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: 8196)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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This announcement, 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 Rules Governing the Listing of Securities on GEM 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENTS

OPERATING RESULTS

During the financial year of 2010, the Group recorded a turnover of RMB661.1 million and net profit of RMB105.1 million, representing a growth of 43.0% and 69.4% respectively compared to last year. The operating result meets our expectation.

BUSINESS REVIEW

In 2010, the Group first embarked on a project of enhancing production in the Shanghai plant and with a satisfactory result achieved, we implemented such business model throughout the Group. Under our improvement effort throughout the year, the Group made significant progress in manufacturing technology, management flow, manufacturing procedure and inventory management, which allowed us to have a better cost control and improve the product quality. The enhanced production contributed to the sales growth of the Group's product.

In 2010, the global sales of the Group's X431 Electronic Eye maintained its growth to reach 50,000 units. The sales of X-431 GX3 in the China market maintained a strong growth. X-431 Diagun diagnostic computer was awarded as "Top 20 Maintenance and Repair Tool for 2009" by the magazine MOTOR for Repair and Maintenance and "Most Innovative Technology Award 2009" by the magazine Auto and Driving Repair while X431 Heavy-Duty and Creader V (ET97) scanner were rewarded as "Excellent Product in Five Aspects" in 10 major categories of China in 2010 by "勁軒資源" of Shanghai and "The Best Product of the Year 2009" in Australia.

In 2010, the Group restructured the organisation of Shanghai plant to satisfy the increasing orders. The volume of the lifter manufactured by the Shanghai plant reached a historical high. The management, production and R&D systems of Shanghai plant have turned over a new leaf, laying a solid foundation for the Group's promising development in the coming year.

In 2010, matching its new development plan, the Group recreated its corporate culture, which significantly raised the spirit of our staff and strengthened the cohesion.

In 2010, the Group achieved an impressive result in our primary operation, automotive production plant while maintaining the growth in another primary operation, the sales of automotive electronic product. The Group was recognized by Yama Auto as an outstanding supplier, which means that the Group's products are recognized by Chinese automobile companies.

In 2010, the Group made use of IPD R&D system and developed various brand new products with great success, generating good profit for the Group. The revised model of X-431 Daigun was well received in US, Europe and China market, which the X-4313G launched in China market led the automotive repair into the era of 3G. As for international market, the Group successfully launched X-631+, a more stable and accurate 4-wheel aligner with more functions including power failure detection. In addition, X431 NCP diagnostic computer, KWB-503 tire balancer and Creader VI scanner were launched and attracted much interest from customers. The new products launched during the year will create more sales opportunities for the Group in the coming year.

In 2010, as for corporate responsibility, the Group organized the staff to support the post-disaster reconstruction in Yushu, set up Launch Tech scholarship and hosted automotive technical training workshops. With recognition for our social responsibility, the Group's image was improved.

PROSPECT

In 2011, the Group intends to carry out R&D and launch innovative industry-leading products with its IPD development system. It is expected that the launch of such new products will extend the Group's market share and increase profit. While developing new product technology, the Group will maintain a strict control over the costs of R&D, production and sales, and enhance production. It will also adopt flexible and dynamic policies in market management and human resources to achieve a rapid and sustaining growth in sales.

In 2011, the Group will continue enhancing production to lay a solid foundation for the Group's further growth.

In 2011, the Group plans to keep creating innovative, quality, efficient, professional and competitive corporate culture to achieve a glorious result. Quality and efficiency was of utmost importance for the Group's internal management and culture establishment in 2010. The improved product quality and services efficiency will definitely increase the competitiveness of the Group.

In 2011, the Group will remain market-oriented and maintain the advantages in new products R&D, efficiency and quality, cost control and management, enhancing production and marketing creativeness that it enjoyed in 2010. Besides maintaining the competitiveness of its core business, the Group will make new attempts in order to accomplish sustainable development.

