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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)

DISCLOSEABLE TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST OF A WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 23 February 2021 (after trading hours of the Stock Exchange), the Sellers entered into the Agreement with the Purchaser, pursuant to which the Sellers have conditionally agreed to sell and the Purchaser have conditionally agreed to acquire the Equity Interests, being the 100% of the equity interests in the Target Company and assign the Shareholder’s Loan to the Purchaser, for a Consideration of RMB300,000,000.00. The Consideration comprises the Equity Interests Consideration in the amount of RMB166,000,000.00, and the Shareholder’s Loan Consideration in the amount of RMB134,000,000.00, in connection with the Loan Assignment.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal contemplated under the Agreement constitutes a disclosable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the circular and Shareholders’ approval requirements.

As the Disposal is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement, the transactions contemplated thereunder may or may not proceed to completion and Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

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As at the date of this announcement, the Company, as Seller A, holds 70% of the Equity Interests, and the Target Company owed the Company the Shareholder's Loan in the amount of RMB134,000,000.00. Launch Software, a direct wholly-owned subsidiary of the Company, as Seller B, holds 30% of the Equity Interests. Upon the Closing Date, the Group will no longer own any equity interests in the Target Company, and the Target Company shall cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company shall cease to be consolidated into those of the Group.

THE AGREEMENT

A summary of the principal terms of the Agreement is set out below:

Date: 23 February 2021 (after trading hours of the Stock Exchange)

Parties:

- (1) the Company, as Seller A;
- (2) Launch Software Development Co., Ltd.* (深圳市元征軟件開發有限公司), as Seller B;
- (3) Xi'an Hang Yue Cheng Yi Co., Ltd.* (西安杭樾承頤實業有限公司), as the Purchaser; and
- (4) Xi'an Launch Software Technology Co., Ltd.* (西安元征軟件科技有限責任公司), as the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Sellers have conditionally agreed to sell the Equity Interests at the Equity Interests Consideration in the amount of RMB166,000,000.00, and in connection with the Loan Assignment, the Company has also conditionally agreed to assign the Shareholder's Loan to the Purchaser at the Shareholder's Loan Consideration in the amount of RMB134,000,000.00, which make up the Consideration in the total amount of RMB300,000,000.00.

As at the date of this announcement and as at the Closing Date, the Target Company is, and will remain the registered owner of the Property Rights, which are the principal assets of the Target Company. As at the Closing Date, Purchaser will hold the entire equity interests of the Target Company and thus will hold the Property Rights. The Shareholder's Loan will also be assigned to the Purchaser.

Consideration and Payment Terms

The Equity Interests Consideration and the Shareholder's Loan Consideration shall be respectively RMB166,000,000.00 and RMB134,000,000.00. The Consideration for the Disposal and the Loan Assignment shall be payable by the Purchaser to the Sellers in the following manner:

- (1) The First Instalment in the total amount of RMB60,000,000.00, being part payment of the Equity Interests Consideration, shall be payable on or before 28 February 2021, and the Sellers shall use their respective best endeavours to complete the registration of an aggregate of 35% of the Equity Interests (i.e. 24.5% and 10.5% of equity interests in the Target Company from the Company and Launch Software respectively) at the relevant government authority of the PRC within ten (10) days from the date of receipt of the First Instalment.
- (2) The Second Instalment in the amount of RMB240,000,000.00, out of which RMB106,000,000.00 is part payment of the Equity Interests Consideration and RMB134,000,000.00 is payment of the Shareholder's Loan Consideration, shall be payable in four further instalments in the smaller amount of RMB60,000,000.00, out of which RMB26,500,000.00 is part payment of the Equity Interests Consideration and RMB33,500,000.00 is part payment of the Shareholder's Loan Consideration, in the following manner:
 - A. The Second Instalment shall be payable upon the satisfaction or waiver (if applicable) of the conditions precedent pursuant to the Agreement in four smaller instalments in the amount of RMB60,000,000.00, which shall be payable monthly, on the tenth 10th day of each month subsequent to the month when such satisfaction or waiver (if applicable) of the conditions precedent pursuant to the Agreement is achieved; and

- B. After the receipt of each instalment, the Sellers shall use their respective best endeavours to complete the registration of the relevant equity interests in the Target Company to the Purchaser within ten (10) days, particulars and order of which are set out below:

	The Company	Launch Software
Instalment I	14%	6%
Instalment II	10.5%	4.5%
Instalment III	7%	3%
Instalment IV	14%	6%

All instalments under the Second Instalment shall be paid to the respective Sellers no later than 31 August 2021.

