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# LAUNCH

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

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 2488)*

### 2019 INTERIM RESULT ANNOUNCEMENT

The board of directors (the “Board”) of Launch Tech Company Limited (the “Company”) hereby announces the unaudited consolidated result of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”) prepared in accordance with China Accounting Standards for Business Enterprises:

#### I. FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

#### CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<b>30 June 2019</b>	31 December 2018 (Audited)
<b>Current assets:</b>			
Bank balances and cash		<b>277,093</b>	319,388
Bills receivable and accounts receivable	4	<b>326,434</b>	320,274
Prepayments		<b>64,177</b>	58,074
Other receivables		<b>42,597</b>	25,600
Inventories	5	<b>206,451</b>	149,179
Other current assets		<b>24,139</b>	18,092
Total current assets		<b>940,891</b>	890,607

## CONSOLIDATED BALANCE SHEET (continued)

	<i>Notes</i>	<b>30 June 2019</b>	31 December 2018 (Audited)
<b>Non-current assets:</b>			
Investment in other equity instruments		<b>16,000</b>	15,000
Investment properties		<b>71,214</b>	73,701
Fixed assets		<b>235,550</b>	244,650
Construction in progress		<b>103,167</b>	57,364
Intangible assets		<b>148,533</b>	179,603
Development expenditure		<b>70,657</b>	23,116
Goodwill		<b>1,139</b>	1,139
Deferred income tax assets		<b>5,613</b>	5,613
Other non-current assets		<b>19,258</b>	52,000
Total non-current assets		<b>671,131</b>	652,186
<b>Total assets</b>		<b>1,612,022</b>	1,542,793
<b>Current liabilities:</b>			
Short-term borrowings		<b>231,021</b>	285,455
Bills payable and accounts payable	6	<b>261,128</b>	162,375
Contracts payable		<b>74,943</b>	52,834
Wage payables		<b>2,844</b>	3,452
Tax payables		<b>7,892</b>	23,696
Dividend payables		<b>36,018</b>	–
Other payables		<b>14,404</b>	19,508
Non-current liabilities due within one year		–	139
Other current liabilities		<b>8,401</b>	5,790
Total current liabilities		<b>636,651</b>	553,249
<b>Non-current liabilities:</b>			
Deferred income		<b>18,684</b>	20,269
Total non-current liabilities		<b>18,684</b>	20,269
<b>Total liabilities</b>		<b>655,335</b>	573,578
<b>Shareholders' equity:</b>			
Share capital		<b>360,180</b>	375,460
Capital reserve		<b>482,029</b>	562,482
Less: Treasury share		–	80,357
Other Comprehensive income		<b>1,624</b>	1,582
Surplus reserve		<b>41,037</b>	41,037
Undistributed profit	7	<b>71,817</b>	69,071
Total owners' equity attributable to parent company		<b>956,687</b>	962,275
Minority shareholders' equity		–	–
Total shareholders' equity		<b>956,687</b>	969,275
<b>Total liabilities and shareholders' equity</b>		<b>1,612,022</b>	1,542,793

## CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2019</b>	<b>2018</b>
<b>Operating income</b>	<b>3</b>	<b>424,066</b>	<b>422,856</b>
Less: Operating costs		<b>232,151</b>	<b>239,970</b>
Tax and surcharge		<b>3,985</b>	<b>3,795</b>
Selling expenses		<b>52,474</b>	<b>51,728</b>
Administrative expenses		<b>36,429</b>	<b>103,134</b>
R&D expenses		<b>64,604</b>	<b>–</b>
Finance costs		<b>9,999</b>	<b>12,739</b>
Impairment loss on assets and credit		<b>49</b>	<b>2,015</b>
Gain in investment		<b>–</b>	<b>1,730</b>
Other revenue		<b>16,177</b>	<b>9,791</b>
<b>Operating profit</b>		<b>40,552</b>	<b>20,996</b>
Add: Non-operating income		<b>645</b>	<b>673</b>
Less: Non-operating expenses		<b>1,427</b>	<b>211</b>
<b>Total profit</b>		<b>39,770</b>	<b>21,458</b>
Less: Income tax expenses	<b>8</b>	<b>1,006</b>	<b>697</b>
<b>Net profit</b>		<b>38,764</b>	<b>20,761</b>
Net profit attributable to owners of parent company		<b>38,764</b>	<b>20,762</b>
Profit or loss attributable to minority shareholders		<b>–</b>	<b>-1</b>
<b>Earnings per share:</b>			
Basic earnings per share (RMB)	<b>9</b>	<b>0.108</b>	<b>0.055</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the unaudited financial statements (the “Financial Statements”) published in the 2019 Interim Report.

