

LAUNCH



2012 Interim Report

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)

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CHAIRMAN'S STATEMENT

I am pleased to announce the audited interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 June 2012.

The Group's principle developments in the first half of the year under review are set out as follows:

OPERATING RESULTS

Affected by macro-economic control in China and downturn in the European and US economy, the global automotive industry has entered an adjustment stage. In response, the Group formulated a sound operation strategy at the beginning of the year to strengthen control on sales and production and concentrate its resources in technological reserves and product research and development. During the interim period of 2012, the Group recorded a turnover of approximately RMB354 million and net profit of approximately RMB47 million, representing a decrease of 7.6% and however increase of 12.6% respectively compared to the same period last year. The operating result was slightly better than our expectation at the beginning of the year.

BUSINESS REVIEW

Market

During the first half of 2012, the Group implemented a sound market strategy, whereby improvements were made in meticulous marketing management and allocation of sales channels and staff and enhancement was seen in work efficiency and the brand's competitiveness. Under various pressures on global economy and the resulting weakened growth in both domestic and foreign automobile markets, the Group proactively increased control on production and sales and strengthened the management of distributors so that locations of licensed distributors in the domestic market became more adapted to the situation and the deployment of those in overseas markets was optimised.

* *for identification purposes only*

In June 2012, the Group convened the seventeenth PRC annual conference in Shenzhen, PRC. International distributors and main business partners attending the conference much appreciated the Company's vehicle network products released and highly regarded the Company's technological capabilities, and showed much interest in the Company's new products in the pipeline. The sales result achieved at the annual conference met our expectation. Industrial users expressed their earnest intent of cooperation. In addition, the Group's quality control procedure gained recognition of both domestic and foreign distributors. Those attending the conference have confident in the future development plan of the Group. Judging from their feedback, the Group is optimistic about its results of the second half of the year.

Finance

As the focus of the Group's market strategy was steadiness for the first half of 2012, despite the fact that sales revenue for the period were slightly lower than that of the same period last year, the quality of trade receivables and ratio of inventory were maintained, operating cost and management expenses were effectively controlled and cash flow was sufficient.

Technology

During the first half of 2012, under its IPD R&D systems, the Group successfully developed or has been developing products of:

- 1) Diagnostic product line: X431 Pad, X431 IV, Diagun III, CR7, DBSCar CRP121, CRP229, Diagun IV for Iphone, X431 Pad II for Ipad, RCU Series and others;
- 2) Lifter product line: TLT210-AS, TLT210-A, TLT211-AS; lifters for light trucks and light transport vehicles for European and the US markets;
- 3) Inspection and maintenance product line;
- 4) Vehicle electronics: breakthrough in vehicle meters, reversing radars and tire pressure examining products; and
- 5) Software upgrade: 563 versions were provided to end-users for software upgrade.

Patent and honours

During the first half of 2012, the Group had 1 new patent and 23 utility models:

Awarded "Most Improved Vendor" by the US company MATCO TOOLS;

Awarded "Vendor of the Year" by the US company MAC TOOLS;

Maintenance product CNC 601A awarded "Top 20" in innovation by the US magazine Motor;

Awarded “Club 95 Award” in outstanding service and contribution by the Canada company NAPA;

Diagnostic product DIAGUN awarded “ZLOTY MEDAL” golden in Poland;

Awarded “Outstanding Vendor” by the 深圳汽車維修行業協會;

Diagnostic product X431 3G awarded “Best 20 Tools and Repair” by the magazine 汽車維修與保養;

Production

With the full 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 production efficiency. The production of lifters by the Shanghai plant significantly increased due to addition of production equipment. Furthermore, the production management and R&D system of the Shanghai plant have been optimized and improved. The mode of enhanced production contributed significantly to the growth of the Group’s product sales.

Management

During the first half of 2012, the Group adopted 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, and maintained a high morale generally.

To give full play to the Group’s advantages in technology R&D and product innovation, its R&D team was strengthened with experienced staff and the R&D management team structure was optimized.

During the first half of 2012, the Group continued to carry out enhanced production and fully implemented 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.

During the first half of 2012, the procedural efficiency of the Group’s ERP, CRM, IO and OA systems was enhanced. Moreover, the IPD R&D system of the Group has been improving and stable, and the internal communication was streamlined.

Prospect

For the second half of 2012, the Group will continue to strengthen and perfect internal management, 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 inspire 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, and gradually develop into a core enterprise of vehicle networking application based on diagnostic technology.

