMATION OF THE PARTIES

The Company is a company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2488).

The Group is principally engaged in provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

The Subscribers' information are set out below:

- (1) Mr. Liu Xin is a substantial shareholder of the Company, and Mr. Liu Xin is the executive Director and chairman of the Board. As at the date of this announcement, Mr. Liu Xin directly holds 66,000,000 Domestic Shares of the Company.
- (2) Ruidong Hairun and Ruidong Qicai are limited partnership enterprises established in PRC whose general partner is Xizang Ruidong. Ruidong Hairun and Ruidong Qicai are principally engaged in investments business. Xizang Ruidong is a registered Domestic Shareholder holding 20,000,000 Domestic Shares for and on behalf of Rui Feng Fund as at the date of this announcement. The ultimate shareholders of Xizang Ruidong are Cao Guanye (曹冠業), Xu Xiaodong (徐曉東) and Li Yan (李艷), all of them are Independent Third Parties, and the partners of Rui Feng Fund are Li Yan (李艷) (36%), Yu Nan (余楠) (59%) and Guo Shanling (郭善苓) (5%) (one of the Subscribers) who are all Independent Third Parties.
- (3) Guo Shanling (郭善苓) is an Independent Third Party.
- (4) Jiang Quanhong (姜全紅) is an Independent Third Party.
- (5) Zhuhai Muyang is a limited partnership enterprise established in PRC principally engaged in investment and management business. Zhuhai Muyang is an Independent Third Party. The partners of Zhuhai Muyang are six individual limited partners (namely, Huang Le (黃樂), Xiong Zhixin (熊志新), Peng Han (彭涵), Wu Weiqiang (伍巍強), Yang Jinzhi (楊金芝), and Meng Linhua (孟林華) and an individual general partner (Huang Wei (黃微)) who are all Independent Third Parties.

Save as disclosed above that Guo Shan Ling (郭善苓) is a partner holding 5% interest in Kui Feng Fund (details are set out in the Section B INFORMATION OF THE PARTIES), there is no other relationships (financial, business or otherwise) past, present or contemplated between each of the Subscribers. Save as disclosed in this announcement that Ruidong Hairun and Ruidong Qicai are Limited partnership enterprises whose general partner is Xizang Ruidong and therefore Ruidong Hairun and Ruidong Qicai are acting in concert with each other, each of the Subscribers is not acting in concert or presumed to be acting in concert with the other Subscribers.

C. INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules and the Takeovers Code, the Independent Board Committee (comprising the non-executive Director and all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver. In this connection, TC Capital International Limited has been approved and appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders as to whether the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders and concerned and make recommendation on voting.

D. SGM AND CLASS MEETINGS

The SGM and the Class Meetings, will be held to consider and, if thought fit, pass resolutions to approve the (i) proposed Domestic Share Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the specific mandate for the issue of the new Domestic Shares; (iii) the Whitewash Waiver and (iv) the proposed amendments to the Articles (as the case may be). The voting in relation to the Domestic Share Subscription Agreements, the Specific Mandate, the Whitewash Waiver and proposed amendments to the Articles at the SGM and the Class Meetings (as the case may be) will be conducted by way of poll. The Domestic Share Subscription Agreements and the Specific Mandate will be proposed by way of special resolutions and the Whitewash Waiver will be proposed by way of an ordinary resolution at the SGM and the Class Meetings to be approved by the Independent Shareholders. The amendments to the Articles will be proposed by way of special resolutions at the SGM to be approved by the Shareholders. One class meeting (being the Domestic Share Class Meeting) for the Domestic Shareholders and the Non-H Foreign Shareholder and one class meeting (being the H Share Class Meeting) for the H Shareholders will be convened to consider the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver.

The Subscribers and their respective concert parties (including Liu Xin and his concert parties (Shenzhen Langqu and Shenzhen De Shi Yu), and Xizang Ruidong and its concert parties (Rui Dong Hairun and Rui Dong Qicai)) will (and any other shareholder who is involved or interested in the Domestic Share Subscription, the Specific Mandate and the Whitewash Waiver (including Mr. Zhang Jiangbo (assistant to president who was involved in the negotiation of the Domestic Share

Subscription and is holding 71,000 H Shares as at the date of this announcement)) will be required to) abstain from voting on the resolutions to be proposed at the SGM and the Class Meetings for approving the proposed Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver at the SGM and the Class Meetings.

E. DESPATCH OF CIRCULAR

According to Rule 8.2 of the Takeovers Code, a circular containing, among others: (i) details of the Domestic Share Subscription, the Domestic Share Subscription Agreements, the Whitewash Waiver, the Specific Mandate and the proposed amendments to the Articles; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Domestic Share Subscription Agreements and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver and (iii) a letter of advice by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Domestic Share Subscription Agreements and transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver will be required to be despatched in compliance with the Listing Rules and the Takeovers Code.

The Company may require additional time for finalising the information for inclusion in the circular, hence if required, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code and to the Stock Exchange for the extension of time for the despatch of the circular. Further announcement(s) will be made by the Company as and when appropriate.

F. RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares has been halted with effect from 9:00 a.m. on 21 March 2017 pending the issue of this announcement. Application has been made for the resumption of trading in the H Shares with effect from 9:00 a.m. on 29 March 2017.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

“Articles”	the articles of association of the Company as revised from time to time
“Board”	the board of Directors of the Company
“Class Meetings”	the Domestic Share Class Meeting and the H Share Class Meeting
“Company”	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 PRC with limited liability
“Completion”	the completion of the Domestic Share Subscription

“concert party(ies)”	party or parties acting in concert as defined under the Takeovers Code
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Domestic Shareholder(s)”	holder(s) of the Domestic Shares
“Domestic Shares”	ordinary domestic share(s) with par value of RMB1.00 each in the share capital of the Company
“Domestic Share Class Meeting”	the class meeting of the Domestic Shareholders and Non-H Foreign Shareholders to be held to consider and, if thought fit, approve, among other things, the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Domestic Share Subscription”	the proposed subscription of new Domestic Shares by the Subscribers pursuant to Domestic Share Subscription Agreements
“Domestic Share Subscription Agreement(s)”	the conditional share subscription agreements entered into between each of the Subscribers and the Company on 20 March 2017 respectively, under which, the Subscribers conditionally agree to subscribe for, and the Company conditionally agrees to issue, 56,500,000 new Domestic Shares in total at the subscription price of RMB8.16 (equivalent to approximately HK\$9.18) per new Domestic Share. (Collectively the “Domestic Share Subscription Agreements” and each is a “Domestic Share Subscription Agreement”)
“Executive”	the Executive Director of the Corporate Finance Division of SFC of Hong Kong or any of its delegates
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Main Board of the Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of the H Shares
“H Share Class Meeting”	the class meeting of the H Shareholders to be held to consider and, if thought fit, approve other things, the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Board comprising the non-executive Director and all independent non-executive Directors of the Company
“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than: (i) the Subscribers; (ii) any parties acting in concert with the respective Subscribers (including, among others, Shenzhen Langqu, Shenzhen De Shi Yu and Xizang Ruidong); and (iii) all other persons (if any) who are involved or interested in the Domestic Share Subscription, the Domestic Share Subscription Agreements and/or the Whitewash Waiver
“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company under the Listing Rules
“Last Trading Day”	20 March 2017, being the last full trading day immediately prior to the date of the Domestic Share Subscription Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time
“Long Stop Date”	31 May 2017 or such other date as may be agreed by the parties to the Domestic Share Subscription Agreements from time to time in writing
“Non-H Foreign Shareholder(s)”	holder(s) of the Non-H Foreign Shares
“Non-H Foreign Shares”	ordinary non-H foreign shares with par value of RMB1.00 each in the share capital of the Company

“PRC”	the People’s Republic of China but excluding, for the purposes of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Rui Dong Hairun”	Haining Rui Dong Hairun Investment Partnership Enterprise*(海寧瑞東海潤投資合夥企業(有限合夥)), a limited partnership enterprise incorporated in PRC
“Rui Dong Qicai”	Haining Rui Dong Qicai Investment Partnership Enterprise* (海寧瑞東啟財投資合夥企業(有限合夥)), a limited partnership enterprise incorporated in PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and modified from time to time
“SGM”	special general meeting of the Shareholders to be held to consider and, if thought fit, approve, among other things, the Domestic Share Subscription Agreements and the transactions contemplated thereunder, the Specific Mandate, the Whitewash Waiver and the proposed amendments to the Articles
“Shareholder(s)”	holder(s) of the Shares of the Company
“Share(s)”	Domestic Share(s), Non-H Foreign Share(s) and/or H Share(s)
“Shenzhen Langqu”	Shenzhen Langqu Technology Development Co., Ltd.* (深圳市浪曲科技開發有限公司), a limited company incorporated in PRC
“Shenzhen De Shi Yu”	Shenzhen De Shi Yu Investment Co., Ltd.* (深圳市得時域投資有限公司) a limited company incorporated in PRC
“Specific Mandate”	the specific mandate proposed to be granted by the Independent Shareholders to the Directors at the SGM and Class Meetings to issue the new Domestic Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Liu Xin, Rui Dong Hairun, Rui Dong Qicai, Guo Shanling, Jiang Quanhong, and Zhuhai Muiyang, each is a Subscriber.
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, in respect of the obligations of the Mr. Liu Xin to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by Mr. Liu Xin and his concert parties which would otherwise arise as a result of the allotment and issue of the new Domestic Shares under the Domestic Share Subscription Agreements
“Xizang Ruidong”	Xizang Ruidong Wealth Investment Co., Ltd.* (西藏瑞東財富投資有限公司), a limited company incorporated in PRC
“Zhuhai Muyang”	Zhuhai Muyang Enterprise Management Partnership Enterprise* (珠海牧洋企業管理合夥企業(有限合夥))
“%”	per cent.

By Order of the Board
Launch Tech Company Limited
Liu Chun Ming
Company Secretary

Hong Kong, 28 March 2017

For the purpose of this announcement, unless the context otherwise requires, conversion of Renminbi into Hong Kong dollars is based on the approximate exchange rate of HK\$1 to RMB0.889. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

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 Mr. Liu Yuan, Ms. Zhang Yan and Mr. Ning Bo as independent nonexecutive Directors.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Certain English translation of Chinese names or words marked with “” in this announcement are included for information only, and are not official English translations of such Chinese names or words.*