The Company carried out recognition and measurement on a going concern and actual transaction and event basis in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations (hereafter referred to as “the Accounting Standards for Business Enterprises”), in combination with the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (amended in 2014) issued by the China Securities Regulatory Commission (CSRC) and prepared the Financial Statements. The accounting policies are consistent with those adopted in the preparation of the Group’s 2018 annual results.

In addition, the Financial Statements have also complied with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

## 2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND COMPILATION METHOD OF CONSOLIDATED FINANCIAL STATEMENTS

### (1) Accounting period

The Reporting Period is from 1 January 2019 to the six months ended 30 June 2019.

### (2) Reporting currency

Renminbi was adopted as the reporting currency. The Company’s foreign subsidiaries choose their reporting currencies on the basis of the primary economic environment in which they operate and converted into RMB when preparing financial statements.

### (3) Method of preparing consolidated financial statements

*All subsidiaries were included in the consolidated financial statements*

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting periods of the Company. Based on the financial statements of the Company and its subsidiaries, the consolidated financial statements are prepared by the Company according to other relevant information and after the long-term equity investments in the subsidiaries are adjusted in accordance with the equity method. When consolidating the financial statements, the effects of intra-transactions between the Company and its subsidiaries, and among subsidiaries on the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity shall be offset.

### 3. OPERATING INCOME

Income from main operations includes the net value of the received and receivable for the sales of different types of vehicle maintenance equipment, and provision of internet upgrade service.

	<b>For the six months ended 30 June</b>	
	<b>Current year</b>	<b>Previous year</b>
Revenue from main operations	<b>403,484</b>	<b>402,476</b>
Revenue from other operations: rent	<b>20,582</b>	<b>20,380</b>
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	<b>424,066</b>	<b>422,856</b>
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### 4. BILLS RECEIVABLE AND ACCOUNTS RECEIVABLE

	<b>At the period end</b>	<b>At the beginning of the period</b>
Bills receivable	<b>62,030</b>	41,180
Accounts receivable	<b>264,404</b>	279,094
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	<b>326,434</b>	320,274
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#### **Accounts receivable**

The Company basically used credit terms when dealing with customers and normally offered credit period from 30 days to 210 days. Should a customer possessed long and good records or in case of being a major customer, or under the circumstances that the Company would like to maintain prolong operational relationship, and then a different credit period might be considered.s

	<b>At the period end</b>	<b>At the beginning of the year</b>
Accounts receivables	<b>322,696</b>	349,590
Less: provision for bad debts	<b>68,292</b>	70,496
	<hr/>	<hr/>
<b>Net amount</b>	<b>264,404</b>	279,094
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#### **Aging**

Witnin 1 year	<b>195,465</b>	203,879
Over 1 year	<b>58,939</b>	75,215
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	<b>264,404</b>	279,094
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**5. INVENTORIES**

	<b>At the period end</b>	At the beginning of the year
Raw materials	24,848	21,219
Work in progress	8,761	6,045
Finished goods	<u>172,842</u>	<u>121,915</u>
	<b><u>206,451</u></b>	<b><u>149,179</u></b>

**6. BILLS PAYABLE AND ACCOUNTS PAYABLE**

	<b>At the period end</b>	At the beginning of the period
Bills payable	108,000	50,000
Accounts payable	<u>153,128</u>	<u>112,375</u>
	<b><u>261,128</u></b>	<b><u>162,375</u></b>

	<b>At the period end</b>	At the beginning of the year
<b>Accounts payable</b>		
Within 1 year	125,060	108,369
Over 1 year	<u>28,068</u>	<u>4,006</u>
	<b><u>153,128</u></b>	<b><u>112,375</u></b>

**7. UNDISTRIBUTED PROFITS**

**Current year**

	<b>Amount</b>
<b>As at the beginning of the period</b>	69,071
Less: 2018 final dividend	36,018
Add: net profit attributable to owners of parent company in the current period	<u>38,764</u>
<b>As at the end of the period</b>	<b><u>71,817</u></b>

## 8. INCOME TAX EXPENSE

### Applicable tax rate

The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe Gmbh	19%
Golo Internet	15%
Xi'an Launch	25%
PJS	25%
Launch International	16.5%
Nanjing Launch	25%
SLH	25%

## 9. EARNINGS PER SHARE

### (1) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated net profit for holders of ordinary share of the parent company by average weighted number of outstanding ordinary shares of the parent company.

