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)

2012 ANNUAL RESULT ANNOUNCEMENT

The board of directors (the "Board") of Launch Tech Company Limited (the "Company") hereby announces the preliminary consolidated result of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Reporting Period") prepared in accordance with China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

CONSOLIDATED BALANCE SHEET

Items	*Notes*	**31 December 2012**	31 December 2011
Current assets:			
Cash		**301,157,431.94**	299,389,720.91
Bills receivables		**20,242,187.00**	22,231,556.73
Accounts receivables	*5*	**250,252,656.84**	253,144,997.67
Prepayments		**33,170,768.01**	27,201,375.02
Other receivables		**25,814,627.11**	10,368,622.85
Inventories	6	**113,033,322.81**	105,179,354.43
Other current assets		**4,861,431.18**	–
Total current assets		**748,532,424.89**	717,515,627.61

CONSOLIDATED BALANCE SHEET (continued)

Items	*Notes*	**31 December 2012**	31 December 2011
Non-current assets:			
Fixed assets		**254,869,879.24**	264,176,834.83
Construction in progress		**130,161,948.21**	60,883,931.87
Intangible assets		**87,313,097.13**	68,941,674.47
Development expenditure		**11,375,123.59**	12,424,701.52
Goodwill		**1,139,412.80**	1,139,412.80
Deferred income tax assets		**22,109.07**	14,930.16
Total non-current assets		**484,881,570.04**	407,581,485.65
Total assets		**1,233,413,994.93**	1,125,097,113.26
Current liabilities:			
Short-term borrowings		**440,000,000.00**	220,000,000.00
Accounts payables	*7*	**113,986,533.07**	99,048,314.11
Receipts in advance		**52,018,552.52**	9,206,243.07
Wage payables		**3,032,588.42**	7,268,923.58
Tax payables		**-18,878,050.51**	-10,123,659.57
Other payables		**5,896,639.23**	7,948,363.94
Non-current liabilities due within one year		**623,820.00**	612,187.50
Total current liabilities		**596,680,082.73**	333,960,372.63
Non-current liabilities:			
Long-term borrowings		**779,775.00**	1,377,421.88
Other non-current liabilities		**20,000,000.00**	20,000,000.00
Total non-current liabilities		**20,779,775.00**	21,377,421.88
Total liabilities		**617,459,857.73**	355,337,794.51
Shareholders' equity:			
Share capital		**60,360,000.00**	60,360,000.00
Capital reserve		**283,188,427.20**	283,188,427.20
Surplus reserve		**18,099,377.81**	18,099,377.81
Undistributed profit	*8*	**254,377,625.52**	406,594,246.56
Exchange difference arising on translation of foreign currency statements		**-71,293.33**	1,517,267.18
Total owners' equity attributable to parent company		**615,954,137.20**	769,759,318.75
Total shareholders' equity		**615,954,137.20**	769,759,318.75
Total liabilities and shareholders' equity		**1,233,413,994.93**	1,125,097,113.26

Consolidated Income Statement

Items	*Notes*	2012	2011
1. Operating income		**612,476,020.56**	792,926,100.72
Less: Operating cost		**421,164,718.92**	472,926,715.48
Business tax and surcharge		**6,576,655.04**	7,722,035.82
Selling expenses		**75,016,825.42**	72,420,069.11
Administrative expenses		**114,997,227.54**	103,991,080.22
Financial expenses		**21,554,496.97**	27,503,542.19
Impairment loss on assets		**28,387,724.29**	6,301,872.12
Add: Gain on change in fair value (loss expressed with "–")			
Gain on investment (loss expressed with "–")			
Including: Gain on investments in associates and joint ventures		–	2,496,052.37
Exchange gain (loss expressed with "–")		–	-3,810,778.78
2. Operating profit (loss expressed with "–")		**-55,221,627.62**	104,556,838.15
Add: Non-operating income		**19,405,565.86**	33,095,316.82
Less: Non-operating expenses		**705,044.14**	999,763.42
Including: Loss on disposal of non-current assets		**28,173.92**	68,099.86
3. Total profit (total loss expressed with "–")		**-36,521,105.90**	136,652,391.55
Less: Income tax expenses	*9*	**7,047,515.14**	13,867,478.03
4. Net profit (net loss expressed with "–")		**-43,568,621.04**	122,784,913.52
Net profit attributable to owners of parent company		**-43,568,621.04**	122,784,913.52
5. Earnings per share:		**-43,568,621.04**	122,784,913.52
Basic earnings per share	*10*	**-0.7218**	2.0342
6. Other comprehensive income		**-1,588,560.51**	2,115,990.13
7. Total comprehensive income		**-45,157,181.55**	124,900,903.65
Total comprehensive income attributable to owners of parent company		**-45,157,181.55**	124,900,903.65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. BASIS OF PREPARATION OF FINANCIAL STATEMENT