The Consideration was arrived at after arm's length negotiations among the parties to the Agreement with reference to (i) the Target Company's unaudited net asset value of approximately RMB91,000,000.00 as at 31 January 2021; (ii) preliminary valuation of the Equity Interests of the Target Company prepared by the Valuer, whose principal assets being the Property Rights, showing an indicative fair value of RMB245,260,000.00 as at 31 December 2020, in the Valuation Report under market and asset-based approach; (iii) the business prospect of the Target Company; (iv) the Shareholder's Loan owed by the Target Company to the Company in the amount of RMB134,000,000.00; and (v) the benefits to be derived by the Group from the Disposal as stipulated in the section headed "Reasons for and benefits of the Disposal" below.

Accordingly, the Board is of the view that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Conditions Precedent

The completion of the transaction contemplated under the Agreement is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions following the execution of the Agreement:

- (1) The Purchaser being satisfied with the results of the due diligence in relation to, inter alia, the assets and the legal, financial, operational (including but not limited to the building works over the properties in relation to the Property Rights) and litigation aspects of the Target Company; and
- (2) satisfaction of:
 - A. the Pre-Sales Permit having been obtained by the Target Company or the Sellers procuring the Target Company to have obtained the same; or
 - B. the Target Company securing a loan or facility from bank in relation to the Property Rights, whichever is earlier.

Undertakings by the Sellers

Pursuant to the Agreement, the Sellers have given, inter alia, the following undertakings to the Purchaser:

- (1) that the Target Company has no liabilities, guarantee for indebtedness, different forms of payables, tax payables, administrative penalties, or otherwise indebtedness in any other manner prior to the date of the Agreement, and if such indebtedness or liabilities exist, the Sellers shall have repaid, discharged, or otherwise procured the repayment or the discharge of such indebtedness or liabilities;
- (2) that the Target Company shall sever all employment relationship with any of its employees and all contractual relationship with any of its independent contractors within thirty (30) days from the date of the Agreement, with the fees, costs and expenses incurred stipulated under such severance to be borne by the Sellers; and
- (3) that the Sellers shall provide the necessary support to the Purchaser (including but not limited to transfer of the information and documents concerning the Land Parcels and the Property rights), and after the payment of the First Instalment, such necessary support for the potential operation of the properties in construction by the Purchaser situated at the Land Parcels.

Other Matters

As the properties situated upon the Land Parcels are still under construction and there are unfinished works, the Purchaser and the Target Company shall ascertain the details of such unfinished works and the costs incurred thereunder. The unfinished works and the costs aforementioned shall then be confirmed in writing by the parties to the Agreement by the signing of supplemental agreement(s). The Potential Payment in connection to the costs for the unfinished works may affect the actual gain derived under the transaction contemplated under the Disposal.

INFORMATION OF THE COMPANY AND THE GROUP

The Company is an investment holding, joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of the Stock Exchange. The Group is principally engaged in the provision of products and services serving the automotive aftermarket and the automobile industry in the PRC and certain overseas countries such as Germany, Japan and Korea. Their services cover the research, development and production of automotive diagnosis, testing, maintenance and tire equipment.

Launch Software is a direct wholly-owned subsidiary of the Company incorporated in the PRC with limited liability. It is principally engaged in the business of development and sales of computer software and hardware; computer network engineering and development and consulting of computer technology, import and export business.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the PRC with limited liability which principally engages in the businesses of property management, leasing of automobile, assessment of property, leasing of properties and land use rights, consultation services in relation to properties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in the development and sales of computer software and hardware; computer network engineering and development and consulting of computer technology, import and export business. It has a registered capital of RMB100,000,000.00.

Immediately prior to the entering into of the Agreement, the Target Company is held as to 70% by the Company and 30% by Launch Software, and the Target Company owed the Company the Shareholder's Loan in the amount of RMB134,000,000.00. It is noted that as at 31 January 2021, the Target Company owed the Company in the aggregate amount of RMB142,000,000.00 (Shareholder's Loan inclusive). It is acknowledged by parties to the Agreement that the difference in the amount of RMB8,000,000.00 would be waived from repayment. On the Closing Date, the Purchaser shall be interested in the entire issued share capital of the Target Company and the Sellers shall cease to have any interests in the Target Company, and the Target Company shall cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company shall cease to be consolidated into those of the Group.

