LAUNCH

2010 Interim Report

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:8196)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at "www.hkgem.com" in order to obtain up-to-date information on GEM-listed issuers.

This report, for which the directors (the "Directors") of Launch Tech Company Limited (the "Company" or "Launch") collectively and individually accept full responsibility, includes particulars given in compliance with the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2010.

The Group's principle developments in the first half of the year under review are set as follows:

Business Review

Under the recovered economic environment, the Group recorded a profit after tax of approximately RMB50,000,000, representing a increase of 240% as compared to last year. Based on an aggregate of 603,600,000 shares, average earnings per share were RMB8.4 cents, representing an increase of RMB6 cents as compared with last year.

The Group, recorded a satisfactory sales result in the first two quarters of the year, with a significant increase in turnover of approximately 60% as compared with the previous year. 23,000 diagnostic products were sold, 17,000 automotive lift products were sold, and the sales of other products such as 4-wheel aligner also recorded an increases. The increase in sales in the first quarter of the year laid a solid foundation for the Group in achieving its sales objective for the year. The increase in sales was mainly attributable to the further improvement of the domestic economic environment, together with the obvious pick-up in the domestic market, extending the growth trend of the first quarter of 2010. Besides, the international market started to recover with improved sales as compared with last year. The cost control efforts gained effect in the first quarter. The IPD product integrated development system enhanced the competitiveness of our products, while the outstanding performance in 2009 strengthened and helped our X43, X631 and automotive lift products maintain a leading position within the domestic and international markets.

The Group carried various marketing activities in the PRC and continuously improved its relationship with distributors in several sales channels through the Beijing exhibition held in March. As for the management of the internal sales channels in our subsidiaries, we optimized further our strategy, which also gave rise to improved performance in the domestic market.

For the international market, the Group implemented a number of strategies for transforming the management and speeding up innovation. More trainings were provided to technicians. Since the international market environment improved notably, the sales in Europe and US markets started to rebound.

The Group participated in the 53th Spring Auto Maintenance Fair which was held in Beijing in March 2010. Numerous new products were showcased at the exhibition, including X431 3G, X431 NCP, Value 200 and the new model of X631. We got a lot of positive feedback, especially for X431 3G.

The Group started to operate with lean production method from the end of 2009. The effect was immediately shown in the first quarter of the year with lower production cost and benefited the automotive lift products business.

Prospects

Looking ahead, Launch will devote all of its efforts to enhance its research and development, strengthen its management, expand its channels, establish its brand and create better return for the shareholders and investors.

Liu Xin
Chairman

Shenzhen, the PRC, 13 August 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial resources and liquidity

The Group adheres to a prudent financial management policy and has a healthy financial position. The Group had cash and bank balances of approximately RMB277,000,000 as at 30 June 2010.

As at 30 June 2010, shareholders' equity of the Group amounted to approximately RMB601,000,000. Current assets amounted to approximately RMB655,000,000 The Group's current liabilities amounted to approximately RMB383,000,000, which comprised short term bank borrowings amounted to approximately RMB300,000,000, and the remainder mainly consists of account payables and accruals. The Group's net asset value per share amounted to approximately RMB1. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 30%.

Pledge of assets

As at 30 June 2010, apart from the pledged land, property and plant of approximately RMB102,000,000 and bank deposits of approximately RMB1,000,000, the Group had no other major pledged assets.

Major investment

During the period, the Group did not make substantial acquisition and disposals of its subsidiaries and associated companies.

Contingent liabilities

The Group did not have any major contingent liabilities as at 30 June 2010.

Capital commitments and future plans for material investments

The Group did not have material capital commitment and future plans for material investment or capital assets as at 30 June 2010.

Foreign exchange exposure

For the period under review, most of the Group's transactions was denominated in RMB whereas all overseas sales were transacted in USD, and expenses were paid in RMB. As the exchange rate between RMB and USD has not experienced significant adjustments since 2009, the Directors consider that the Group was not under substantial foreign exchange risk exposure.

