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)

VOLUNTARY ANNOUNCEMENT
SUPPLEMENTARY ANNOUNCEMENT ON 2017 ANNUAL RESULT ANNOUNCEMENT

This announcement is made on voluntary basis by the Company.

Reference is made to the announcement of the Company dated 28 March 2018 in relation to the 2017 annual result ("Result Announcement"). Unless otherwise defined, capitalized terms used herein shall have the same meaning as those set out in the Result Announcement of the Company dated 28 March 2018. The Company wishes to make this announcement to make further disclosure of the supplementary information on certain items of consolidated income statement in the Result Announcement. All information of the original Result Announcement will remain unchanged.

The information set out in this announcement mainly extracted from the financial statements of the 2017 annual report that will be later published.

This announcement provides supplementary information on three items including Impairment loss on assets, Other revenue and Segment information as follows:

1. Supplementary information on Impairment loss on assets

	2017	2016
	RMB million	*RMB million*
Impairment loss on assets		
Impairment on intangible assets – proprietary technology	**14**	4
Provision for bad debts	**11**	15
Other	**–**	1
	25	20

There is no change in accounting policy during the two years. The increase in impairment on intangible assets of 2017 is mainly due to the further one-off impairment on the remaining proprietary technology of eliminated old products.

1.1 Impairment of long-term assets

The Company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

1.2 Initial measurement of intangible assets

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.

1.3 Subsequent measurement of intangible assets

The proprietary technology, being an intangible asset with a limited life is depreciated using straight line method over the term of 3-8 years which it brings economic benefit to the Company.

1.4 Dividing the research stage and development stage of internal research and development projects of the Company

The expenses in the research stage of internal research and development projects are recognized at profit or loss for the period. The expenses in the development stage of internal research and development projects are recognized as an intangible asset in the case where it is confirmed that the asset is technically feasible for its use and that the product generated by the asset could be proved to be accepted by the market customers.

1.5 Specific criteria of capitalization for expenses during development stage

The expenses during development stage of internal research and development projects are recognized as intangible asset when all of the below conditions are met:

(1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;

(2) there is intention to complete the intangible asset for use or sale;

(3) there is a way for generating economic benefits from the intangible asset, including the ability to prove there exists a market for products produced using the intangible asset or there exists a market for the intangible asset itself; for intangible asset to be used internally, its usability can be proved;

(4) there is sufficient support in the areas of technology, financial and other resources to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset;

(5) the expenses attributable to the development stage of the intangible asset can be reliably measured.

1.6 Impairment of proprietary technology

Golo project is an on-board device that the Company developed and launched in 2014 which allows real time collection of automobiles operating data with internet access.

	golo project A *RMB million*	**golo project B** *RMB million*	**Total** *RMB million*
Capitalization in 2014	13	–	13
Capitalization in 2015	–	21	21
Accumulated amortization	-8	-12	-20
Impairment	-5	-9	-14
Balance at the end of 2017	–	–	–

1.7 Provision for bad debts

The Company makes a judgment on whether there is any sign of possible provision for bad debts impairment on the balance sheet date. Provision for bad debts is assessed based on the following targeting criteria:

1. Individually significant and has been individually made
2. Made on group basis by credit risk characteristics
3. Individually insignificant but has been individually made

The portfolio of provision for bad debts based on aged group analysis is as follows:

Ageing	**Provision proportion for accounts receivable (%)**	**Provision proportion for other receivables (%)**
Under 1 year	5.00	5.00
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-4 years	50.00	50.00
4-5 years	80.00	80.00
Over 5 years	100.00	100.00

There is no change in the accounting policy for provision for bad debts during the two years.