Items	Current year	Previous year
Consolidated net profit for holder of ordinary shares of the parent company	38,764	20,763
Average weighted number of outstanding ordinary shares of the parent	360,180,500	375,460,000
Basic earnings per share (RMB/share)	0.108	0.055
After adjustment (RMB/share)	0.108	0.055

### (2) DILUTED EARNINGS PER SHARE

As there was no ordinary share with dilutive potential for the year 2019 and 2018, thus no diluted earnings per share is presented.

## 10. DIVIDEND

2019 2018

The Board resolved not to declare an interim dividend for the six months ended 30 June 2019

(Final dividend declared on 28 March 2019: RMB0.10)

(Special dividend declared on 4 April 2018: RMB0.25)

36,018 93,865

## 11. SUBSIDIARIES

Name of the corporation	Shareholding	Business nature	Registered capital
上海元征機械設備有限責任公司 (“Shanghai Launch”)	100%	Equipment	USD18,000,000
深圳市元征軟件開發有限公司 (“Launch Software”)	100%	Software	RMB40,000,000
Launch Europe GmbH	100%	Distribution	RMB671,875
西安元征軟件科技有限公司 (“Xi’an Launch”)	100%	Software	RMB100,000,000
Shenzhen Golo Internet of Vehicle Data Technology Co., Ltd. (“Golo Internet”)	100%	Equipment	RMB10,000,000
深圳鵬巨術信息技術有限公司 (“PJS”)	100%	R&D	RMB2,000,000
元征科技國際有限公司 (“Launch International”)	100%	Equipment	RMB50,000
南京元征智能科技有限公司 (“Nanjing Launch”)	100%	R&D	RMB50,000,000
深圳市順利行汽車共享技術有限公司 (“SLH”)	100%	R&D	RMB1,000,000

## 12. CONTINGENT LIABILITY

At the end of the Reporting Period, the Company did not have any significant contingent liability.

## 13. PLEDGE OF ASSETS

As at 30 June 2019, the Company pledged land, properties and buildings with original value approximately amounted to 416,000,000 for certain bank borrowings.

## 14. CAPITAL AND OPERATING COMMITMENT

As at 30 June 2019, the Company did not have any significant capital and operating commitment.

## 15. POST-BALANCE SHEET EVENT

There is no material post-balance sheet event which is required to be disclosed but has not been disclosed.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

In the first half of the year, the Group adhered to the idea of “becoming the global Internet of Vehicle core enterprise” as the direction of development, and adopted specific strategies to achieve its development objective of becoming the global Internet of Vehicle Big Data (based on VIN) service provider, firmly promoted core projects and has achieved good progress. Based on the accumulation of automotive diagnostic technology for over two decades, and with the application of new technologies such as big data, artificial intelligence, blockchain and 5G, the Company has vigorously grown the businesses of automotive diagnosis and Internet of Vehicle. It has established an open and unified automobile Big Data platform, and cooperated with partners in creating an automobile service ecology and developing automotive data business, and striving to become a globally top-ranking enterprise in adopting advanced technologies of the automobile field. The focus is as follows:

- Actively explored the import value of equipment in the automotive aftermarket, integrated SAAS, auto parts inquiries and other applications that are highly concerned by aftermarket stores which have received mass attention since its launch, test of the closed-loop ecosystem application scenarios, highly recognized by partners from various fields such as spare parts, and different flow-demand-based collaboration has been progressing gradually.;
- followed the development trend of the Internet of Things, considered the IOT of the automotive aftermarket tools, and explored the shared maintenance station model based on the sharing concept;
- in order to pay attention to the transformation of advanced technology in the industry, and actively explore the application of advanced technologies such as artificial intelligence and laser imaging in the aftermarket. The upcoming Handfree Laser wheel aligner will lead the industry to Industry 4.0, the non-contact 4-wheel aligner has made its debut on the global stage with high recognition, partners from all over the world have expanded the model projects and enhanced promotional strength;
- continued introduction of new series of equipment, we are committed to improving efficiency and accumulating experience to meet the different needs of the market, dedicated equipment for police and environmental protection has solved the needs of professional fields and was favored by the industry;
- implemented a comprehensive open strategy, and vigorously developed B2B2C business model to promote human and vehicle data aggregation;
- engaged service technicians and operational technicians to activate and enrich the technician ecosphere;
- refined the data particles, increased and optimised the data dimension, and improved data quality;