The Target Company owns the Property Rights in respect of the Land Parcels are situated in Xi'An of the PRC, with gross construction area of approximately 48,623.80 square metres, and the land area of covered being approximately 8,166.40 square metres.

Set out below is the revenue, profit before tax and profit after tax of the Target Company for the two years ended 31 December 2020 and 31 December 2019 respectively in accordance with generally accepted accounting principles in the PRC:

	For the year ended 31 December 2020 (unaudited) (RMB)	For the year ended 31 December 2019 (audited) (RMB)
Revenue	0	0
Profit/(loss) before tax	(1,500,000.00)	(1,600,000.00)
Profit/(loss) after tax	(1,500,000.00)	(1,600,000.00)

As at 31 January 2021, the unaudited net asset value of the Target Company was approximately RMB91,000,000.00.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In the face of severe market challenges from 2019 onward, in particular the myriads of uncertain market condition as a result of the combination of the global trade and political tensions and the impact as a result of outbreak of the novel coronavirus pneumonia (COVID-19) globally, the Company has made respective adjustments on its strategy regarding research and development plan.

As the properties situated upon the Land Parcels are still under construction and due to the increase of construction costs in the PRC, it will continuously require the Company's commitment on further investment of greater value in the long run. Given that the Land Parcels did not generate any income or revenue in the short or medium run, the Board considers that the Disposal provides an opportunity for the Company to enhance its liquidity as well as to relieve the Company from making continuous long-term investment commitment as aforementioned.

Upon the Closing Date, the Group is expected to record an unaudited gain on the Disposal of approximately RMB66,000,000.00, with such estimated gain based on the gross proceeds from the Disposal of RMB300,000,000.00 with a deduction of (i) the net asset value of the Target Company disposed of approximately RMB91,000,000.00 as at 31 January 2021; (ii) the expenses attributable to the Disposal; (iii) the Shareholder's Loan in the value of RMB134,000,000.00; and (iv) the Waived Shareholder's Loan in the value of RMB8,000,000.00. The actual amount of gain on the Disposal to be recorded by the Group will depend on the net asset value of the Target Company as at the Closing Date and the potential payment to be determined under the supplemental agreements stipulated under the section "**Other Matters**", therefore it may be different from the amount mentioned above, and will be subject to review by the auditors of the Company. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the Listing Rules.

The Company intends to utilize the net proceeds towards general working capital of the Group and for potential investments as and when suitable opportunity arises.

The Directors are of the view that the Disposal will enhance the cash position and working capital of the Group, and thus allow the Group to develop and strengthen its principal business which promotes the optimisation of the Company's asset structure. Furthermore, the above effect is enhanced with the assignment of the Shareholder's Loan, which would then be repaid by the Purchaser. In this regard, the Board believes that the benefits of such Disposal, taking into account of the repayment of Shareholder's Loan owed by the Target Company by the Purchaser and the reduction in investment burden to the construction work connected to the Land Parcels and the Property Rights, will make a positive contribution to the cashflow and strengthen the Group's liquidity, and outweigh the benefit to be derived from the further long-term investment on the Land Parcels, upon which the construction is still in progress.

Accordingly, the Directors (including independent non-executive Directors) consider that the transactions under the Agreement are on normal commercial terms, and that the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Directors (including independent non-executive Directors) are of the view that the Disposal will not have any material adverse impact on the business operations and financial position of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal contemplated under the Agreement constitutes a disclosable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules but is exempt from the circular and Shareholders' approval requirements.