2. Supplementary information on Other revenue and Non-operating income

	2017	2016
	RMB million	*RMB million*
Other revenue		
Government grants	**21**	–
Non-operating income		
Government grants	**–**	19
Other	**1**	1
	1	20

The major changes in Other revenue and Non-operating income are mainly due to the change in accounting treatment. Details of which are as follows:

On 10 May 2017, the Ministry of Finance announced the amended "Accounting Standards for Enterprises No. 16 – Government Grants" with effect from 12 June 2017. Enterprises are required to adopt prospective application for the existing government grants on 1 January 2017, and adopt the amended standard for the government grants that were newly added from 1 January 2017 to the effective date of such standard. The Company adopted the amended standard from 12 June 2017. The subject matters of the above changes on accounting policy are: government grants related to revenue which compensate the relevant costs or losses in the subsequent periods to enterprises are recognized as deferred revenue and would be recognized at current profits and losses in the period where such relevant costs or losses are recognized; those which compensate the accrued relevant costs or losses to enterprises are recognized at current profits and losses directly after receipt. Government grants related to business activities of enterprises are recognized at Other revenue, those not related to business activities of enterprises are recognized at Non-operating income.

In compliance with the amended "Accounting Standards for Enterprises No. 16 – Government Grants", the Company recognized the government grants related to business activities of enterprises at Other revenue, amounted to 21,242,397.76. Prior to that, the government grants of 2016 were recognized at Non-operating income with a total amount of 19,123,427.65.

3. Supplementary information on Segment information

	Automotive diagnosis segment *RMB million*	Lift segment *RMB million*	Overseas sales segment *RMB million*	Total *RMB million*
I. Operating revenue	825	67	86	978
II. Operating expenses	769	67	79	915
III. Total profit (loss)	56	–	7	63
IV. Income tax expenses	–	–	3	3
V. Net profit (loss)	56	–	4	60
VI. Total assets	1,387	176	50	1,613
VII. Total liabilities	427	75	26	528
VIII. Other important non-cash items				
(1) Capital expenditure	88	–	–	88

3.1 Determination criterion and accounting policies for reporting segment

Operating segments of the Company are identified on the basis of internal organization structure, management requirements and internal reporting system. An operating segment represents a component of the Company that satisfied the following criteria simultaneously:

(1) its business activities are engaged to earn revenue and incur expenses;

(2) its operating results are regularly reviewed by the Company's management to make decisions on resources allocation performance assessment;

(3) its financial information, operating results, cash flow and related accounting information is available to the Company.

The Company determines the reporting segment based on the operating segment, and the operating segment that meets any of the following conditions is determined as the reporting segment:

(1) The segment income of the operating segment accounts for 10% of total income of all segments or more;

(2) The absolute amount of profit (losses) of the segment account for 10% of the higher of the absolute amount of total profits of the profiting segment and the absolute amount of total losses of the unprofitable segment or more.

Where the proportion of the total external revenue of the operating segment determined to be reporting segments according to the accounting policies above does not amount to 75%, the number of reporting segments should be increased; operating segments that are not determined to be reporting ones can be included in the scope of reporting ones according to the following rules till the proportion reaches 75%:

(1) The operating segments, which the management believes may be useful for users of accounting information if their information is disclosed, are determined as reporting segments;

(2) one or more operating segments with economic features with similar features that are qualified for combination the operating segment are combined as one reporting segment.

The transfer price among segments is determined with reference to the market price, and assets used joint by segments and relevant expenses are distributed among segments according to the proportion of income.

3.2 Factors considered when determine reportable segments of the Company, types of products and services of reportable segments

Reporting segments of the Company are business units providing different products and services. As each business requires different skills and market strategies, each segment is managed independently.

The Company has three reporting segments: automotive diagnosis segment, lift segment and overseas sales segment. The automotive diagnosis segment covers research and development, production and sales of automotive diagnostic and inspection products. The lift segment covers research and development, production and sales of machinery products in the automotive aftermarket. The overseas sales segment covers development and maintenance of European distributors and customers.

The aforementioned are only the supplementary information on the content of items. All information of the Result Announcement will remain unchanged.

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

13 April 2018, Hong Kong

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 non-executive Directors.

* *for identification only*