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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 AND CONNECTED TRANSACTION

EQUITY TRANSFER AGREEMENT

IN RELATION TO THE ACQUISITION OF 20% EQUITY INTERESTS

IN THE TARGET COMPANY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 17 December 2021 (after trading hours of the Stock Exchange), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Interests, being 20% of the equity interests in the Target Company, for a consideration of RMB70,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Acquisition is more than 5% but less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable 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.

As at the date of this announcement, the Vendor (together with its associates) are interested in 185,616,600 Domestic Shares in the Company, representing approximately 42.95% of the Company's entire issued share capital, and hence is a Controlling Shareholder. Furthermore, the Vendor is also an executive Director and the chairman of the Board. As such, pursuant to Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company, and the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular, independent financial advice and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Vendor, being an executive Director and the chairman of the Board, has abstained from voting in the Board meeting approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

Except the aforesaid, none of the Directors has any material interest in the abovementioned transactions nor any of them is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, except for the Vendor (Mr. Liu Xin) and his associates, no Shareholder has a material interest in the Acquisition and accordingly, save and except the Vendor (Mr. Liu Xin) and his associates, no Shareholder and his/her/its associates are therefore required to abstain from voting on the relevant resolution(s) to approve, amongst other things, the Acquisition to be proposed at the SGM.

The Independent Board Committee has been established to consider, and to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Equity Transfer Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice of the SGM, is expected to be despatched to the Shareholders on or before 10 January 2022.

As the Acquisition contemplated under the Equity Transfer Agreement are subject to the fulfilment or waiver (as the case may be) of the conditions precedent set out in the Equity Transfer 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 securities of the Company.

The Board is pleased to announce that on 17 December 2021 (after trading hours of the Stock Exchange), the Vendor entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Interests, being 20% of the equity interests in the Target Company, for a consideration of RMB70,000,000.

THE EQUITY TRANSFER AGREEMENT

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

Date: 17 December 2021 (after trading hours of the Stock Exchange)

Parties:

- (1) Mr. Liu Xin* (劉新), as the Vendor;
- (2) Launch Tech Co. Ltd. (深圳市元征科技股份有限公司), as the Purchaser; and
- (3) Shenzhen Yicheng Autopilot Technology Co., Ltd.* (深圳市易成自動駕駛技術有限公司), as the Target Company.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendor have conditionally agreed to sell the Sale Interests, representing 20% of the equity interests in the Target Company, at the Consideration in the amount of RMB70,000,000. The Purchaser has the right to designate its subsidiary to take up the Sale Interests upon Completion.

Consideration and Payment Terms

The Consideration shall be RMB70,000,000. The Purchaser intends to settle the Consideration by way of internal resources of the Group. The Consideration shall be paid in the following manners:

- (i) a deposit in the amount of RMB21,000,000 (representing 30% of the Consideration) shall be paid within three (3) days following the signing of the Equity Transfer Agreement; and
- (ii) the remaining balance in the amount of RMB49,000,000 (representing 70% of the Consideration) shall be paid upon Completion.

The Consideration was arrived at after arm's length negotiations among the parties to the Equity Transfer Agreement after taking into account, among other things, (i) the Valuation of the Sale Interests (representing 20% equity interest in the Target Company) as at 30 September 2021 by way of market approach at the fair value of RMB77,041,000; (ii) the business prospect of the Target Company; (iii) the unaudited net asset value of the Target Company as at 30 September 2021; and (iv) the benefits to be derived by the Group from the Acquisition as stipulated in the section headed "Reasons for and benefits of the Acquisition" below.

