

**INTERIM  
REPORT  
2017**

深圳市元征科技股份有限公司  
LAUNCH TECH COMPANY LIMITED



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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)

#### 2017 INTERIM REPORT

#### I. FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

#### CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30 June 2017</b>	31 December 2016 (Audited)
<b>Current assets:</b>			
Bank balances and cash		<b>311,656</b>	279,286
Bills receivable		<b>33,380</b>	21,825
Accounts receivable	4	<b>245,125</b>	232,262
Prepayments		<b>60,343</b>	52,442
Other receivables		<b>31,648</b>	18,538
Inventories	5	<b>197,850</b>	112,747
Other current assets		<b>6,836</b>	4,591
Total current assets		<b>886,838</b>	721,691
<b>Non-current assets:</b>			
Fixed assets		<b>344,190</b>	357,859
Construction in progress		<b>52,852</b>	18,067
Intangible assets		<b>166,556</b>	174,828
Development expenditure		<b>42,129</b>	27,768
Goodwill		<b>1,139</b>	1,139
Deferred income tax assets		<b>4,203</b>	4,203
Other non-current assets		<b>6,298</b>	7,994
Total non-current assets		<b>617,367</b>	591,858
Total assets		<b>1,504,205</b>	1,313,549

\* For identification purpose only

	<i>Notes</i>	<b>30 June 2017</b>	31 December 2016 (Audited)
<b>Current liabilities:</b>			
Short-term borrowings		<b>291,249</b>	384,374
Bills payable		<b>40,000</b>	–
Accounts payable	6	<b>148,012</b>	94,393
Receipts in advance		<b>79,924</b>	61,062
Wage payables		<b>2,844</b>	2,849
Tax payables		<b>4,176</b>	11,144
Other payables		<b>150,731</b>	12,833
Non-current liabilities due within one year		<b>305</b>	505
Total current liabilities		<b>717,241</b>	567,160
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>627</b>	676
Deferred income		<b>20,747</b>	22,331
Total non-current liabilities		<b>21,374</b>	23,007
Total liabilities		<b>738,615</b>	590,167
<b>Shareholders' equity:</b>			
Share capital		<b>329,160</b>	329,160
Capital reserve		<b>231,020</b>	231,020
Other Comprehensive income		<b>1,945</b>	3,333
Surplus reserve		<b>18,099</b>	18,099
Undistributed profit	7	<b>185,593</b>	141,982
Total owners' equity attributable to parent company		<b>765,817</b>	723,594
Minority shareholders' equity		<b>-227</b>	-212
Total shareholders' equity		<b>765,590</b>	723,382
Total liabilities and shareholders' equity		<b>1,504,205</b>	1,313,549

## CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended</b>	
		<b>30 June</b>	
	<i>Notes</i>	<b>2017</b>	<b>2016</b>
<b>Operating income</b>	3	<b>486,894</b>	395,581
Less: Operating costs		<b>277,514</b>	218,205
Tax and surcharge		<b>3,510</b>	2,506
Selling expenses		<b>48,531</b>	53,862
Administrative expenses		<b>86,370</b>	121,442
Finance costs		<b>18,026</b>	5,263
Impairment loss on assets		<b>8,493</b>	8,799
<b>Operating profit (loss “-”)</b>		<b>44,450</b>	-14,496
Add: Non-operating income		<b>6,479</b>	1,090
Less: Non-operating expenses		<b>6,250</b>	4,666
<b>Total profit (loss “-”)</b>		<b>44,679</b>	-18,072
Less: Income tax expenses	8	<b>1,083</b>	1,440
<b>Net profit (loss “-”)</b>		<b>43,596</b>	-19,512
Net profit attributable to owners of parent company (loss “-”)		<b>43,611</b>	-19,190
Profit or loss attributable to minority shareholders (loss “-”)		<b>-15</b>	-322
<b>Earnings per share (loss “-”):</b>			
Basic earnings per share (RMB)	9	<b>0.132</b>	-0.058

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

### 1. Basis of Preparation of Financial Statement

Financial information in this report was extracted from the 2017 unaudited interim financial statements (the “Financial Statements”).