Financial information in this announcement was extracted from the audited financial statements (the "Financial Statements") published in the 2012 Annual 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 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter referred to as "the Accounting Standards for Business Enterprises") and the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Reporting (amended in 2010) issued by the China Securities Regulatory Commission(CSRC) and prepared the Financial Statements on such basis.

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 accounting period is from 1 January to 31 December.

(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 intowhen 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 period 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. REVENUE

Revenue 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 as follows:

	Current year	Previous year
Product sales	**569,655,656.05**	717,755,239.61
Income of software upgrade fees	**32,546,262.22**	64,942,270.46
Revenue from main operations	**602,201,918.27**	782,697,510.07
Revenue from other operations: rent	**10,274,102.29**	10,228,590.65
Total	**612,476,020.56**	792,926,100.72

4. ACCOUNTS RECEIVABLES

	At the year end	At the beginning of the year
Accounts receivables	**288,591,643.88**	283,046,856.12
Less: provision of bad debts	**38,338,987.04**	29,901,858.45
Net amount	**250,525,656.84**	253,144,997.67

Aging	**At the year end**	At the beginning of the year
Within 1 year	**148,529,052.75**	173,418,815.75
1 to 2 years	**88,409,470.22**	75,687,608.71
2 to 3 years	**11,156,425.94**	3,327,438.92
3 to 4 years	**1,892,095.61**	711,134,429
4 to 5 years	**265,612.32**	–
Net amount	**250,252,656.84**	253,144,997.67

5. INVENTORIES

	Ending balance			Beginning balance		
	Book value	Provision for diminution in value	Carrying amount	Book value	Provision for diminution in value	Carrying amount
Raw materials	62,764,686.60	8,872,107.82	53,892,578.78	53,194,097.82	–	53,194,097.82
Semi-finished products	12,411,141.85	1,882,454.39	10,528,687.46	12,807,071.98	–	12,807,071.98
Finished goods	56,340,095.72	7,728,039.15	48,612,056.57	39,178,184.63	–	39,178,184.63
Total	131,515,924.17	18,482,601.36	113,033,322.81	105,179,354.43	–	105,179,354.43

6. ACCOUNTS PAYABLES

(1) Accounts payables

Aging	At the year end	At the beginning of the year
Within 1 year	**108,036,074.44**	95,346,911.76
1 to 2 years	**3,549,130.48**	2,215,465.23
2 to 3 years	**1,634,656.39**	891,744.62
Over 3 years	**766,671.76**	594,192.50
Total	**113,986,533.07**	99,048,314.11

(3) At the year end, there was no amount payable to any shareholder of the Group holding 5% or more voting shares.

(4) Foreign currency in the accounts payables for 2012 and 2011 equivalent to 2,348,355.86 and 3,254,967.67, respectively.

7. UNDISTRIBUTED PROFITS

Current year

	Amount
As at the beginning of the period	406,594,246.56
Add: net profit attributable to parent company in the current year (loss expressed with "-")	-43,568,621.04
Less: ordinary share's dividend payables	108,648,000.00
As at the end of the period	254,377,625.52

The special dividend distribution plan was approved by a resolution at the special shareholders' meeting of the Company on 8 June 2012, the cash dividend per share was 1.8.