As for China market, relying on about 200 distributors, the Group will adopt our elimination system to eliminate those with worst performance. Enhanced training and evaluation will be provided for salesmen and distributor channels to further realise the Group's advantages. Meanwhile, product promotional activities will be carried out around the country. By continual exploring major industrial exhibitions, allocating more resource in specialized mass media advertisement and organizing sales promotional activities, the Group will try its best in expanding the market share in China to achieve a greater result.

As for overseas market, the Group will remain market-oriented and develop overseas market through cost control, technology research and development and localized sales policy and participation in major industrial exhibition, together with management reform and organizational restructuring to boost products sales volume and market share.

With the help of enhancing production and refined management, the Group will further optimize its R&D, manufacture, management and marketing and endeavor to keep a rapid growth rate.

Looking ahead, all fellow directors and staff of the Group will closely cooperate and continue in making innovation, and create better returns for our shareholders and investors.

FINANCIAL REVIEW

Financial Resources and Liquidity

The Group adopts to a prudent financial management policy and has a healthy financial position. As at 31 December 2010, the Group had cash and bank balances of approximately RMB355,000,000. As at 31 December 2010, shareholders' equity of the Group amounted to approximately RMB654,000,000. Current assets was approximately RMB780,000,000. The Group's current liabilities of approximately RMB443,000,000, comprised of short-term bank borrowings of approximately RMB305,000,000, and the rest were mainly account payables and accruals. The Group's long term borrowings were about RMB925,000. The Group's net asset value per share was approximately RMB10.84. The Group's gearing ratio, which represented the percentage of bank borrowings over total assets, was approximately 27%.

Employees

As at 31 December 2010, the Group had 734 and 27 employees (2009: 734 and 25 respectively) based in the PRC and overseas respectively. Staff costs, excluding directors' and supervisors' emoluments, were approximately RMB83 million in 2010 (2009: approximately RMB68 million).

The Group remunerates employees by their performance and experience. It has adopted a share option scheme whereby employees of the Group may be granted options to acquire shares. The Group also offers staff benefits such as professional training programs enhance staffs' skills, knowledge and sense of belonging.

Others

As at 31 December 2010, apart from the pledge of certain land and buildings totalling of approximately RMB146 million and (2009: land and buildings of approximately RMB145 million and restricted bank deposit of approximately RMB0.6 million), the Group had no other significant assets pledged, so as on 31 December 2009.

The Board of Directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2010 together with comparative figures for the corresponding period of the previous financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	**2010** **RMB'000**	2009 *RMB'000*
Revenue	*4*	**661,114**	462,440
Cost of sales		**(383,442)**	(257,149)
Gross profit		**277,672**	205,291
Other income	*4*	**37,742**	36,335
Selling expenses		**(66,061)**	(59,305)
Administrative expenses		**(64,499)**	(53,449)
Research and development expenses		**(27,744)**	(20,297)
Other operating expenses		**(17,619)**	(15,784)
Finance costs	*5*	**(16,883)**	(20,054)
Share of losses of an associate		**(5,208)**	(5,333)
Profit before income tax	*6*	**117,400**	67,404
Income tax expense	*7*	**(12,308)**	(5,353)
Profit for the year		**105,092**	62,051
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**332**	188
Other comprehensive income for the year, net of tax		**332**	188
Total comprehensive income attributable to owners of the Company		**105,424**	62,239
Dividend	*8*	**–**	18,108
Number of weighted average ordinary shares		**60,360,000**	60,360,000
Earnings per share for profit attributable to owners of the Company			*(Restated)*
– Basic	*9*	**RMB1.74**	RMB1.03