As the Disposal is subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Agreement, the transactions contemplated thereunder may or may not proceed to completion and Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

- “Agreement” the equity interests transfer agreement dated 23 February 2021 and entered into between the Purchaser and the Sellers in relation to the Disposal, pursuant to which the Purchaser conditionally agreed to acquire and the Sellers conditionally agreed to sell the Equity Interests and assign the Shareholder's Loan, in the consideration of RMB300,000,000.00;
- “Business Day” a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in Hong Kong;
- “Board” the board of Directors;
- “Closing Date” the first Business Day with the fulfilment of all of the following:
- (i) both the First Instalment and the Second Instalment of the Consideration duly paid to the respective Sellers;
 - (ii) the entire amount of the Shareholder's Loan repaid by the Purchaser to the Company; and
 - (iii) the Equity Interests transferred and registered under the name of the Purchaser;

“Company” or “Seller A”	Launch Tech Company Limited* (深圳市元征科技股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, its H Shares are listed on the main board of the Stock Exchange (stock code: 2488);
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the aggregate amount of RMB300,000,000.00, which is to be satisfied by the Purchaser in cash, and payable by instalments in accordance with the terms and conditions of the Agreement, comprising the Equity Interests Consideration and the Shareholder’s Loan Consideration;
“Disposal”	the disposal of the entire equity interest in the Target Company by the Sellers to the Purchaser pursuant to the Agreement;
“Director(s)”	the director(s) of the Company;
“Equity Interests”	the entire equity interests of the Target Company as the subject matter of the Disposal;
“Equity Interests Consideration”	such payment in the amount of RMB166,000,000.00 by the Purchaser as consideration for the Equity Interests;
“First Instalment”	the first instalment of payment of the Consideration in the amount of RMB60,000,000.00, which shall be regarded as part of the Equity Interests Consideration;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land Parcels”	the parcels of land and the properties under construction situated upon it connected to the Property Rights;
“Launch Software” or “Seller B”	Launch Software Development Co., Ltd.* (深圳市元征軟件開發有限公司), a direct wholly-owned subsidiary of the Company incorporated in the PRC with limited liability;
“Loan Assignment”	the assignment of the Shareholder’s Loan in the amount of RMB134,000,000.00, which was owed by the Target Company to the Company, and to be repaid by the Purchaser;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Potential Payment”	such costs to be incurred and borne by the Group over the unfinished works on the properties upon the Land Parcels;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Pre-Sales Permit”	the Permit for the Pre-Sales of Building Units for Commercial Purposes* (商品房預售許可證);
“Property Rights”	the land use rights of the Land Parcels, the ownership of which allows utilization of and the dealing with the parcels of land stipulated therein and the properties under construction situated upon it;
“Purchaser”	Xi’an Hang Yue Cheng Yi Co., Ltd.* (西安杭樾承頤實業有限公司), a company incorporated in the PRC with limited liability, whose Unified Social Credit Code is 91610131MAB0KQM23C;
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	Domestic Share(s) and/or H Share(s) of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Target Company”	Xi’an Launch Software Technology Co., Ltd.* (西安元征軟件科技有限責任公司), a company incorporated in the PRC with limited liability, as for which, immediately prior to the entering into of the Agreement, the Target Company is held as to 70% by the Company and 30% by Launch Software;
“Tax”	any tax incurred as a result of the Disposal and the fees, charges and expenses connected to such tax;
“Second Instalment”	the second instalment of payment of the Consideration in the aggregate amount of RMB240,000,000.00, which comprises four smaller instalments in the amount of RMB60,000,000.00;
“Shareholder’s Loan”	shareholder’s loan owed by the Target Company to the Company in the amount of RMB134,000,000.00 pursuant to the Agreement;
“Shareholder’s Loan Consideration”	such repayment in the amount of RMB134,000,000.00 by the Purchaser for the Loan Assignment;

“Valuation”	the preliminary valuation over the Equity Interests as at 31 December 2020 based on market approach and asset-based approach under the Valuation Report;
“Valuation Report”	the valuation report in connection to the Valuation;
“Valuer”	Shenzhen Yi Tong Asset Assessment and Property Valuation Company Limited* (深圳億通資產評估房地產土地估價有限公司), a qualified independent valuer in the PRC;
“Waived Shareholder’s Loan”	the shareholder’s loan owed by the Target Company to the Company in the amount of RMB8,000,000.00, which is waived from repayment; and
“%”	per cent.

By Order of the Board
Launch Tech Company Limited*
Liu Xin
Chairman and Executive Director

23 February 2021
Shenzhen, the PRC

As at the date of this notice, 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. Peng Jian as non-executive Director, and Mr. Liu Yuan, Ms. Zhang Yan and Mr. Ning Bo as independent non-executive Directors.

* For identification purposes only