Previous year

	Amount
As at the beginning of the period	292,875,297.13
Add: net profit attributable to parent company in the current year	122,784,913.52
Less: provision on statutory surplus fund	9,065,964.09
As at the end of the period	406,594,246.56

8. INCOME TAX EXPENSE

	Current year	Previous year
Income tax for the current period	**7,054,694.05**	13,871,804.70
Adjustment of deferred tax expenses	**-7,178.91**	-4,326.67
Total	**7,047,515.14**	13,867,478.03

	Applicable tax rate for current year and previous year
The Company	**15%**
Launch Software	**15%**
Shanghai Launch	**12.5%**
Launch Europe Gmbh	**32%**

9. EARNINGS PER SHARE

(1) Basic earnings per share

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

Items	**Current year**	**Previous** year
Consolidated net profit for holder of ordinary share of the parent company	**-43,568,621.04**	122,784,913.52
Consolidated net profit for holder of ordinary share of the parent company after extraordinary items	**2,031,778.32**	7,652,201.76
Average weighted number of outstanding ordinary share of the parent	**60,360,000.10**	60,360,000.10
Basic earnings per share (RMB/share)	**-0.7218**	2.0342
Basic earnings per share after extraordinary items (RMB/share)	**-0.7555**	1.9074

(2) Diluted earnings per share

As there was no ordinary shares with dilutive potential for the year 2012 and 2011, thus no diluted earnings per share was presented.

10. DIVIDEND

During 2012, special dividend of RMB1.80 per share was paid and amounted to RMB108,648,000.00. From the end of the reporting period, no dividend has been suggested by the board. (2011: nil).

II. MANAGEMENT DISCUSSION AND ANALYSIS

(1) OPERATING RESULTS

Affected by downturn in the European and US economy and macro-economic control in China, the global automotive industry entered an adjustment stage. The Group formulated a sound operation strategy at the beginning of the year to strengthen control on sales and production, which effective controlled our inventory level. Through adopting refined internal management and concentrating resources on technological reserves and product research and development, the Group increased its technological reserves and enhanced it overall technological capabilities, while work efficiency was also improved to further strengthen our brand competitiveness. Slack market demands resulted in a drop in sales price of our products, and bad debt allowances for accounts receivables and inventories increased compared to the corresponding period last year. As a result, in 2012, the Group recorded a turnover of approximately 612,476,000 and net loss of approximately 43,569,000, representing decreases of 23% and 135% respectively compared to the corresponding period last year. Our operating results were significantly lower than our expectation at the beginning of the year, which turned profit into loss in the second half of the year.

(2) BUSINESS REVIEW

1. Market

During 2012, in order to prevent market risks, the Group refreshed its list of distributors and the granting of licenses to exercise active production management and enhance collection of sales receipts; while on the other hand, we were forced to lower the prices of our products given weak market demands. As such, the Group recorded significant year-on-year decline in operating results for the full year. Despite the challenges, the Group adopted sound marketing strategies to optimize the sales channels and allocation of staff, resulting in enhancements in work efficiency. As we tightened management control on distributors, deployments of authorized distributors in domestic and overseas markets were rationalized, providing additional brand competitiveness for the Group.

In 2012, the Group convened the seventeenth PRC annual conference in Shenzhen, and celebrated our 20th anniversary of establishment and hosted the first forum of DBSCar.com. International distributors and main business partners attending the conference much appreciated the Company's vehicle networking products released and expressed their earnest intent of cooperation. The sales orders achieved at the annual conference met our expectation. However, owing to tight delivery deadlines, there were defects in the circuit design and a large volume of products was recalled, which created substantial impact on the operating results in the second half year.