No diluted earnings per share has been presented as there had been no dilutive potential ordinary shares in both years of 2010 and 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**258,795**	252,705
Leasehold land and land use rights		**20,875**	21,401
Goodwill		**2,161**	2,161
Development costs		**53,677**	51,522
Interests in an associate		**1,978**	7,186
Club membership		**1,177**	1,177
Deferred tax asset		**11**	–
		338,674	336,152
Current assets			
Inventories		**96,171**	84,600
Trade receivables	*10*	**225,370**	240,605
Bills receivables		**17,371**	9,600
Other receivables, deposits and prepayments		**75,439**	122,032
Financial asset at fair value through profit or loss		**10,000**	–
Amount due from an associate		**108**	374
Pledged/Restricted bank deposits		**–**	675
Cash and cash equivalents		**355,263**	242,348
		779,722	700,234
Current liabilities			
Trade payables	*11*	**106,028**	88,877
Bills payables		**–**	–
Other payables and accrued charges		**30,050**	19,789
Income tax payables		**1,836**	16
Bank borrowings		**305,393**	360,590
		443,307	469,272
Net current assets		**336,415**	230,962
Total assets less current liabilities		**675,089**	567,114
Non-current liabilities			
Bank borrowings		**925**	266
Deferred income		**20,000**	–
		20,925	266
Net assets		**654,164**	566,848
EQUITY			
Equity attributable to the Company's owners			
Share capital		**60,360**	60,360
Reserves		**593,804**	488,380
Proposed final dividend		**–**	18,108
Total equity		**654,164**	566,848

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Equity attributable to owners of the Company							
	Share capital	**Share* premium**	**Statutory* surplus reserve**	**Public* welfare fund**	**Translation* reserve**	**Retained* profits**	**Proposed final dividend**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009, as previously reported	60,360	284,210	19,380	19,380	(1,119)	111,823	12,072	506,106
Prior year adjustment (note 2)	–	–	–	–	–	(1,497)	–	(1,497)
At 1 January 2009, as restated	60,360	284,210	19,380	19,380	(1,119)	110,326	12,072	504,609
Profit for the year	–	–	–	–	–	62,051	–	62,051
Other comprehensive income								
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	188	–	–	188
Total comprehensive income for the year	–	–	–	–	188	62,051	–	62,239
Disapproval of 2008 proposed final dividend	–	–	–	–	–	12,072	(12,072)	–
2009 proposed final dividend	–	–	–	–	–	(18,108)	18,108	–
At 31 December 2009 and 1 January 2010	60,360	284,210	19,380	19,380	(931)	166,341	18,108	566,848
2009 final dividend paid	–	–	–	–	–	–	(18,108)	(18,108)
Transactions with owners	–	–	–	–	–	–	(18,108)	(18,108)
Profit for the year	–	–	–	–	–	105,092	–	105,092
Other comprehensive income								
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	332	–	–	332
Total comprehensive income for the year	–	–	–	–	332	105,092	–	105,424
At 31 December 2010	60,360	284,210	19,380	19,380	(599)	271,433	–	654,164

* These reserve accounts comprise the reserves of RMB593,804,000 (2009: (restated) RMB488,380,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

Launch Tech Company Limited (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 Shares") are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 2002. The address of the Company's registered office is 2-8 Floors, Xin Yan Building, Bagua Number Four Road, Futian District, Shenzhen, the PRC and its principal place of business is Launch Industrial Park, North of Wuhe Road, Banxuegang, Longgang District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (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 PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The financial statements have been prepared on the historical cost basis except for financial asset held for trading, which are measured at fair value.

Prior year adjustment

The amounts of goodwill at 1 January 2009 and 31 December 2009 were overstated as the Group had wrongly calculated the goodwill arising from a subsidiary in prior year. The net effect is to decrease the carrying amount of goodwill as at 1 January 2009 and 31 December 2009 by RMB1,497,000. There is no effect on the profit or loss for the year ended 31 December 2009.

3. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Share-based Payment – Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of leasehold land of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and concluded that the classification of such leases as operating leases continues to be appropriate.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has had no effect on the reported classification of borrowings in previous year, accordingly, no retrospective reclassification presented.