Accordingly, the Board of Directors (save and except (i) Mr. Liu Xin, who is the Vendor, an executive Director and the chairman of the Board and has material interests in the Equity Transfer Agreement; and (ii) the independent non-executive Directors who has formed the Independent Board Committee and will express their views after receiving advice from the Independent Financial Adviser) are 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

Completion is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions following the execution of the Equity Transfer Agreement:

- A. The holders of equity interests in the Target Company and the board of directors of the Target Company have respectively passed such effective resolutions in accordance with the applicable laws and regulations of the PRC;
- B. The holders of equity interests in the Target Company (save and except the Vendor), have agreed in writing to give up its pre-emptive right to purchase the Sale Interests, in such regard, the Vendor will provide the Purchaser with the relevant consent letters from such holders of equity interests in the Target Company;
- C. the Vendor has provided the Purchaser with evidence of due reporting with respect to the corporate income tax, stamp duty and other taxes incurred as a result of the transactions contemplated under the Equity Transfer Agreement;
- D. there being no material adverse change to the Target Company's financial position from the date of the Equity Transfer Agreement;
- E. there has been no material breach to the provisions of the Equity Transfer Agreement (including each of the warranties made by the Vendor in the Equity Transfer Agreement remaining true, accurate and complete in all material respects and not misleading in any respect as at the date of the Equity Transfer Agreement and up till the date of Completion);
- F. the Purchaser having been reasonably satisfied with such results of the due diligence conducted in relation to, inter alia, the legal and financial aspects of the Target Company;
- G. the Vendor not having committed any breach of the representation, warranties and undertakings made by it under the Equity Transfer Agreement prior to and upon Completion;
- H. the Vendor not having committed any material breach of the terms and conditions under the Equity Transfer Agreement prior to and upon Completion;
- I. the approval to the Equity Transfer Agreement and the transactions contemplated thereunder from the Independent Shareholders at the SGM to be convened having been obtained from the Independent Shareholders; and

J. all necessary authorisations and approvals required (pursuant to all applicable authorisations and approvals necessary from governmental or regulatory authorities, if any) in connection with the transactions contemplated under the Equity Transfer Agreement having been obtained.

Save and except that the Conditions Precedent stipulated under paragraphs (A), (I) and (J) cannot be waived, the Purchaser may, at its sole and absolute discretion, waive in writing such Conditions Precedent stipulated under paragraphs (B) to (H). Any such waiver shall not constitute the Purchaser's waiver (if any) to other Conditions Precedent.

Furthermore, subject to the Purchaser's sole and absolute discretion, the Purchaser may unilaterally extend the Long Stop Date until the fulfilment of all Conditions Precedent in which event the Purchaser shall be entitled to delay the payment of the Consideration until all Conditions Precedent are fulfilled or waived (where applicable) and such delay would not be regarded as a breach on the part of the Purchaser.

Subject to the extension of the Long Stop Date aforementioned, in the event that any of the Conditions Precedent has not been satisfied or waived (where applicable) on or before the Long Stop Date, the Equity Transfer Agreement shall cease and determine, the Vendor shall refund to the Purchaser the Deposit received from the Purchaser and thereafter neither party shall have any obligations and liabilities towards each other under the Equity Transfer Agreement save and except for rights and remedies available to the non-defaulting party in relation to any breach prior to termination.

Completion

Subject to the Purchaser's sole and absolute discretion to delay the date of Completion (subject to the fulfilment or waiver (where applicable) of the Conditions Precedent) unilaterally, Completion shall take place within seven (7) Business Days after the fulfilment or waiver (if applicable) of all the Conditions Precedent (or such later date as the parties to the Equity Transfer Agreement may agree in writing). Upon Completion, the Vendor and the Target Company shall cause the register of members of the Target Company to be revised and to include the Purchaser (or its designated subsidiary, as the case may be) as the owner of the Sale Interests.

Upon Completion, the Target Company will be directly owned as to 20% by the Company and the financial results of the Target Company will be equity accounted for as an associated company of the Company. The Vendor will own 8.6% of the equity interests in the Target Company, and the other existing holders of equity interests in the Target Company will own the remaining 71.4% of the equity interests in the Target Company, whom to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, are Independent Third Parties.

Renewal of the Target Company's Business License

The Vendor and the Target Company undertake to, and the Vendor shall procure the Target Company to (a) attend to the registration of the change in equity interest in the Target Company in connection with the Acquisition; and (b) renew the business license of the Target Company at the SAMR and/or other relevant PRC government authority.

INFORMATION OF THE COMPANY AND THE GROUP

The Company (being the Purchaser to the Equity Transfer Agreement), 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. The Group's services cover automobile's maintenance, and the development, sales and leasing of the software and electronic products in connection with automobile, as well as the research, development and production of automotive diagnosis, testing, maintenance and tire equipment.