For its domestic and foreign markets, the Group will gradually implement refined management, strengthen the management of receivables, and carry out an elimination system to eliminate the domestic and overseas distributors with worst performance in order to optimize the structure and deployment of distributors and realize the Group's channel advantage. In marketing, the Group will formulate relevant marketing policies according to characteristics of various regions in line with the strategic planning and development of the Group's headquarters. It will also conduct various marketing activities such as various types of exhibitions, annual conferences, promotional activities, technical competitions and professional media to promote awareness towards the differential advantages of the Group's products and enhance the popularity and influence of "LAUNCH". Furthermore, the Group will keep improving its after sale technical service network and provide 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 the structure of the R&D team and stabilise the team, and strictly apply internal appraisal and incentive system and encourage innovation. With diagnostic technology as the core, the Group will give full play to its technological advantage drawing on its 20 years of experience in the area to expedite the R&D of new products. The Group will leverage on its differential advantages in technology and products to increase the dependence of distributors on it and to win the confidence of end users.

While developing new products and technology, the Group will maintain strict control on R&D, manufacturing and sale costs, and adopt enhanced production and flexible market management and human resources policy to facilitate the Group's healthy and sustainable growth and provide even better return for shareholders and investors.

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 to cope with the requirement of a rapidly growing market and achieve higher profit margin for the benefit of shareholders and investors.

Liu Xin
Chairman

Shenzhen, the PRC, 31 August 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 RMB431,000,000 as at 30 June 2012.

As at 30 June 2012, shareholders' equity of the Group amounted to approximately RMB767,000,000. Current assets amounted to approximately RMB899,000,000. The Group's current liabilities amounted to approximately RMB557,000,000, which comprised short term bank borrowings amounted to approximately RMB330,000,000, and the remainder mainly consists of account payables and accruals. The Group's net asset value per share amounted to approximately RMB12.7. The Group's gearing ratio, representing the percentage of bank borrowings over gross asset value was 25%.

Pledge of assets

As at 30 June 2012, apart from the pledged land, property and plant of approximately RMB114,164,000 and bank deposits of approximately RMB60,000, the Group had no other major pledged assets.

Major investment

During the period, the Group did not make substantial acquisition and disposals of its subsidiaries and associated company.

Contingent liabilities

The Group did not have any major contingent liabilities as at 30 June 2012.

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 30 June 2012 was disclosed in note 13.

Employees

As at 30 June 2012, the Group had 1,212 and 25 employees based in the PRC and overseas respectively. For the six months ended 30 June 2011, the total staff cost net of the remunerations of the Directors and supervisors amounted to approximately RMB37,000,000 (2011: approximately RMB46,000,000). The Group's employment and remuneration policies remained the same as stated in the annual report of the Group for the year ended 31 December 2011.

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 30 June 2012, 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% <i>(Note 1)</i>	23.01%
	Interest in a controlled company	1,026,100	3.11% <i>(Note 2)</i>	1.70%
Mr. Liu Jun	Interest in a controlled company	13,886,400	42.08% <i>(Note 3)</i>	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 the 30 June 2012, 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 30 June 2012, 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions in shares and underlying shares in the Company

(i) Domestic shares

Name	Capacity in which shares were held	Number of domestic shares	Approximate percentage of the Company's issued domestic shares	Approximate percentage of the Company's total issued shares
Shenzhen Langqu	Interest of corporation controlled by substantial shareholder	13,886,400	42.08% <i>(Note)</i>	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
Robert Bosch Industrietreuhand KG	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 period.

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 period.

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.

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 period.

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.

REVIEW OF ACCOUNTS

The Group's interim results for the six months period ended 30 June 2012 have been reviewed by the Company's Audit Committee with the management of the Company.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The interim report of the Company, which will include all the information required by the Listing Rules, will be sent to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cnlaunch.com) respectively in due course.

