LAUNCH

深圳市元征科技股份有限公司

LAUNCH TECH COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2488)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

RESULTS

The Directors of Launch Tech Company Limited (the "Company") are pleased to announce the audited results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2011, together with the comparative figure of the same period in 2010 as set out below:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		Year ended 31 December	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
Revenue	*(4)*	**784,330**	661,114
Cost of sales		**(476,625)**	(383,442)
Gross profit		**307,705**	277,672
Other income	*(4)*	**43,156**	37,742
Selling expenses		**(72,234)**	(66,061)
Administrative expenses		**(71,249)**	(64,499)
Research and development expenses		**(40,584)**	(27,744)
Other operating expenses		**(22,512)**	(17,619)
Finance costs	*(5)*	**(13,055)**	(16,883)
Share of losses of an associate		**(1,978)**	(5,208)
Profit before income tax	*(6)*	**129,249**	117,400
Income tax expense	*(7)*	**(13,867)**	(12,308)
Profit for the year		**115,382**	105,092

	Notes	2011 RMB'000	2010 RMB'000
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**2,116**	332
Other comprehensive income for the year, net of tax		**2,116**	332
Total comprehensive income attributable to owners of the Company		**117,498**	105,424
Basic earnings per share	*(9)*	**RMB1.91**	RMB1.74

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	(10)	**324,220**	258,795
Leasehold land and land use rights	(10)	**20,349**	20,875
Goodwill	(10)	**2,161**	2,161
Development costs	(10)	**61,561**	53,677
Interests in an associate	(10)	**–**	1,978
Club membership	(10)	**1,177**	1,177
Deferred tax asset	(10)	**15**	11
		409,483	338,674
Current assets			
Inventories		**105,179**	96,171
Trade receivables	(11)	**253,089**	225,370
Bills receivables		**22,232**	17,371
Other receivables, deposits and prepayments		**54,684**	75,439
Financial asset at fair value through profit or loss		**–**	10,000
Amount due from an associate		**53**	108
Pledged/Restricted bank deposits		**60**	–
Cash and cash equivalents		**299,330**	355,263
		734,627	779,722
Current liabilities			
Trade payables	(12)	**97,991**	106,028
Other payables and accrued charges		**27,975**	30,050
Income tax payables		**4,493**	1,836
Bank borrowings		**220,612**	305,393
		351,071	443,307
Net current assets		**383,556**	336,415
Total assets less current liabilities		**793,039**	675,089
Non-current liabilities			
Bank borrowings		**1,377**	925
Deferred income		**20,000**	20,000
		21,377	20,925
Net assets		**771,662**	654,164
EQUITY			
Equity attributable to the Company's owners			
Share capital		**60,360**	60,360
Reserves		**711,302**	593,804
Total equity		**771,662**	654,164

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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 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 and 1 January 2011	60,360	284,210	19,380	19,380	(599)	271,433	–	654,164
Profit for the year	–	–	–	–	–	115,382	–	115,382
Other comprehensive income								
Exchange gain on translation of financial statements of foreign operations	–	–	–	–	2,116	–	–	2,116
Total comprehensive income for the year	–	–	–	–	2,116	115,382	–	117,498
Transfer between reserves	–	–	9,066	–	–	(9,066)	–	–
At 31 December 2011	60,360	284,210	28,446	19,380	1,517	377,749	–	771,662

* These reserve accounts comprise the reserves of RMB711,302,000 (2010: RMB593,804,000) in the consolidated statement of financial position.

(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. 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 situated at Launch Industrial Park, North of Wuhe Road, Banxuegang, Longgang District, Shenzhen, the PRC.

The Company's overseas listed foreign invested shares ("H Shares") had been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 2002. On 19 April 2010, a special general meeting and class meetings were held by the shareholders to approve the transfer of listing of the existing H Shares of the Company from GEM to the Main Board of the Stock Exchange (the "Transfer of Listing"). On 10 January 2011 and 14 March 2011, the Transfer of Listing has been approved by the China Securities Regulatory Commission and the Stock Exchange respectively. Further details are set out in the announcement of the Company dated 14 March 2011.

The H Shares of the Company have been listed on the Main Board of the Stock Exchange since 28 March 2011.

The principal activities of the Company and its subsidiaries (the "Group") are the provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries.

(2) Basis of preparation and consolidation

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 Stock Exchange.