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 2016 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 2017 to the six months ended 30 June 2017.

#### (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:

	<b>For the six months ended 30 June</b>	
	<b>Current year</b>	<b>Previous year</b>
Revenue from main operations	<b>482,174</b>	386,910
Revenue from other operations: rent	<b>4,720</b>	8,671
	<b><u>486,894</u></b>	<b><u>395,581</u></b>

### 4. Trade Receivables

	<b>At the period end</b>	<b>At the beginning of the year</b>
Trade receivables	<b>334,489</b>	316,226
Less: provision for bad debts	<b>89,364</b>	83,964
<b>Net amount</b>	<b><u>245,125</u></b>	<b><u>232,262</u></b>
<b>Aging</b>		
Within 1 year	<b>134,812</b>	126,513
Over 1 year	<b>110,313</b>	105,749
	<b><u>245,125</u></b>	<b><u>232,262</u></b>

**5. Inventories**

	<b>At the period end</b>	At the beginning of the year
Raw materials	<b>20,250</b>	17,113
Work in progress	<b>10,618</b>	9,157
Finished goods	<b>166,982</b>	86,477
	<hr/> <b>197,850</b> <hr/>	<hr/> 112,747 <hr/>

**6. Trade Payables**

<b>Aging</b>	<b>At the period end</b>	At the beginning of the year
Within 1 year	<b>143,492</b>	91,001
Over 1 year	<b>4,520</b>	3,392
	<hr/> <b>148,012</b> <hr/>	<hr/> 94,393 <hr/>

**7. Undistributed Profits**

**Current year**

	<b>Amount</b>
<b>As at the beginning of the period</b>	141,982
Add: net profit (loss) attributable to owners of parent company in the current period	<hr/> 43,611 <hr/>
<b>As at the end of the period</b>	<hr/> <b>185,593</b> <hr/>

## 8. Income Tax Expense

	Applicable tax rate
The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe GmbH	32%
Xi'an Launch	25%
PAD	15%
Hesvit	25%
Golo Internet	25%
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 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	43,611	19,190
Average weighted number of outstanding ordinary shares of the parent	329,160,000	329,160,000
Basic earnings per share (RMB/share)	0.132	-0.058
After adjustment (RMB/share)	0.132	-0.058

### (2) Diluted earnings per share

As there was no ordinary share with dilutive potential for the year 2017 and 2016, thus no diluted earnings per share is presented.

## 10. Dividend

	2017	2016
Interim dividend of RMB0.20 per share declared on 24 July 2017 (2016: Nil)	<u>65,832</u>	<u>—</u>

The amount has not been recognised as a liability in this interim financial information.



## 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 ("Peng Ao Da")	88%	Software	RMB1,000,000
Hesvit Health Tech Co., Ltd ("Hesvit")	100%	Equipment	RMB10,000,000
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. ("Golo Internet")	100%	Equipment	RMB10,000,000
深圳鵬巨衛信息技術有限公司 ("PJS")	97%	R&D	RMB2,000,000
元征科技國際有限公司 ("Launch International")	100%	Equipment	RMB50,000

## 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 2017, the Company pledged land, properties and buildings with original value approximately amounted to 215,000,000 for certain bank borrowings.

## 14. Capital and Operating Commitment

As at 30 June 2017, the Company did not have any significant capital and operating 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.

## II. MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Looking back over the past six months, the Group has developed major areas as follows:

In the first half of the year, the Company continued its 2016's strategy to develop Internet-based automotive diagnostic equipment by not only vigorously developing B2B2C cooperation model of the car network business, developing the vehicle maintenance technicians operating platform, but also constantly optimising and improving the automobile Big Data, and actively explore the car the commercial value of the Big Data. The focus is as follows:

- Continued introduction of new series of equipment, we are committed to improving efficiency and accumulating experience to meet the different needs of the market, improving the market occupancy of Internet equipment;
- actively explored new application scenarios, layout of artificial intelligence diagnostic equipment AIT;
- implementation of a comprehensive open strategy, and vigorously develop B2B2C business model, to promote human and vehicle data aggregation;
- provided training of service technicians and operational technicians, activating and enriching technician ecosphere;
- refined the data particles, increased and optimised the data dimension, and improved data quality;
- combined second-hand car and other application scenarios, to explore the commercial value of Big Data, and managed to realise data;

With focus around our core strategy of Big Data the Company on the one hand completely abolished C class customers subsidy strategy, on the other hand pay close attention to higher gross profit margin business, maintenance of steady cash flow, lower operations costs, and continuous optimisation of internal management. Through the effort above and adjusting the business structure, we achieved remarkable results and gross margin has also been maintained at a relatively high level.