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

Shenzhen, the PRC
31 August 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue	(4)	353,582	382,751
Cost of sales		(214,800)	(233,994)
Gross profit		138,782	148,757
Other income		13,456	8,211
Selling expenses		(33,843)	(34,785)
Administrative expenses		(39,465)	(34,894)
Research and development expenses		(16,314)	(17,252)
Other operating expenses		(340)	(13,638)
Finance costs	(5)	(11,384)	(5,750)
Share of losses of an associate		–	(1,978)
Profit before income tax	(6)	50,892	48,671
Income tax expenses	(7)	(3,452)	(6,527)
Profit for the period		47,440	42,144
Other comprehensive income for the period			
Exchange gain on translation of financial statements of foreign operations		–	995
Total comprehensive income attributable to owners of the Company		47,440	43,139
Basic earnings per share	(9)	RMB79 cents	RMB70 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		30 June 2012	31 December 2011
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	(10)	350,382	324,220
Leasehold land and land use rights	(10)	20,086	20,349
Goodwill	(10)	2,161	2,161
Development costs	(10)	72,164	61,561
Interests in an associate	(10)	–	–
Club membership	(10)	1,177	1,177
Deferred tax asset	(10)	15	15
		445,985	409,483
Current assets			
Inventories		119,457	105,179
Trade receivables	(11)	264,633	253,089
Bills receivables		33,543	22,232
Other receivables, deposits and prepayments		50,764	54,684
Amount due from an associate		4	53
Pledged/Restricted bank deposits		60	60
Cash and cash equivalents		430,578	299,330
		899,039	734,627
Current liabilities			
Trade payables	(12)	125,664	97,991
Bills payable		50,000	–
Other payables and accrued charges		49,502	27,975
Income tax payables		1,913	4,493
Bank borrowings		330,000	220,612
		557,079	351,071
Net current assets		341,960	383,556
Total assets less current liabilities		787,945	793,039
Non-current liabilities			
Bank borrowings		1,180	1,377
Deferred income		20,000	20,000
		21,180	21,377
Net assets		766,765	771,662
EQUITY			
Equity attributable to the Company's owners			
Share capital		60,360	60,360
Reserves		706,405	711,302
Total equity		766,765	771,662

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the six months ended 30 June 2012

	2012	2011
	Total equity	Total equity
	RMB'000	RMB'000
	(Unaudited)	(Audited)
At 1 January	771,662	654,164
Profit for the period	47,440	42,144
Special dividend paid by 30 June 2012	(52,337)	–
Exchange gain on translation of financial statements of foreign operation	–	995
	<hr/>	<hr/>
At 30 June	766,765	697,303
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Net cash generated from operating activities	134,018	96,464
Cash flows from investing activities		
Increase in pledged bank deposits	–	(60)
Purchases of property, plant and equipment	(45,350)	(53,822)
Expenditure on development activities	(15,216)	(11,496)
Proceeds from disposals of property, plant and equipment	109	660
Proceeds from disposals of financial asset at fair value through profit or loss	–	10,000
Interest received	833	857
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(59,624)	(53,861)
	<hr/>	<hr/>
Cash flows from financing activities		
Drawdown of bank loans	220,000	101,509
Repayments of bank loans	(110,809)	(255,166)
Dividends paid	(52,337)	–
	<hr/>	<hr/>
<i>Net cash from/(used in) financing activities</i>	56,854	(153,657)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	131,248	(111,054)
Cash and cash equivalents at 1 January	299,330	355,263
Effect of foreign exchange rate changes, on cash held	–	1,057
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, comprising cash at banks and in hand	430,578	245,266
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2012

(1) General

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

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

(2) Basis of consolidation

The interim financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June. All significant intra-group transactions and balances have been eliminated on consolidation.

(3) Accounting policies and adoption of new or revised statements of standard accounting practice

The interim 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 interim financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange. The accounting policies adopted in the preparation of the interim results are consistent with those adopted in the preparation of the Group’s results for the year ended 31 December 2011.

In the current period, the Group has applied for the first time the following new standards, amendments and interpretations (the “new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the interim financial statements beginning on 1 January 2012:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendment to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax of Underlying Assets</i>

The adoption of the new HKFRSs has no significant impact on the interim financial statements.

The Group has not early adopted certain new or revised standards that have been issued at the time of preparing the interim financial statements but not yet effective. The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are also currently assessing the possible impact of the new or revised standards but are not yet in a position to state whether they would have material impact on the results and the financial position of the Group.

(4) Turnover 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.

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 interim financial statements prepared under HKFRSs, except that certain items are not included in arriving at the operating results of the operating segment (rental income and corporate expenses).

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

Segment liabilities include trade payables, 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 six months ended 30 June 2012 and 2011.

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Reportable segment assets	1,343,847	1,142,933
Additions to non-current segment assets	<u>60,566</u>	<u>127,745</u>
Reportable segment liabilities	<u>809,125</u>	<u>372,448</u>

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

	Six months ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Reportable segment revenue	<u>353,582</u>	<u>382,751</u>
Reportable segment profit	50,892	46,837
Interest income	833	857
Interest expenses	(10,993)	(5,429)
Depreciation of property, plant and equipment and amortisation of development costs	(23,716)	(25,488)
Amortisation charge on leasehold land and land use rights	(263)	(263)
Gain/(loss) on disposal of property, plant and equipment	24	(67)
Impairment of trade and other receivables	–	(3,871)

The Group's reportable segment profit reconciles to the Group's profit before income tax as presented in the interim financial statements as follows:

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Reportable segment profit	47,419	46,837
Rental income	3,473	3,673
Corporate expenses	–	(1,839)
	<hr/>	<hr/>
Profit before income tax	<u>50,892</u>	<u>48,671</u>