2. *Technology*

During 2012, under its IPD R&D systems, the Group successfully developed the following products:

Project development

1) Professional diagnostic products:

   X431 DIAGUN III, X-431 PAD, X-431 IV, J2534, MATCO_PAD, X431 Auto Diag

2) Personal diagnostic products:

   CReader VII, Creader Professional, DBSCar-andriod, DBSCar-IOS, RCU

3) Lifter and tire products:

   TLT635A, BST-460 automobile rechargeable battery conductivity meter, BST-760 automobile rechargeable battery conductivity meter, KWB-514 tire balancer, KWB-512 tire balancer, KWB-511 tire balancer, wireless offline inspection equipment, customized remote diagnostic instrument, customized dashboard electrical inspection instrument, and F-ADS remote diagnostic system

Technology development

   Pre-research project for 3D wheel aligner technology

3. *Patent and honors*

During 2012, the Group had 46 new patents, including:

1) 3 invention patents, namely:

   a. a sensor simulation technique and device

   b. a tire and rim integrity inspection method

c. a verification method for massive volume of data in automobile OBD reader

2) 23 utility models

3) 6 design patents

4. 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.

5. Management

During 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 high enthusiasm at work generally. To give full play to the Group's advantages in technology R&D and product innovation, during the year our R&D team was strengthened with experienced staff and the R&D management team structure was optimized.

During 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 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.

(2) Prospect

For 2013, 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 and create greater values for the shareholders.

As for its development plan, the Group will continue to draw on its core technology in diagnosis accumulated over the years, and invest more resources to develop vehicle networking application products based on diagnostic technology. We are committed in creating a vehicle networking product chain built upon the DBSCar.com platform that offers solutions via various diagnostic devices such as DBSCar membership cards and DBSCar service channels. This will be a multi-dimensional and openly accessible vehicle networking chain based on a group of diagnostic applications available in smart connected devices, through which we aim to transform our applications and services in automobile networking technologies into the core values of our company.

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 stabilize 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.

(3) Analysis of major businesses

1. Table of movement analysis for the related items in income statement and cash flow statement

Unit: '000

Items	Current period	Corresponding period of previous year	Changes
Operation income	612,476	792,926	-23%
Operation cost	421,165	472,927	-11%
Selling cost	75,017	72,420	4%
Administrative expenses	114,997	103,991	11%
Financing expenses	21,555	27,504	-22%
Net Cash Flow from Operating Activities	49,186	155,446	-68%
Net Cash Flow from Investing Activities	-138,234	-115,896	-19%
Net Cash Flow from Financing Activities	88,840	-96,315	192%
R&D expenditure	58,273	50,486	-16%

2. Major clients and suppliers

(1) Sales to major clients

During the Reporting Period, total operation revenue from the top five clients of the Company was approximately 87,000,000, accounting for 14% of total operation revenue for the year.

(2) Major suppliers

During the Reporting Period, total purchasing amount from top five clients of the Company amounted to 141,000,000, accounting for 33% of the total purchasing amount for the year.

3. Cost

Unit: '000

Items	Current period	Corresponding period of previous year	Changes in amount over previous year
Selling expenses	75,017	72,420	4%
Administrative expenses	114,997	103,991	11%
Finance expenses	21,555	27,504	-22%

4. R&D expenditure

(1) Table of R&D expenditure

Unit: '000

R&D expenditure for current period	27,053
Capitalized R&D expenditure for current period	3,220
Total R&D expenditure	58,273
Percentage of total R&D expenditure over net asset	5%
Percentage of total R&D expenditure over operation income	10%

(2) Description

We actively invested in research and development projects during the year and expenditure increased by 16% compared with last year. Research and development expenditure to total operating income ratio increased to 10% (Last year: 6%).