With focus around our core strategy of Big Data, the Company increased investment in network equipment to capture a greater market share of our network equipment. On the other hand, we paid close attention to new products, maintained steady cash flow, lowered operating costs, continued our optimisation of internal management, and adjusted the business structure. Our profitability has shown a notable positive trend, and substantial progress was achieved in the mode of generating revenue based on service.

For technical innovation, the Company emphasised on its core strengths of diagnostic technology, the cloud diagnostic technology and artificial intelligence and blockchain technology. The Company also made intensified efforts to promote and realise application in the field of automotive maintenance and continued to launch new service experience on devices, and actively actuated the achievement of “4-zations” of our gears, namely intellectualization, internetization, ecologization and platformization.

## **FINANCIAL ANALYSIS**

### **Analysis of Financial Status and Business Performance During the Reporting Period**

#### ***Operating results***

In the first half of 2019, the number of vehicle diagnostic reports collected through our vehicle diagnostic equipment has continued to increase rapidly. Approximately 73 million vehicle maintenance reports were collected in the first half of the year, representing an increase of 21 million or 40% year-on-year. The diagnostic reports covered approximately 20 million vehicles in the first half of the year, increasing by 9.92 million vehicles and a growth rate of 98%. As of the end of the Reporting Period, a total of some 350 million copies of vehicle maintenance data reports have been cumulatively collected, covering approximately 40 million vehicles. With the accelerated promotion of the network diagnostic equipment, it is expected that the relevant data will have a further breakthrough by the end of this year.

In the first half of 2019, the momentum of global economic recovery slowed down, Sino-American trade has been suffering with conflicts and friction, while geopolitical situation and even local wars frequently occurred, the external environment faced by China in 2019 has significantly been worse than before. Affected by the economic downturn, the production and sales of the automotive industry have been operating at a low level in the first half of the year, while the downward trend remains obvious. However, fellow colleagues of the Company have worked with one mind, they were motivated and aggressive, and nicely implemented various strategies of the Company, striving to avoid impact from the overall environment. We have achieved the total sales revenue of approximately RMB420 million while achieving a net profit of approximately RMB39 million with an increase of RMB19 million. The Company will continue adopting an active marketing strategy, while series of new products will be launched in the second half of the year, corporation within the industry will be fully integrated, as to ensure the stability of our annual performance.

## ***Profit position***

Analysis of profit growth in the first half of the year is as follows (in RMB million):

Selling	1
Decrease in cost of sales	8
Decrease in financial expenses	3
Other income – mainly increase in value-added tax refund	7
	<hr/>
	19
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The sales strategy for the first half of the year mainly focused on products with high gross profit. Therefore cost of sales has slightly decreased as compared to the slight increase in turnover. The gross profit margin is about 45% (2018: 43%). The balance of bank loans in the first half of the year has decreased by 120 million as compared with the same period of last year, thus leading to lower interest expenses. The increase in value-added tax refunds in other income was mainly due to the early receipt of the tax rebate in this year compared with the first half of last year.

Under prudent and pragmatic strategy, expectations of the management have basically been fulfilled in the first half of 2019. While prudently coping with the uncertainties and challenges which may be faced in the second half of the year, the Group will continue strengthen and perfect the internal management, continuously deepen enterprise culture of “innovation, quality, efficiency, specialty, and competition”, stimulate staff’s innovation potential, enhance the whole competitive advantage so as to create better benefit for the shareholders.

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

Total assets value amounted to RMB1,612,000,000 during the Reporting Period, which was substantially the same as compared with the beginning of the year. Total liabilities amounted to RMB655,000,000, increased by 14% as compared with the beginning of the year, mainly due to increase in accounts payable. Total equity interest attributable to shareholders amounted to RMB957,000,000, decreased by 1% as compared with the beginning of the year, reflecting the net profit for the period and distribution of the 2018 annual dividend. As at the end of the period, the Company’s gearing ratio (total liabilities/ interest attributable to shareholder) was 0.68 (At the beginning of the period: 0.59).