INFORMATION OF THE VENDOR

The Vendor, Mr. Liu Xin, is a Controlling Shareholder, an executive Director and the chairman of the Board. As at the date of this announcement, the Vendor together with its associates are interested in 185,616,600 Domestic Shares in the Company, representing approximately 42.95% of the Company's entire issued share capital.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in the sales and leasing of different electronic vehicles; development, sales, production and wholesaling of electronic products, components and computer software; import and export businesses; development of artificial intelligence and its production and sales; and the development, production and sales of autonomous vehicles. The subsidiaries of the Target Company are two companies incorporated in the PRC, which to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, have been non-operational since their respective incorporations up to the date of this announcement.

The Vendor was one of the founding members of the Target Company, to which he had contributed RMB9,900,000 of the Target Company's registered capital, and was interested in 99% of the entire equity interests in the Target Company as at 30 March 2017. Subsequent to such contribution, with the Vendor's partial disposal of its equity interests in the Target Company and the Target Company's capital contributions made by investors and/or equity interests holders of the Target Company, as at the date of this announcement, for the 28.6% equity interests held by the Vendor in the Target Company immediately prior to the entering into of the Equity Transfer Agreement, the total cost paid by the Vendor is approximately RMB13,620,000, and the approximate cost for the Sale Interests is therefore RMB9,524,000.

Set out below is the revenue, profit before tax and profit after tax of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 and nine months ended 30 September 2021 respectively:

	For the year ended 31 December 2019 <i>(audited)</i> <i>(RMB million)</i> <i>(approximately)</i>	For the year ended 31 December 2020 <i>(audited)</i> <i>(RMB million)</i> <i>(approximately)</i>	For the nine months ended 30 September 2021 <i>(unaudited)</i> <i>(RMB million)</i> <i>(approximately)</i>
Revenue	10	21	9
Profit/(loss) before tax	(9)	(6)	(8)
Profit/(loss) after tax	(9)	(6)	(8)

As at 30 September 2021, the unaudited net asset value for the Sale Interests was approximately RMB3,000,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

Over the past years, China has become and remained as one of the largest automotive markets and automotive manufacturing countries in the world. With the PRC government launching development plans focusing on the technological advancements and the prospect of carbon reduction, corporations in China have announced their action to develop electric vehicles and/or autonomous driving technology.

In light of the above, the Directors considered it a good opportunity for the Group to proceed with the Acquisition and allow the Group to attain business diversification by exploring opportunities with autonomous vehicles. As disclosed in the section headed “Information on the Target Group” above, the Target Company is engaged in the development, production and sales of autonomous vehicles and artificial intelligence.

Furthermore, the Acquisition is also in line with the business development strategies and long-term planning of the Group, as the Acquisition permits the Group to leverage upon the extensive know-how and existing production facilities of the Target Company in order to explore the market and produce reliable and high-quality autonomous vehicles and/or its relevant ancillary products to its customers in a relatively shorter period of time and capable to meet the high standards and specifications required for the new generation of smart vehicles.

Last but not least, the Acquisition is made at the Consideration of RMB70,000,000, which represents a discount of approximately 9.14% when compared to the fair value of the Sale Interest (i.e. RMB77,041,000) as provided under the Valuation.

In light of the above, the Directors (save and except (i) Mr. Liu Xin, who is the Vendor, an executive Director and the chairman of the Board, who has material interests in the Equity Transfer Agreement; and (ii) the independent non-executive Directors who has formed the Independent Board Committee and will express their views after receiving advice from the Independent Financial Adviser) are of the view that the transactions under the Equity Transfer 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.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios (as defined under Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition contemplated under the Equity Transfer Agreement constitutes a discloseable 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.