5. *Cash Flow*

Unit: '000

Items	Current period	Previous year	Changes
Other cash receipts in operating activities	632,824	791,438	-20%
Cash payments for goods and services acquired	396,841	491,640	-19%
Other cash payments from operating activities	102,830	84,686	19%
Cash received from return of investment	–	10,000	-100%
Cash paid for investment	10,000	–	100%
Cash receipts from borrowings	500,000	301,451	66%
Cash repayments of amount borrowed	280,553	385,809	-27%
Distribution of dividends	108,648	–	100%

Description:

Other Cash receipts in operating activities decreased over previous year, which was mainly attributable to the decrease of overall turnover in the second half of the year;

Cash payments for goods and services acquired decreased over previous year, which was mainly attributable to the decrease in production input in accord with market demand during the year;

Other cash payments from operating activities increased over previous year, which was mainly attributable to the increase in research expenditure and other expenses during the year;

Cash received from return of investment of last year was the cash recovered from the maturity of a bank product, and cash paid for investment for the current year was the prepayment of investment fund of a subsidiary in Xi'an.

Cash receipts from borrowings increased over previous year, which was mainly attributable to the increase in short-term loan for the huge expenses of the construction projects during the year;

Cash repayments of amount borrowed decrease over previous year, which was mainly attributable to the borrowings amount of previous year was lower than the year before the previous year;

(4) Analysis of industry, products or regional operation

(1) Principal businesses by industry and by product

Unit: '000

Principal business by product

Sector of Product	Operating income of this year	Operating income of previous year	Operating costs of this year	Operating costs of previous year	Profit margin of current year	Profit margin of previous year	Increase/ decrease in Operating income over previous year	Increase/ decrease in Operating costs over previous year
Diagnostic series	196,152	296,556	74,913	108,787	62%	63%	-34%	-31%
Machinery series	279,148	284,904	273,422	283,228	2%	1%	-2%	-3%
Software upgrade fees	32,546	64,942	–	–	100%	100%	-50%	0%
Inspection series	40,354	44,003	27,519	26,864	32%	39%	-8%	2%
Vehicle electronics series	4,765	7,419	3,394	4,449	29%	40%	-36%	-24%
Maintenance series	18,323	19,919	13,106	11,757	28%	41%	-8%	11%
Tools series	4,007	6,429	4,756	4,323	-19%	33%	-38%	10%
Other series	26,908	58,526	22,752	32,656	15%	44%	-54%	-30%
Total	602,203	782,698	419,862	472,064	30%	40%	-23%	-11%

(2) Principal businesses by geographical location

Unit: '000

Geographical location	Operating income of this year	Operating income of previous year	Increase/decrease in operating income compared over previous year
Domestic	338,709	479,218	-29%
America	106,890	118,220	-10%
Europe	99,017	108,557	-9%
Others	57,586	76,703	-25%
Total	602,202	782,698	-23%

Operating income for current year decreased by 180,000,000, of which Diagnostic series decreased by 100,000,000 and revenue decreased by 34% compared with last year, revenue of software upgrade fees decreased by 33,000,000 and 50% compared with last year and Other series decreased by 21,000,000 and revenue decreased by 54% compared with last year. Average gross profit margin for the year was 30%, representing a decrease of 10%

compared with last year. The decrease in operating income was mainly attributable to the temporary decrease in demand due to the reduced desire in purchasing resulting from the effect of the global economic environment and domestic competition. For regional sales, America and Europe were relatively stable with a approximately 10% decrease compared with the decrease of more than 25% in domestic and other regions.

(5) Analysis of asset and liability

1. *Analyzing table of asset and liability*

Unit: '000

Items	At the end of current period	Percentage of the amount at the end of current period over total assets	At the end of previous period	Percentage of the amount at the end of previous period over total assets	Changes in amount from the end of previous period to current period
Monetary fund	301,157	24%	299,390	27%	1%
Receivables	250,253	20%	253,145	22%	-1%
Inventories	113,033	9%	105,179	9%	7%
Fixed assets	254,870	21%	264,177	23%	-4%
Construction in progress	130,162	11%	60,884	5%	114%
Intangible assets	87,313	7%	68,942	6%	27%
Short-term loan	440,000	36%	220,000	20%	100%
Total assets	1,233,414		1,125,097		

2. *Descriptions*

Project in progress recorded a large change over the previous year was mainly due to the construction of Shanghai plant and Shenzhen research building had commenced but not yet completed;

Short-term loan recorded a large change over the previous year was mainly attributable to the increase in funds required for construction in progress.