Employees

As at 30 June 2010, the Group had approximately 1,100 and 12 employees based in the PRC and overseas respectively. For the six months ended 30 June 2010, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB31,000,000 (2009: approximately RMB30,000,000). The Group's employment and remuneration policies remained the same as stated in the annual report of the Group for the year ended 31 December 2009.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
		2010	2009	**2010**	2009
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover	*(4)*	**170,251**	117,510	**312,266**	195,030
Cost of sales		**(92,276)**	(59,814)	**(167,450)**	(92,372)
Gross profit		**77,975**	57,696	**144,816**	102,658
Other income		**12,174**	4,061	**12,940**	4,311
Selling expenses		**(23,237)**	(16,778)	**(37,763)**	(32,234)
Administrative expenses		**(21,327)**	(17,674)	**(38,504)**	(32,687)
Research and development expenses		**(7,284)**	(6,321)	**(13,192)**	(10,879)
Finance costs		**(5,105)**	(6,786)	**(9,163)**	(11,786)
Share of result of an associate		**(586)**	(475)	**(2,586)**	(1,750)
Profit before taxation		**32,610**	13,723	**56,548**	17,633
Income tax	*(5)*	**(4,346)**	(2,597)	**(6,146)**	(2,927)
Profit for the period, attributable to the Company's equity holders		**28,264**	11,126	**50,402**	14,706
Dividends	*(6)*	**–**	–	**–**	–
Number of weighted average ordinary shares		**603,600,000**	603,600,000	**603,600,000**	603,600,000
Basic earnings per share		**RMB4.7 cents**	RMB1.8 cents	**RMB8.4 cents**	RMB2.4 cents

No diluted earnings per share has been presented as there were no potential dilutive shares for the relevant periods.

CONSOLIDATED BALANCE SHEET
As at 30 June 2010

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	(7)	**244,178**	252,705
Leasehold land and land use rights	(7)	**20,875**	21,401
Goodwill	(7)	**3,658**	3,658
Development costs	(7)	**53,975**	51,522
Interests in an associate		**4,600**	7,186
Club membership	(7)	**1,177**	1,177
		328,463	337,649
Current assets			
Inventories		**86,736**	84,600
Trade receivables	(8)	**230,080**	240,605
Bills receivable		**8,937**	9,600
Other receivables, deposits and prepayments		**51,655**	122,032
Amount due from an associate		**283**	374
Pledged bank deposits		**1,067**	675
Cash and cash equivalents		**276,650**	242,348
		655,408	700,234
Current liabilities			
Trade payables	(9)	**66,636**	88,877
Other payables and accrued charges		**16,596**	19,789
Income tax payable		–	16
Current portion of borrowings		**300,000**	360,590
		383,232	469,272
Net current assets		**272,176**	230,962
Total assets less current liabilities		**600,639**	568,611
Non-current liabilities			
Borrowings		–	266
Net assets		**600,639**	568,345
EQUITY			
Equity attributable to the Company's equity holders			
Share capital		**60,360**	60,360
Reserves		**540,279**	489,877
Proposed final dividend		–	18,108
Total equity		**600,639**	568,345

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**568,345**	506,106
Profit for the period	**50,402**	14,706
Payment of final dividend	**(18,108)**	–
At 30 June	**600,639**	520,812

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Cash flows from operating activities	**124,152**	51,106
Cash flows from investing activities	**(10,886)**	(10,553)
Cash flows from financing activities	**(78,964)**	131,372
Net increase in bank balances and cash	**34,302**	171,925
Bank balances and cash at 1 January	**242,348**	97,583
Bank balances and cash at 30 June	**276,650**	269,508

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

(1) General

The Company was established in Shenzhen, the People's Republic of China (the "PRC") as a joint stock limited company and its overseas listed foreign invested shares ("H Share") are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Group are provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

(2) Basis of consolidation

The condensed consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June of 2010 and 2009. All significant intra-group transactions and balances have been eliminated on consolidation.

(3) Accounting policies and adoption of new or revised statements of standard accounting practice

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules. The accounting policies adopted in the preparation of the interim results are consistent with those adopted in the preparation of the Group's results for the year ended 31 December 2009.

(4) Turnover and segment information

Turnover represents the net amount received and receivable (net of any business tax) for goods and software system sold and services rendered.