The financial statements have been prepared on the historical cost basis except for financial assets held for trading, which are measured at fair value.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(3) Adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards has no material impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

(b) New/revised HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised HKFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2013

5 Effective for annual periods beginning on or after 1 January 2014

6 Effective for annual periods beginning on or after 1 January 2015

(3) Adoption of Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

Information on new and amended HKFRSs that are expected to affect the Group is as follows:

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

(4) Revenue, other income and segment information

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

	2011	2010
	RMB'000	*RMB'000*
Revenue	**784,330**	661,114
Other income		
Interest income on financial assets stated at amortised cost		
– Bank interest income	**1,464**	1,132
VAT refunds*	**28,411**	27,289
Non-refundable government subsidies**	**2,113**	463
Rental income	**8,296**	7,823
Others	**2,872**	1,035
	43,156	37,742

* VAT refunds relating to the sales of certain products during the period from 1 January 2011 to 31 December 2011 (2010: 1 January 2010 to 31 December 2010) were approved 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 these grants.

The Group has identified its operating segment and prepared segment information based on the regular internal financial information report to the Company's executive directors for their decision 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 internal reporting to the executive directors are the same as those 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.

(4) **Revenue, other income and segment information (continued)**

Segment liabilities include trade 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.

This operating segment is monitored and strategic decisions are made on the basis of segment operating results. Revenue reported below represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2011 and 2010.

The following table presents reportable segment assets and liabilities of the Group's operating segment:

	2011	2010
	RMB'000	*RMB'000*
Reportable segment assets	**1,142,933**	1,117,219
Interests in an associate	–	1,978
Additions to non-current segment assets	**127,745**	53,834
Reportable segment liabilities	**372,448**	464,232

The revenue, profit and other information of the Group's operating segment are summarised as follows:

	2011	2010
	RMB'000	*RMB'000*
Reportable segment revenue	**784,330**	661,114
Reportable segment profit	**128,369**	115,806
Interest income	**1,464**	1,132
Interest expenses	**(12,406)**	(16,546)
Depreciation of property, plant and equipment and amortisation of development costs	**(52,611)**	(44,735)
Amortisation charge on leasehold land and land use rights	**(526)**	(526)
Loss on disposals of property, plant and equipment	**(68)**	(36)
Impairment of trade receivables	**(2,975)**	(2,988)
Recovery/(Impairment) of other receivables	**2,206**	(151)

(4) Revenue, other income and segment information (continued)

Reconciliation of reportable segment profit and reportable segment assets:

	2011	2010
	RMB'000	*RMB'000*
Reportable segment profit	**128,369**	115,806
Rental income	**8,296**	7,823
Corporate expenses	**(7,416)**	(6,229)
Consolidated profit before income tax	**129,249**	117,400

	2011	2010
	RMB'000	*RMB'000*
Reportable segment assets	**1,142,933**	1,117,219
Club membership	**1,177**	1,177
Group assets	**1,144,110**	1,118,396

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

	2011	2010
	RMB'000	*RMB'000*
Revenue from external customers		
Local (country of domicile):		
– The PRC, other than Hong Kong	**479,084**	384,977
Europe	**106,323**	91,406
America	**118,220**	99,623
Others	**80,703**	85,108
	305,246	276,137
Total	**784,330**	661,114

(4) Revenue, other income and segment information (continued)

	2011	2010
	RMB'000	*RMB'000*
Non-current assets		
Local (country of domicile):		
– The PRC, other than Hong Kong	**409,134**	338,325
Europe	**334**	338
Total	**409,468**	338,663

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

(5) Finance costs

	2011	2010
	RMB'000	*RMB'000*
Interest charges on bank loans stated at amortised cost:		
– wholly repayable within five years	**12,406**	16,546
Bank charges	**649**	337
	13,055	16,883

(6) Profit before income tax

	2011 *RMB'000*	2010 *RMB'000*
Profit before income tax has been arrived at after charging/(crediting) the following items:		
Staff costs		
Directors' and supervisors' remuneration	**2,394**	1,445
Other staff costs	**85,602**	73,496
Retirement benefits under defined contribution scheme	**16,960**	9,794
	104,956	84,735
Less: Staff costs capitalised as development costs	**(16,098)**	(12,495)
	88,858	72,240
Research expenditure for current year charged to profit or loss	**24,474**	14,156
Add: Amortisation of development costs	**16,110**	13,588
Research and development expenses	**40,584**	27,744
Depreciation of property, plant and equipment	**36,501**	31,147
Operating lease charges on land and buildings	**7,254**	7,478
Amortisation charge on leasehold land and land use rights	**526**	526
Loss on disposals of property, plant and equipment	**68**	36
Auditors' remuneration	**3,299**	1,959
Net exchange losses	**15,891**	10,385
Impairment of trade receivables	**2,975**	2,988
(Recovery)/Impairment of other receivables	**(2,206)**	151

The Group's cost of inventories recognised as expenses during the years 2011 and 2010 is equal to the cost of sales shown in the consolidated statement of comprehensive income.