For technical innovation area, the Company emphasised its core strengths of diagnostic technology, and also the cloud diagnostic technology, and also intensified efforts to promote and realise the application of artificial intelligence technology in the field of automotive maintenance. Substantial progress has been made by introducing a new service experience to the users; In the same time, equipment and service and strategic cooperation specialised for police gear, environmental protection and other areas are in a steady progress.

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 of the year, diagnostic reports collected through our vehicle diagnostic equipment continued to increase rapidly. The collection of about 35 million copies of vehicle maintenance data reported in the first half, showing an increase of 23 million, and an increase of 192%; the number of vehicles coverage of the diagnostic report was about 4.5 million units, with an increase of 3.68 million units, and an increase of 489%; About 80 million copies of vehicle maintenance data reports accumulated that covered accumulated 7.8 million units. With the network to accelerate the promotion of diagnostic equipment, it is expected to the end of this year the relevant data will have a further breakthrough.

In the first half of the year, compared with the same period last year, 74,400 units of the Internet car diagnostic equipment sold, showing an increase of 14,300 units and an increase of 23.8%; product gross profit margin of 45% is maintained; total operating income reached 490 million, representing an increase of 90 million, an increase of 22.5%; Net profit of 44 million was noted, which is an increase of 63 million, and an increase of 323%. It shows that the a series of steady growth strategies of the Company has brought to a good results.

In this period, the Company continues to broaden the income source and reduce expenditures, a reduction of selling expenses and administrative expenses with a total of approximately 40,000,000 is noted. During the period approximately 8,500,000 of the fair value adjustment on the accounts and other receivable has been made in accordance with the accounting policy. Net profit for the period is approximately RMB44,000,000, representing approximately 13.2 cents per share.

#### ***Analysis of assets, liabilities and equity interests***

Total assets value amounted to 1,504,000,000 during the Reporting Period, increased by 14% as compared with the beginning of the year, of which inventories, and Bank and cash increased relatively significantly. Total liabilities amounted to 739,000,000, increased by 25% as compared with the beginning of the year, mainly due to increase in short term other payable including investment fund from domestic shareholders pending for capital verification and various procedures. Total equity interest attributable to shareholders amounted to 766,000,000, increased by 6% as compared with the beginning of the year reflecting the profit made for the period.

### **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 57,000,000.

### ***Cash flows from investment activities***

Cash inflow from investment activities during the Reporting Period was nil. Cash outflow to investment activities amounted to 65,000,000, 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 40,000,000 and inflow from advance receipt from investors amounted to 100,000,000 and outflow mainly for repayment of bank loans and interest amounted to 100,000,000.

### **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 766,000,000; and total liabilities amounted to 739,000,000. Total assets amounted to 1,504,000,000. As at the end of the period, the Company's gearing ratio (total liabilities/interest attributable to shareholder) was 0.96 (At the beginning of the period: 0.85).

## **III. 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 2017 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 2017.

## 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.

## IV. INTERIM REPORT AND OTHER INFORMATION

This report will set out on the websites of the Company ([www.cnlaunch.com](http://www.cnlaunch.com)) and the Stock Exchange ([www.hkexnews.hk](http://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  
24 July 2017

*As at the date of this report, 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.*

# 元征 LAUNCH

深圳市元征科技股份有限公司  
LAUNCH TECH COMPANY LIMITED

於中華人民共和國註冊成立之股份有限公司  
A Joint Stock Limited Company Incorporated  
In The People's Republic Of China With Limited Liability

股份代號：HK2488  
STOCK CODE：HK2488

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