As at the date of this announcement, the Vendor (together with its associates) are interested in 185,616,600 Domestic Shares in the Company, representing approximately 42.95% of the Company's entire issued share capital, and hence is a Controlling Shareholder. Furthermore, the Vendor is also an executive Director and the chairman of the Board. As such, pursuant to Chapter 14A of the Listing Rules, the Vendor is a connected person of the Company, and the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular, independent financial advice and the Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Vendor, being an executive Director and the chairman of the Board, has abstained from voting in the Board meeting approving the Equity Transfer Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

Except the aforesaid, none of the Directors has any material interest in the abovementioned transactions nor any of them is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, except for the Vendor (Mr. Liu Xin) and his associates, no Shareholder has a material interest in the Acquisition contemplated under the Equity Transfer Agreement to be proposed at the SGM and accordingly, save and except the Vendor (Mr. Liu Xin) and his associates, no Shareholder and his/her/its associates are therefore required to abstain from voting on the relevant resolution(s) to approve, amongst other things, the Acquisition contemplated under the Equity Transfer Agreement to be proposed at the SGM.

The Independent Board Committee has been established to consider, and to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. Sorrento Capital Limited has been appointed as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder.

SGM AND DESPATCH OF CIRCULAR

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Equity Transfer Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) the notice of the SGM, is expected to be despatched to the Shareholders on or before 10 January 2022.

As the Acquisition contemplated under the Equity Transfer Agreement are subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent set out in the Equity Transfer 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 securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest (being 20% of the equity interests in the Target Company) by the Purchaser from the Vendor contemplated under the Equity Transfer Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which licensed banks are open for general banking business in Hong Kong;
“Company”/“Purchaser”	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);

“Completion”	completion of the Acquisition in accordance with the Equity Transfer Agreement;
“Conditions Precedent”	conditions precedent to the Completion, details of which are set out in the paragraph headed “Conditions Precedent” in this announcement;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Consideration”	the consideration in the amount of RMB70,000,000 payable by the Purchaser as consideration for the Sale Interests;
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules;
“Deposit”	a deposit in the amount of RMB21,000,000 (representing 30% of the Consideration);
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreement”	the transfer agreement of equity interests in the Target Company dated 17 December 2021 and entered into between the Purchaser and the Vendor in relation to the Acquisition, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Interests, at the consideration of RMB70,000,000;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent board committee of the Company comprising Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser”	Sorrento Capital Limited (擎天資本有限公司), a licensed corporation permitted to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition;

“Independent Shareholders”	the Shareholders, other than the Vendor and his associates, who have no material interest in the Equity Transfer Agreement and the Acquisition to be proposed at the SGM and are not required under the Listing Rules to abstain from voting at the SGM;
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial Shareholder (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	28 February 2022 (or such later date as the parties to the Equity Transfer Agreement may agree in writing);
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan;
“Qualified Valuer”	Masterpiece Valuation Advisory Limited (睿力評估諮詢有限公司), an Independent Third Party engaged for the purpose of appraisal of the value of the Sale Interests;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interests”	20% of the equity interests in the Target Company, as the subject matter of the Acquisition;
“SAMR”	State Administration for Market Regulation* (國家市場監督管理總局);
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder;
“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”	Shenzhen Yicheng Autopilot Technology Co., Ltd.* (深圳市易成自動駕駛技術有限公司), a company incorporated in the PRC with limited liability, as for which, immediately prior to the entering into of the Equity Transfer Agreement, the Target Company is held as to 28.6% by the Vendor and the remaining 71.4% by other existing holders of equity interests in the Target Company, whom are Independent Third Parties;
“Target Group”	collectively, the Target Company and its two subsidiaries, namely Hubei Yicheng Automatic Driving Technology Co., Ltd.* (湖北省易成自動駕駛技術有限公司) and Yisheng (Shanghai) Automobile Technology Co., Ltd.* (易勝(上海)汽車科技有限公 司);
“Valuation”	the appraisal of the Sale Interests as at 30 September 2021 as assessed by the Qualified Valuer;
“Vendor”	Mr. Liu Xin (劉新), who is an executive Director and the chairman of the Board, and together with his associates, are interested in 185,616,600 Domestic Shares in the Company, representing approximately 42.95% of the Company’s entire issued share capital. Accordingly, a connected person of the Company under Chapter 14A of the Listing Rules; and
“%”	per cent.

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

17 December 2021
Shenzhen, the PRC

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. 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