(7) Income tax expense

	2011	2010
	RMB'000	*RMB'000*
Enterprise income tax – PRC		
– current year	**11,932**	7,729
– under-provision for prior years	**1,202**	4,435
Income tax – overseas	**737**	155
Deferred tax	**(4)**	(11)
Total income tax expense	**13,867**	12,308

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% (2010: 32%).

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"), one of the subsidiaries of the Company established in the PRC. In respect of tax rate that applies to the Company and Launch Software, they enjoyed a preferential tax rate of 15% in the past and the tax rate will be transitioned to 25% over five years.

Launch Software and 上海元征機械設備有限責任公司 ("Launch Shanghai"), another subsidiary of the Company established in the PRC, which previously enjoyed the preference of tax holidays 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 preferential tax rate of 15% for the three financial years from 2009 to 2011. Accordingly, income tax rate applicable to the Company for the year was 15% (2010: 15%).

Launch Software was originally subject to income tax at the rate of 25% (2010: 22%). It was 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 holiday. The tax holiday was expired in 2010. On 6 September 2010, Launch Software was recognised as a high technology enterprise and is thereby subject to a preferential tax of 15% for the three financial years from 2011 to 2013. Accordingly, income tax rate applicable to Launch Software for the year was 15% (2010: 11%).

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

(8) Dividends

The Board does not recommend a dividend for the year ended 31 December 2011 (2010: Nil).

(9) Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB115,382,000 (2010: RMB105,092,000) and on weighted average number of 60,360,000 (2010: 60,360,000) shares in issue during the year ended 31 December 2011.

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"). The Shares Consolidation was effective on 15 February 2011.

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.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the Share Consolidation on 15 February 2011.

No diluted earnings per share has been presented as there had been no dilutive potential ordinary shares in both years of 2011 and 2010.

(10) Non-current assets

	Property, plant and equipment *RMB'000*	Leasehold land and land use rights *RMB'000*	Goodwill *RMB'000*	Development costs *RMB'000*	Interests in an associate *RMB'000*	Club membership *RMB'000*	Deferred tax asset *RMB'000*
Net book amounts at 31 December 2010 and 1 January 2011	258,795	20,875	2,161	53,677	1,978	1,177	11
Additions	103,751	–	–	23,994	–	–	–
Disposal	(1,799)	–	–	–	–	–	–
Exchange realignment	(26)	–	–	–	–	–	–
Depreciation/annual charge/ amortisation	(36,501)	(526)	–	(16,110)	–	–	–
Share of loss	–	–	–	–	(1,978)	–	–
Credited to profit or loss	–	–	–	–	–	–	4
Net book amounts at 31 December 2011	324,220	20,349	2,161	61,561	–	1,177	15

(11) Trade receivables

The Group's credit terms are one to six months for its trade customers.

Ageing analysis, based on the invoice dates, is as follows:

	2011 ***RMB'000***	2010 *RMB'000*
Within 6 months	**136,308**	88,276
Over 6 months but less than 1 year	**40,244**	63,490
Over 1 year but less than 2 years	**75,655**	64,308
Over 2 years	**882**	9,296
	253,089	225,370

(12) Trade payables

Ageing analysis is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 6 months	**87,172**	97,422
Over 6 months but less than 1 year	**7,582**	4,657
Over 1 year but less than 2 years	**3,237**	3,949
	97,991	106,028

(13) Capital commitments

	2011	2010
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for:		
– expenditures on construction in progress	**46,111**	15,249
– acquisition of plant and equipment	**622**	–
– capital injection to an associate	**–**	11,040
	46,733	26,289

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Operating results

During the financial year of 2011, the Group recorded a turnover of approximately RMB784,300,000 and net profit of RMB115,400,000, representing a growth of 18.6% and 9.8% respectively compared to the same period last year. The operating result meets our expectation.

Under the impact of the adjusted selling price and increased production cost, the gross profit margin decreased from 42% in 2010 to 39% in 2011.