The Group's operation by geographical analysis as below:

	For the six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Turnover, by geographical market:		
PRC (not including Hong Kong)	**170,839**	113,209
Europe	**52,535**	31,080
America	**72,181**	32,712
Others	**16,711**	18,029
	312,266	195,030
Unallocated other income	**12,940**	4,311
Unallocated costs and expenses	**(268,658)**	(184,635)
Profit before tax	**56,548**	14,706

(5) Income tax expense

PRC enterprise income tax ("EIT") has been provided based on the estimated taxable income for PRC taxation purposes at the rates of taxation prevailing in the provinces in which the Group operates. The Company's overseas subsidiary is subject to income tax at the rate of 42%.

Pursuant to the relevant laws and regulations in the PRC, the Company has been designated as a new and high technology enterprise. The Company was exempted from EIT for the financial years in 2000 and 2001 and was eligible for and entitled to 50% tax relief for the financial years from 2002 to 2004. Upon obtaining the approval from local tax bureau, the Company was eligible and entitled to 50% tax relief for the 3 additional financial years from 2005 to 2007. The current year income tax rate of the Company is 22% (2009: 20%) as it expired the beneficial period of eight years.

上海元征機械設備有限責任公司 ("Launch Shanghai"), a subsidiary of the Company established in the PRC, is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation.

Pursuant to the new PRC Corporate Income Tax Law which was effective from 1 January 2008, a unified income tax rate has been applied to the Company and 深圳市元征軟件開發有限公司 ("Launch Software") in 2008. In respect of tax rate that applies to the Company and Launch Software, these enterprises which enjoy a preferential tax rate of 15% in the past are subject to a tax rate of 18% in 2008 and the tax rate will be transitioned to 25% over five years. 2008 is the first year for Launch Shanghai to entitle to the tax exemption.

Launch Software, a subsidiary of the Company established in the PRC, as a software company recognised by local tax bureau, is subject to income tax at the rate of 22% in 2010 (2009: 20%). It is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation.

Launch Shanghai and Launch Software which originally enjoyed the preference of regular tax holidays will continue to enjoy original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

(6) Dividends

The Board does not recommend an interim dividend for the six months ended 30 June 2010 (2009: Nil).

(7) Non-current assets

	Property, plant and equipment	**Leasehold land and land use rights**	**Goodwill**	**Development costs**	**Club membership**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book amounts at 31 December 2009 and 1 January 2010	252,705	21,401	3,658	51,522	1,177
Additions	3,781	–	–	7,453	–
Depreciation/annual charges/amortisation	(12,308)	(526)	–	(5,000)	–
Net book amounts at 30 June 2010	244,178	20,875	3,658	53,975	1,177

(8) Trade receivables

The Group allows a credit period of one to six months to its trade customers.

Aged analysis are as follows:

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 6 months	**120,586**	119,874
Over 6 months but less than 1 year	**77,844**	47,870
Over 1 year but less than 2 years	**31,650**	72,861
	230,080	240,605

(9) Trade payables

Aged analysis are as follows:

	30 June 2010 (Unaudited) *RMB'000*	31 December 2009 (Audited) *RMB'000*
Within 6 months	**62,309**	82,927
Over 6 months but less than 1 year	**4,327**	5,082
Over 1 year but less than 2 years	–	868
	66,636	88,877

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(a) Interests and short positions of Directors, chief executives and supervisors of the Company in the share capital of the Company and its associated corporations

As at 30 June 2010, the Directors, chief executives and supervisors of the Company have the following interests and short positions in the shares, debentures or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which have been required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which have been required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Domestic shares

Name of Director	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Mr. Liu Xin	Beneficiary owner	138,636,000	42.01%	22.97%
	Interest in a controlled company	138,864,000	42.08% *(Note 1)*	23.00%
	Interest in a controlled company	10,261,000	3.11% *(Note 2)*	1.84%
Mr. Liu Jun	Interest in a controlled company	138,864,000	42.08% *(Note 3)*	23.00%

Notes:

(1) Mr. Liu Xin holds 60.00% interest in 深圳市浪曲科技開發有限公司 ("Shenzhen Langqu") which holds approximately 42.08% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Xin in the Company duplicates with that held by Mr. Liu Jun in the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen Langqu, Mr. Liu Xin is deemed, under Part XV of the SFO, to be interested in approximately 42.08% interest in the issued domestic shares of the Company apart from his personal interest of 42.01% interest in the issued domestic shares of the Company.