(6) Analysis of principal subsidiary and joint stock company

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")	Wholly-owned subsidiary	Manufacturing of equipment and machines for maintenance of automobiles	USD18,000,000
深圳市元征軟件開發有限公司 ("Launch Software")	Wholly-owned subsidiary	Software development	40,000,000
Launch Europe Gmbh	Wholly-owned subsidiary	Sales of LAUNCH products	671,875

(7) Analysis of Financial Status and Business Performance During the Reporting Period

1. Operating results

In 2012, total profit of the Company reduced by 166,354,000 as compared with the same period last year.

(1) Operation revenues, operation costs and gross profits margin were 23%, 11% and 10% lower than the same period of last year respectively. Gross profit decreased by 128,293,000 compared with previous year.

(2) During the period, provision for asset impairment of accounts receivables, other receivables and inventories amounted to 8,442,000, 1,463,000 and 18,483,000 respectively and totaling to 28,388,000.

(3) With the decrease of operating income for the period, value-added tax refund from government decreased by 12,000,000.

2. *Analysis of assets, liabilities and equity interests*

Total assets value amounted to 1,233,414,000 during the reporting period, increased by 10% as compared with the beginning of the year, of which accounts receivable decreased by 1%, inventory increased by 7% and fixed asset and construction in progress increased by 18%. Total liabilities amounted to 617,460,000, increased by 74% as compared with the beginning of the year, mainly due to increase in short term loans. Total equity interest attributable to shareholders amounted to 615,954,000, decreased by 20% as compared with the beginning of the year, mainly due to the payment of special dividends during the year and operating loss for the year.

(8) Principal Sources of Fund and Its Use

1. *Cash flows from operating activities*

The Company's cash inflows are mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's cash inflow from operating activities for the reporting period amounted to 698,073,000, while cash outflow amounted to 648,887,000. Net cash flow during the reporting period from operating activities amounted to 49,186,000.

2. *Cash flows from investment activities*

Cash inflow from investment activities during the reporting period amounted to 223,000 which was mainly attributable to the disposal of fixed assets. Cash outflow to investment activities amounted to 138,457,000, which was mainly used for capital expense on construction of plant and research building. The above expenditures were partly financed by the Company's internal resources and bank loans. Net cash flow from investment activities for the reporting period amounted to -138,234,000.

3. *Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the reporting period amounted to 500,000,000, which was mainly derived from bank loans. Cash outflow from fund-raising activities during the reporting period amounted to 411,160,000 was mainly for repayment of bank loans and interest and the payment of special dividends during the year amounted to 108,648,000. Net cash flow from fund-raising activities for the reporting period amounted to 88,840,000.

Net cash flow from operating activities in 2012 decreased by 68% over last year, mainly due to a lower amount of cash received from sales of goods and provision of services. Net cash flow generated from investment increased by 19% over last year mainly attributable to the cash paid for the expansion of the Shanghai plant and Shenzhen research building. Net cash flow generated from fund-raising activities increased by 192% over last year, mainly due to the significant increase in loan borrowed and repayment of debt as compared to last year.

Total net cash flow was 2,611,000. Net loss for the year was 43,869,000, cash level remain stable.

(9) Capital Structure

The Company's capital structure consists of interests and liabilities attributable to shareholders during the reporting period. Interests attributable to shareholders amounted to 615,954,000; and total liabilities amounted to 615,460,000. Total assets amounted to 1,233,414,000. As at the end of the year, the Company's gearing ratio was 200%.

Capital structure by liquidity

Total current liabilities	596,680,000	Accounting for 48% of the capital
Total equity interest	615,594,000	Accounting for 50% of the capital of

(10) Contingent Liability

During reporting period, the Company did not have any significant contingent liability.

(11) Pledge of assets

As at 31 December 2012, the Company pledged properties and buildings with original value approximately to 55,000,000 for a bank loan.