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue from external customers		
Local (country of domicile):		
– The PRC, other than Hong Kong	221,541	239,511
	<hr/>	<hr/>
Europe	49,070	50,336
America	52,382	56,358
Others	30,589	36,546
	<hr/>	<hr/>
	132,401	143,240
	<hr/>	<hr/>
Total	<u>353,582</u>	<u>382,751</u>

	30 June	31 December
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets		
Local (country of domicile):		
– The PRC, other than Hong Kong	445,654	409,134
Europe	316	334
Total	445,970	409,468

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest charges on bank loans stated at amortised cost:		
– wholly repayable within five years	10,993	5,429
Bank charges	391	321
	11,384	5,750

(7) **Income tax expense**

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Enterprise income tax – PRC		
– current period	2,667	4,924
– under-provision for prior periods	721	1,202
Income tax – overseas	64	405
Deferred tax	–	(4)
	<hr/>	<hr/>
Total income tax expense	<u>3,452</u>	<u>6,527</u>

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% (Six months ended 30 June 2011: 32%).

In 2012, The Company and 深圳市元征軟件開發有限公司 (“Launch Software”), being recognised as a high technology enterprise and are thereby subject to a preferential tax rate of 15% (Six months ended 30 June 2011: 15%).

上海元征機械設備有限責任公司 (“Launch Shanghai”) is subject to income tax at the rate of 25% (Six months ended 30 June 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 period was 12.5% (Six months ended 30 June 2011: 12.5%).

(8) Dividends

At the Company's special general meeting held on 8 June 2012, the shareholders of the Company approved the payment of a special dividend of RMB1.80 per share to the shareholders whose names appeared on the register of members of the Company at the close of business on 19 June 2012. By the end of period 30 June 2012, out of the total special dividend of RMB108,648,000 amount of RMB52,337,000 was paid and the remaining RMB56,311,000 was fully paid in early July 2012.

The Board does not recommend an interim dividend for the six months ended 30 June 2012 (Six months ended 30 June 2011: Nil).

(9) Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB47,440,000 for the six months ended 30 June 2012 (Six months ended 30 June 2011: RMB42,144,000 (Audited)) and on weighted average number of 60,360,000 (six months ended 30 June 2011: 60,360,000 (audited)) shares in issue during the six months ended 30 June 2012.

No diluted earnings per share has been presented as there had been no potential ordinary shares in both periods.

(10) Non-current assets

	Property, plant and equipment <i>RMB '000</i>	Leasehold land and land use rights <i>RMB '000</i>	Goodwill <i>RMB '000</i>	Development costs <i>RMB '000</i>	Interests in an associate <i>RMB '000</i>	Club membership <i>RMB '000</i>	Deferred tax asset <i>RMB '000</i>
Audited net book amounts at 31 December 2011 and 1 January 2012	324,220	20,349	2,161	61,561	1,978	1,177	15
Additions	45,350	-	-	15,216	-	-	-
Disposal	(85)	-	-	-	-	-	-
Exchange realignment	-	-	-	-	-	-	-
Depreciation/annual charges/ amortisation	(19,103)	(263)	-	(4,613)	-	-	-
Share of loss	-	-	-	-	(1,978)	-	-
Credited to profit or loss	-	-	-	-	-	-	-
	<u>350,382</u>	<u>20,086</u>	<u>2,161</u>	<u>72,164</u>	<u>-</u>	<u>1,177</u>	<u>15</u>
Unaudited net book amounts at 30 June 2012	<u>350,382</u>	<u>20,086</u>	<u>2,161</u>	<u>72,164</u>	<u>-</u>	<u>1,177</u>	<u>15</u>

(11) Trade receivables

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

Ageing analysis is as follows:

	30 June 2012 (Unaudited) <i>RMB '000</i>	31 December 2011 (Audited) <i>RMB '000</i>
Within 6 months	156,388	136,308
Over 6 months but less than 1 year	45,338	40,244
Over 1 year but less than 2 years	62,907	75,655
Over 2 years	-	882
	<u>264,633</u>	<u>253,089</u>

(12) Trade payables

Ageing analysis is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 6 months	104,731	81,172
Over 6 months but less than 1 year	14,500	7,582
Over 1 year but less than 2 years	6,433	3,237
	<hr/> 125,664 <hr/>	<hr/> 97,991 <hr/>

(13) Capital commitments

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Capital expenditure contracted but not provided for:		
– expenditures on construction in progress	19,903	46,111
– acquisition of plant and equipment	–	622
	<hr/> 19,903 <hr/>	<hr/> 46,733 <hr/>