At the date of authorisation of these financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[2&3]
Amendments to HKAS 32	Classification of Rights Issues[1]
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[3]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKFRS 9	Financial Instruments[6]

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new and amended HKFRSs have been issued but are not expected to have a material impact of the Group's financial statements.

HKFRS 9 Financial instruments

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

4. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net amount received and receivable for goods and software systems sold and services rendered arising from the principal activities of the Group, net of value-added tax ("VAT") and/or business tax.

	2010	2009
	RMB'000	*RMB'000*
Revenue	**661,114**	462,440
Other income		
Interest income on financial assets stated at amortised cost		
– Bank interest income	**1,132**	1,518
VAT refunds *	**27,289**	24,200
Non-refundable government subsidies**	**463**	1,324
Rental income	**7,823**	7,610
Others	**1,035**	1,683
	37,742	36,335

* VAT refunds relating to sales of certain products during the period from 1 January 2010 to 31 December 2010 (2009: 1 January 2009 to 31 December 2009) was approved and refunded by the PRC tax bureau in the current year.

** Non-refundable government subsidies were received from the PRC government for subsidising the Group in conducting and launching projects relating to research and development activities. There are no unfulfilled conditions or contingencies relating to those grants.

The Group has identified its operating segment and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in internal reporting to the executive directors, which is providing products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

The directors assess segment profit or loss using a measure of operating profit. The measurement policies the Group uses for reporting segment result under HKFRS 8 are the same as there used in its financial statements prepared under HKFRSs, except that certain items are not included in arriving at the operating results of the operating segment (rental income and corporate expenses)

Segment assets include all assets with the exception of corporate assets and club membership which are not directly attributable to the business activities of operating segment as these assets are managed on a group basis.

Segment liabilities include trade payables, bills payables, other payables, deferred income and accrued charges attributable to the manufacturing and sales activities of the business segment and bank borrowings managed directly by the segment.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. Revenue reported below represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2010 and 2009.

The revenue and profit generated by the Group's operating segment are summarised as follows:

	2010 *RMB'000*	2009 *RMB'000* *(Restated)*
Reportable segment revenue	**661,114**	462,440
Reportable segment profit	**115,806**	60,833
Interest income	**1,132**	1,518
Interest expenses	**(16,546)**	(19,039)
Depreciation and amortisation	**(44,735)**	(38,209)
Annual charge on leasehold land and land use rights	**(526)**	(526)
Loss on disposal of property, plant and equipment	**(36)**	(213)
Impairment of trade and other receivables	**(3,139)**	(8,590)
Reportable segment assets	**1,117,219**	1,031,880
Interests in an associate	**1,978**	7,186
Additions to non-current segment assets during the year	**53,834**	62,582
Reportable segment liabilities	**464,232**	469,538

Reconciliation of reportable segment profit and reportable segment assets

	2010 *RMB'000*	2009 *RMB'000*
Reportable segment profit	**115,806**	60,833
Rental income	**7,823**	7,610
Corporate expenses	**(6,229)**	(1,039)
Consolidated profit before income tax	**117,400**	67,404

	2010 *RMB'000*	2009 *RMB'000* *(Restated)*
Reportable segment assets	**1,117,219**	1,031,880
Club membership	**1,177**	1,177
Corporate assets	**–**	3,329
Group assets	**1,118,396**	1,036,386

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
				(*Restated*)
Local (country of domicile):				
– The PRC, other than Hong Kong	**384,977**	234,840	**338,325**	335,666
Europe	**91,406**	90,658	**338**	486
America	**99,623**	78,657	**–**	–
Others	**85,108**	58,285	**–**	–
	276,137	227,600	**338**	486
Total	**661,114**	462,440	**338,663**	336,152

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (including property, plant and equipment, leasehold land and land use rights, goodwill, development costs, interests in an associate and club membership) is based on the physical location of the asset.

5. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest charges on bank loans stated at amortised cost:		
– wholly repayable within five years	**16,546**	19,039
Bank charges	**337**	1,015
	16,883	20,054

6. PROFIT BEFORE INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax has been arrived at after charging/(crediting) the following items:		
Staff costs		
Directors' and supervisors' remuneration	**1,445**	1,328
Other staff costs	**73,496**	59,803
Retirement benefits	**9,794**	8,221
	84,735	69,352
Less: Staff costs capitalised as development costs	**(12,495)**	(16,638)
	72,240	52,714
Research expenditure for current year	**14,156**	8,173
Add: Amortisation of development costs	**13,588**	12,124
Research and development expenses	**27,744**	20,297
Depreciation of property, plant and equipment	**31,147**	26,085
Operating lease charges on land and buildings	**7,478**	5,181
Annual charge on leasehold land and land use rights	**526**	526
Loss on disposals of property, plant and equipment	**36**	213
Auditors' remuneration	**1,959**	1,295
Net exchange loss	**10,385**	1,483
Provision for impairment on trade receivables	**2,988**	2,686
Provision for impairment on other receivables	**151**	5,904

The Group's cost of inventories recognised as expenses during the years 2010 and 2009 is equal to the cost of sales shown in the consolidated statement of comprehensive income.

7. 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 32% (2009: 42%).

Pursuant to the 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 respect of tax rate that applies to the Company and Launch Software, these enterprises enjoyed a preferential tax rate of 15% in the past and the tax rate will be transitioned to 25% over five years.

上海元征機械設備有限責任公司 ("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.

On 29 October 2009, the Company continued to be recognised as a high technology enterprise and is thereby subject to a preference tax rate of 15% for the 3 financial years from 2009 to 2011.

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% (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. 2006 was the first profit-making year for Launch Software and was the first year of its tax holidays. Accordingly, the income tax rate applicable to Launch Software for 2011 was 11%.

Launch Shanghai, a subsidiary of the Company established in the PRC, is subject to income tax at the rate of 25% (2009: 25%). It is entitled to the tax holiday of "two-year exemption and three-year 50% reduction" from the first profitable year of operation. 2008 was the first year for Launch Shanghai to entitle to the tax exemption. Accordingly, the income tax rate applicable to Launch Shanghai for 2010 was 12.5%.

	2010	2009
	RMB'000	*RMB'000*
The tax expense comprises:		
Enterprise income tax – PRC		
– current year	**7,729**	4,687
– underprovision for prior years	**4,435**	–
Income tax – overseas	**155**	666
Deferred tax	**(11)**	–
Income tax expense	**12,308**	5,353

8. DIVIDEND

No interim dividend for the year ended 31 December 2010 (2009: Nil) was declared.

No final dividend is proposed for the year ended 31 December 2010 (2009: RMB0.3 per share after shares consideration as described in note 9 amounting to RMB18,108,000).

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of RMB105,092,000 (2009: RMB62,051,000) and on weighted average number of 60,360,000 and 60,360,000 shares in issue during the years ended 31 December 2010 and 2009 respectively. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares consolidation on 15 February 2011 and the comparative figure has been restated accordingly.

Pursuant to a special resolution of the Company passed on 19 April 2010, every ten domestic and unlisted foreign shares and H Shares of RMB0.1 each of the Company was approved to consolidate into one consolidated share of RMB1 each (the "Shares Consolidation"). As a result of the Shares Consolidation, the registered, issued and fully paid share capital of the Company became RMB60,360,000 divided into 33,000,000 domestic and unlisted foreign shares per RMB1 each and 27,360,000 H Shares per RMB1 each.