(2) Mr. Liu Xin holds 40.00% interest in 深圳市得時域投資有限公司 ("Shenzhen De Shi Yu") which holds approximately 3.11% interest in the issued domestic shares of the Company. By virtue of Mr. Liu Xin's holding more than one-third interest in Shenzhen De Shi Yu, Mr. Liu Xin is deemed, under the Part XV of the SFO, to be interested in 3.11% interest in the issued domestic shares of the Company apart from his personal interest of 42.01% interest in the issued domestic shares of the Company.

(3) Mr. Liu Jun holds 40.00% interest in Shenzhen Langqu which holds approximately 42.08% interest in the issued domestic shares of the Company. The corporate interest of Mr. Liu Jun in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Jun's holding more than one-third interest in Shenzhen Langqu which holds approximately 42.08% interest in the issued domestic shares of the Company, Mr. Liu Jun is deemed, under Part XV of the SFO, to be interested in approximately 42.08% interest in the issued domestic shares of the Company.

Save as disclosed above, as at the 30 June 2010, none of the Directors, chief executives or supervisors of the Company has any personal, family, corporate or other interests or short positions in any shares, debentures or underlying shares of the Company or any of its associated corporations as defined in the SFO.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as known to the Directors, as at 30 June 2010, the following (not being a Director or supervisor of the Company) have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions of 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in shares and underlying shares in the Company

(i) Domestic shares

Name	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Shenzhen Langqu	Interest of corporation controlled by substantial shareholder	138,864,000	42.08% *(Note)*	23.00%

Note: 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 as to 40% respectively. Mr. Liu Xin and Mr. Liu Jun are therefore deemed to be interested in all domestic shares registered in the name of Shenzhen Langqu under Part XV of the SFO.

(ii) *H Shares*

Name	Capacity in which shares were held	Interests in H shares long position	Approximate percentage of the Company's issued H shares	Approximate percentage of the Company's total issued shares
Templeton Asset Management Ltd.	Investment manager	45,600,000	16.67%	7.55%
McCarthy Kent C.	Interest of corporation controlled by substantial shareholder	44,005,000	16.10%	7.29% *(Note)*
Jayhawk Private Equity Fund, L. P. ("JPEF")	Investment manager	41,111,543	15.03%	6.81%
International Finance Corporation	Beneficial owner	38,000,000	13.89%	6.30%
Genesis Fund Managers, LLP	Investment manager	38,000,000	13.89%	6.30%
Genesis Smaller Companies SICAV	Investment manager	22,651,000	8.28%	3.75%
United Technologies Corporation Master Trust	Investment manager	15,349,000	5.61%	2.54%
Carlson Fund Equity Asian Small Cap	Investment manager	12,180,000	4.45%	2.02%

Note: McCarthy Kent C is interested in 100% of the issued share capital of JPEF. Therefore, by virtue of Part XV of the SFO, the H Shares in which JPEF is shown as being interested is included in and duplicate with interest in the H Shares held by McCarthy Kent C.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the period ended 30 June 2010, the Group did not have transactions with connected parties as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Articles of Association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules during the period.

AUDIT COMMITTEE

An audit committee was established on 21 March 2002 with written terms of reference in compliance of the Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, Mr. Jiang Chao, Mr. Liu Yun, and Dr. Zou Shulin.

Three audit committee meetings were held this year to perform the following duties:

– review 2009 annual report, 2010 first quarterly report and this report of the Company;

– review and supervise the internal control system of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause significant competition with the business of the Group.

On behalf of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
13 August 2010

As at the date of this report, the Board comprises 3 executive Directors, namely Mr. Liu Xin, Mr. Liu Jun and Ms. Liu Ping; 1 non-executive Director, namely Ms. Liu Yong and 3 independent non-executive Directors, namely Mr. Jiang Chao, Mr. Liu Yuan and Dr. Zou Shulin .