Market

Amid the volatile global economic condition and the resulting setback in general economic growth, the refined market management implemented by the Group played a crucial role in 2011. In 2011, the global sales of the Group's diagnostic devices of the series X431 Electronic Eye reached approximately 50,000 units, and the global sales of the lifter reached approximately 50,000 units, representing a satisfied growth.

In 2011, with refined market management, we enjoyed a more reasonable distribution of sales channel and division of labour so as to enhance our work efficiency and market competitiveness. To capitalize on the rigid demand of the China automobile market, the Group formulated flexible market strategy and increased its authorized distributors to 220 in the China market. As for foreign market, the Group optimized its sales team in the foreign market and strengthened the management of distributors, with its overseas distributors being optimized. In 2011, the domestic telecommunication operators of the Group began the development of car owner's card business based on diagnostic technology. In addition, the customized automobile electronic business of certain domestic car manufacturers also developed steadily and newly registered users in both the PRC market and foreign market recorded a rise in number, contributing to a subsisting growth in the general operating result of the Group.

In 2011, The Group participated in various professional exhibitions worldwide and convened annual conference for regional distributors in the PRC, Europe and America. Besides, The Group also held 18 nationwide technical training sessions for the PRC market. During the exhibitions, the Group carried out in-depth communication with distributors in respect of the marketing strategy as well as the development plan of products. Distributors attending the conference are confident in the development plan of the Group.

In 2011, as a national new and high-tech enterprise, the Group was invited by an American broadcasting network NBC to attend a television interview, which would further promote the brand image of the Group in the international market.

R&D of products

In 2011, the X-431 3G automotive diagnostic device was honoured with the "Classical Quality Award for Auto Maintenance Equipment and Tools of 2011" by the magazine Auto and Driving Repair of the PRC and was also awarded as "Top 20 Maintenance and Repair Tool for 2010" by the magazine MOTOR for Repair and Maintenance of the PRC.

In 2011, under its IPD R&D systems, the Group successfully developed or has been developing products such as new diagnosis products, personal diagnosis products, vehicle diagnosis-based services (DBS), basic system chip for diagnosis platform (JV700), central processing chip for diagnosis platform (DPU431), general diagnosis box software for DBS; while the R&D of new inspection products, 4-wheel aligners, new lifters, tire balancers and automobile electronic techniques and products also achieved breakthrough. In addition, the Group provided 1100 versions of software upgrade for end users. Judging from the analysis on the feedback information from the market, the market prospect of the new products is promising.

Production

With the implementation of enhanced production, the Group achieved significant results in areas such as manufacturing technology, manufacturing procedures, quality management and inventory management, which allowed it to have better cost control, ensured product quality and significantly enhanced efficiency. The production capacity of the Shanghai lifter plant reached record high, while its production management and R&D system have been optimized and improved. The enhanced production contributed significantly to the growth of the Group's product sales. With a view to meet the production needs, the Phase 2 of the Shanghai lifter plant has commenced its construction work in 2011 and is expected to be completed by 2012, which will enhance the production capacity more effectively and attain better cost efficiency.

Management

In 2011, the Group continued to adopt various incentive measures to motivate and inspire the staff, and particularly for its R&D and marketing personnel, for which the Group implemented strict internal appraisal and reward and punishment system. To give full play to the Group's advantages in technology R&D and product innovation, its R&D team was supplemented with experienced staff and the R&D management team structure was optimized. The IPD R&D system of the Group has been improving and stable, while the morale of R&D team was high.

In 2011, the Group continued to implement enhanced production and 6S management and procedure management. Also, the Group implemented refined management in human resources management, systematical procedure management, marketing management, general budget management, cost control and management, quality management, efficiency management, R&D management and corporate culture establishment. In addition, the procedural efficiency of the Group's ERP, CRM, IO, OA and MM systems was enhanced. Moreover, the internal communication was further streamlined and optimized.

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 RMB299,000,000 as at 31 December 2011.

As at 31 December 2011, shareholders' equity of the Group amounted to approximately RMB772,000,000. Current assets amounted to approximately RMB735,000,000. The Group's current liabilities amounted to approximately RMB351,000,000, which comprised short term bank borrowings amounted to approximately RMB221,000,000, and the remainder mainly consists of account payables and accruals. The Group's net asset value per share amounted to approximately RMB12.78. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 19%.

Pledge of assets

As at 31 December 2011, apart from the pledged land, property and plant of approximately RMB117,000,000 (2010: RMB154,000,000) and bank deposits of approximately RMB60,000 (2010: Nil), the Group had no other major pledged assets so as on 31 December 2010.

Major investment

During the year, the Group did not make substantial acquisition or disposals of its subsidiaries.