(12) Capital commitments

As at 31 December 2012, the Company had entered into the contract of construction and expansion of Shanghai plant and Shenzhen research building with a total contract value of 180,000,000, of which 50,000,000 had not been paid.

(13) Lease commitments

As at 31 December 2012, commitments for the Group in the future which brought by non-cancellable lease contracts are as follow:

Unit: '000

	Current year	Previous Year
Within 1 year	**3,038**	1,909
2 to 5 years	**3,734**	4,507
Over 5 years	–	465
	6,772	6,881

(14) Post-Balance Sheet Events

The Board resolved to jointly establish a subsidiary, 西安元征軟件科技有限責任公司 ("Launch Xi'an), with subsidiary of the Company, Launch Software in December 2012 with a registered capital and paid-in capital of 100,000,000 and 50,000,000 respectively, of which, the Company and Launch Software will contribute 70% and 30% of the capital respectively. As of the date of this report, Launch Xi'an was established and obtained legal person business license. Save as the above matter, there is no material post-balance sheet events which is required to be disclosed but has not been disclosed.

III NOTES TO OTHER MATERIAL EVENTS

1. Differences arising from the preparation under the HK GAAP to the PRC Accounting Standards

(1) Reconciliation of shareholders' equity and net profit of the Group under HK GAAP to PRC Accounting Standards

Factors of differences	Net profit 2011
Financial statements prepared according to the Hong Kong GAAP	115,381,618.37
Adjusted items and amount according to PRC Accounting Standards:	
Capitalized research and development expenses before implementation of the new accounting standards on 1 January 2007	7,403,295.15
Financial statements prepared according to the Accounting Standards for Business Enterprises	122,784,913.52

Factors of differences	Net assets 2011
Financial statements prepared according to the Hong Kong GAAP	771,661,834.12
Adjusted items and amount according to PRC Accounting Standards:	
Capitalized research and development expenses before implementation of the new accounting standards on 1 January 2007	880,585.95
Adjustments on investments in subsidiaries and goodwill should be recognized according to corporate merger not under the same control	1,021,929.42
Financial statements prepared according to the Accounting Standards for Business Enterprises	769,759,318.75

1. Differences of net profit: before implementation of the new accounting standards on 1 January 2007, the research and development expenses could be capitalized and the capitalized amount could amortized over a period of eight years according to the Hong Kong Financial Reporting Standards, but according to the Accounting Standards for Business Enterprises(2001) in China implemented before 2007, all research and development expenses of the Company were expensed and accounted in profit or loss for the current period.

2. Differences of net assets: ① before implementation of the new accounting standards on 1 January 2007, the research and development expenses could be capitalized and the capitalized amount could amortized over a period of eight years according to the Hong Kong Financial Reporting Standards, but according to the Accounting Standards for Business Enterprises (2001) in China implemented before 2007, all research and development expenses of the Company were expensed and accounted in profit or loss for the current period. ② The acquisition of a subsidiary, Shenzhen Launch Software Development Company Limited, by the Company should be accounted as corporate merger under the same control and no goodwill was recognized; according to Hong Kong Financial Reporting Standards, acquisition of goodwill of 1,021,929.42 should be recognized.

2. Receipt of government subsidies

The Company had received return of value-added tax amounting to approximately 16,000,000 (Last year: approximately 28,000,000) from the government.

3. Scope of consolidation

During the reporting period, there was no change in respect of the consolidation of subsidiaries.

4. Audit of financial statements for the reporting period by the audit committee

The 2012 financial statements has been reviewed and confirmed by the audit committee of the Board of the Company.

5. 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. Details of implementation of the Code on Corporate Governance Practices will be set out on the Corporate Governance Report in 2012 Annual Report.

6. 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 of the Company, 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 12 months ended 31 December 2012.

7. Share capital

(1) During the reporting period, there was no change in the total number of shares and the structure of share capital of the Company.

(2) During the reporting period, 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.

IV. ANNUAL REPORT AND OTHER INFORMATION

This announcement is set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Annual 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
22 March 2013

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