10. TRADE RECEIVABLES

The Group's credit terms are one to six months for its trade customers. The following is the ageing analysis of trade receivables, based on the invoice dates, as at 31 December 2010:

	2010	2009
	RMB'000	*RMB'000*
Within 6 months	**88,276**	119,874
Over 6 months but less than 1 year	**63,490**	47,870
Over 1 year but less than 2 years	**64,308**	72,861
Over 2 years	**9,296**	–
	225,370	240,605

11. TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2010 is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 6 months	**97,422**	82,927
Over 6 months but less than 1 year	**4,657**	5,082
Over 1 year but less than 2 years	**3,949**	868
	106,028	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 31 December 2010, the Directors, Chief Executives and Supervisors of the Company had 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 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	(1) Beneficiary Owner	132,000,000	40.00%	21.87%
	(2) Interest in controlled company	138,864,000	42.08% *(Note 1)*	23.01%
	(3) Interest in controlled company	10,261,000	3.11% *(Note 2)*	1.70%
Mr. Liu Jun	Interest in controlled company	138,864,000	42.08% *(Note 3)*	23.01%

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 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 40.00% 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 31 December 2010, none of the Directors, Chief executives or Supervisors of the Company had 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 31 December 2010, the following (not being a Director or supervisor of the Company) had 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 in controlled company	138,864,000	42.08% *(Note 1)*	23.01%

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 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%
SPX Corporation	Beneficial owner	24,635,000	9.00%	4.08%

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

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 year ended 31 December 2010.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 23% of the Group's total turnover and the Group's largest customer accounted for approximately 9% of the Group's turnover.

The aggregate purchases during the year attributable to the Group's five largest suppliers was approximately 22% of the Group's total purchases and the Group's largest supplier accounted for approximately 6% of the Group's total purchases.

None of the Directors, or Supervisors, their associates or any shareholder of the Company (which to the knowledge of the directors and supervisors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers or suppliers of the Group.

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 year.

CORPORATE GOVERNAMCE

Throughout the year ended 31 December 2010, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

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 Rules 5.34 to 5.45 of the GEM Listing Rules during this year.

REMUNERATION COMMITTEE

The Company established a remuneration committee with written terms of reference in compliance with the Code. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management. The remuneration committee comprises one executive Director, namely, Mr. Liu Jun and two independent non-executive Directors, namely Dr Zou Shulin and Mr. Liu Yuan. Mr. Liu Yuan has been appointed as the chairman of the remuneration committee. A meeting was held by the remuneration committee with all members attended during the year ended 31 December 2010.

NOMINATION OF DIRECTORS

The Company established a nomination committee with written terms of reference in compliance with the Code. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. The nomination committee comprises one executive Director, namely, Mr. Liu Xin and two independent non-executive Directors, namely Dr Zou Shulin and Mr. Liu Yuan.Dr Zou Shulin has been appointed as the chairman of the nomination committee.

A meeting was held by the nomination committee with all members attended during the year ended 31 December 2010.

AUDIT COMMITTEE

An audit committee was established on 21 March 2002 with written terms of reference in compliance with 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 Yu, Mr. Liu Yuan and Dr. Zou Shulin.

Five audit committee meetings were held in 2010 and up to the date of this announcement to perform the following duties:

– review the 2009 and 2010 financial statements and first to third quarterly reports of 2010 of the Company; and

– 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 to all Directors and the Company is 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 year.

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.

INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditor, Messrs. BDO Limited, to the amounts set out in the Group's consolidated financial statements for the year.

The Group's financial statements for the years ended 31 December 2009 and 2008 were audited by Messrs. Grant Thornton.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. BDO Limited as independent auditor of the Company.

CLOSURE OF REGISTER

The Registrar of members will be closed from 26 March 2011 to 26 April 2011, both inclusive for the annual general meeting of the Company to be held on 26 April 2011. All transfers accompanies by relevant share certificates must be lodged with the Company's H Share registrar no later than 4:30 p.m. on 25 March 2011.

By order of the Board
Launch Tech Company Limited
Liu Xin
Chairman

Shenzhen, the PRC
2 March 2011

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

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for 7 days from the day of its posting.