## **Principal Sources of Fund and Its Use**

During the Period, cash has decreased by approximately RMB42,000,000.

## ***Cash flows from operating activities***

The Company’s cash inflow from operating activities during the Reporting Period was mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company’s net cash inflow from operating activities for the Reporting Period amounted to RMB112,000,000.

### *Cash flows from investment activities*

Cash inflow from investment activities during the Reporting Period was insignificant. Net cash outflow to investment activities amounted to RMB90,000,000, which was mainly used for capital expense on purchase of plant facilities and R&D. The above expenditures were mainly financed by the Company's internal resources.

### *Cash flows from financing activities*

Net cash outflow from financing activities during the Reporting Period amounted to RMB64,000,000. Most of the outflow was caused by repaying bank loans and interest.

## **NOTES TO OTHER MATERIAL EVENTS**

### **1. Scope of consolidation**

During the Reporting Period, there was no change in respect of the consolidation.

### **2. Review of financial statements for the Reporting Period by the audit committee**

The 2019 interim financial statements has been reviewed and confirmed by the audit committee of the Board of the Company.

### **3. Code on Corporate Governance Practices**

During the Reporting Period, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

### **4. Model Code for securities transactions by directors and supervisors**

During the Reporting Period, the Company has adopted a set of code of practice regarding securities transactions by directors and supervisors on terms no less exacting than the standards set out in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry to all directors and supervisors, the Company confirmed that, each of the Directors and supervisors has complied with the required standards regarding securities transactions by directors set out in the Model Code within the 6 months ended 30 June 2019.

## 5. Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association, the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

## 6. Major clients and suppliers

During the Reporting Period, total revenue from the top five customers of the Company was approximately RMB98,000,000, accounting for approximately 24% of total revenue for the year. The largest customer accounted for approximately 8% of the total revenue for the year.

During the Reporting Period, total purchases from top five suppliers of the Company amounted to RMB99,000,000, accounting for approximately 27% of the total purchases for the year. The largest supplier accounted for approximately 12% of the total purchases for the year.

None of the directors, their respective associates, or any shareholders (which to the knowledge of the directors own more than 5% of the share capital of listed issuer) had any interest in any of the five largest customers or the five largest suppliers

## 7. Share capital

(1) During the reporting period, there is a change in the share capital as follow:

Beginning	375,460,000
Share repurchase and completion of domestic cancellation procedures	(15,279,500)
Ending	360,180,500

(2) During the Reporting Period, other than the repurchase mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

(3) During the Reporting Period, the Company had no share options granted under the share option scheme.

## USE OF PROCEEDS

Please refer to the circular of the Company dated 12 May 2017 in relation to, among others, the connected transaction in respect of the proposed subscription of new Domestic Shares, and the announcement dated 28 March 2017, 2 August 2017 and 7 August 2017 in relation to the domestic share subscription. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those set out in the content.

Use of Proceeds	Disclosed in announcement dated 28 March 2017 and circular dated 12 May 2017 (RMB' million)	Actual proceeds received according to Adjusted subscription number of shares announced in 2 August 2017 (RMB' million)	Utilized up to 30 June 2019 (RMB' million)	Unutilized (RMB' million)
1. development fee of new technology	136.2	113.4	113.4	—
2. marketing development fee which are mainly applied to promote new products	272.5	226.8	226.8	—
3. reserve fund for working capital	45.4	37.8	37.8	—
	<u>454.1</u>	<u>378.0</u>	<u>378.0</u>	<u>—</u>

The shortfall of proceeds between original plan announced in 28 March 2017 and actual proceeds received in August 2017, will be financed by the internal resources of the Company.

The remaining proceeds had been utilized before 30 June 2019 and applied in the same areas as announced in 28 March 2017. No material delay and change in utilization and application of proceeds was noted and expected.

## INTERIM REPORT AND OTHER INFORMATION

This announcement will set out on the websites of the Company ([www.cnlaunch.com](http://www.cnlaunch.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Interim report will be despatched to shareholders and will be published on the aforesaid websites in due course.

By Order of the Board  
**Launch Tech Company Limited\***  
**Liu Xin**  
*Chairman*

Shenzhen, the PRC  
28 August 2019

*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, Mr. Xia Hui as non-executive Director, and Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo as independent non-executive Directors.*

\* For identification purpose only