Contingent liabilities

The Group did not have any major contingent liabilities as at 31 December 2011.

Capital commitments and future plans for material investments

The material capital commitment and future plans for material investment or capital assets of the Group as at 31 December 2011 was disclosed in note 13.

Employees

As at 31 December 2011, the Group had 1,300 and 20 employees based in the PRC and overseas respectively. For the year ended 31 December 2011, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB103,000,000 (2010: approximately RMB83,000,000).

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.

PROSPECT

In 2012, the Group will continue to perfect the internal management system, implement various incentive systems, and strictly apply the internal appraisal and reward and punishment system. It will also deepen its corporate culture establishment in respect of "innovation, quality, efficiency, professionalism and competitiveness". The Group will strive to raise the staff's passion for work and stimulate their potential and morale, which will in turn enhance the competitive advantage of the Group.

As for its development plan, the Group will continue to draw on its core technology in diagnosis accumulated over the years, and provide more advance auto maintenance and diagnosis tool and value-added services to professional users in the automotive aftermarket. Through the use of wireless network technology such as 3G and WiFi, the Group will also expedite the development of vehicle networking application based on diagnostic technology. In addition, the Group will gradually develop the market for the industrial application of diagnostic information and gradually develop into a core enterprise of vehicle networking application based on diagnostic technology.

For its domestic and foreign markets, the Group will strengthen the management of foreign receivables, and further optimize the domestic and overseas distributors and distributing channels. As for marketing, the Group will formulate flexible marketing policies according to characteristics of various regions. It will also conduct various marketing activities such as various types of exhibitions, annual conferences, promotional activities, technical competitions and professional media to enhance the popularity and influence of "LAUNCH". Furthermore, the Group will keep improving its after-sale technical service network and provide more satisfactory technology and service to the market.

For R&D, the Group will continue to use the IPD R&D systems, recruit experienced R&D talent, optimize and stabilize the R&D team, and strictly apply internal appraisal and incentive system and encourage innovation. In 2012, the Group will expand the R&D team and plan to invest in the establishment of a new R&D center at headquarter in Shenzhen. Announcements will be made upon the finalization of the specific plan.

As for production, the Group will continue to implement enhanced production, optimize manufacturing procedures, enhance production efficiency, ensure product quality, reduce production cost and control inventory effectively. The production line of lifters of the Phase 2 of the Shanghai lifter plant is expected to be completed and put into operation in the second half of the year. The production pressure from purchase orders will be mitigated and the annual sales results are expected to keep growing in a steady manner.

In 2012, the management of the Group will dedicate all its effort to lead the entire staff to promote the rapid development of the Group so as to maximize benefits for the shareholders.

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 2011, 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 the Model Code For Securities Transactions by Directors of Listed Issuers (the "Model Code") of the 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	13,200,000	40.00%	21.87%
	Interest in a controlled company	13,886,400	42.08% *(Note 1)*	23.01%
	Interest in a controlled company	1,026,100	3.11% *(Note 2)*	1.70%
Mr. Liu Jun	Interest in a controlled company	13,886,400	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 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 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 31 December 2011, 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 31 December 2011, 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 5% 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	13,886,400	42.08% *(Note)*	23.01%

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	4,088,500	14.94%	6.77%
SPX Corporation	Beneficial owner	2,463,500	9.00%	4.08%

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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with all the code provisions stipulated in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the 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.

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.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in accordance with the requirements of the Code on Corporate Governance Practice ("Code") as set up in Appendix 14 of the 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. Pan Zhongmin, Mr. Liu Yuan, and Dr. Zou Shulin.

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

– review 2010 annual report, 2011 interim results and 2011 annual report of the Group;

– 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 Appendix 10 of the 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 year.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined in the 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 2011 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Company's audited consolidated financial statements for the year.

CLOSURE OF REGISTER

The Registrar of members will be closed from 25 February 2012 to 27 March 2012, both inclusive for the annual general meeting of the Company to be held on 27 March 2012. 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 24 February 2012.

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

Shenzhen, the PRC
31 January 2012

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 and Ms. Liu Xiaohua as non-executive Directors, and Mr. Pan Zhongmin, Mr. Liu Yuan and Dr. Zou Shulin as independent non-executive Directors.

This announcement will remain on the HKExnews at http://www.hkexnews.hk and on the website of the Company at http://www.cnlaunch.com. The 2011 annual report of the Company will be subsequently dispatched to the shareholders of the Company and made available on the abovementioned website.