LAUNCH

2013 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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2013 INTERIM REPORT

I. FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

Items	*Notes*	**30 June 2013**	31 December 2012 (Audited)
Current assets:			
Cash		**388,368**	301,157
Bills receivables		**28,895**	20,242
Accounts receivables	*5*	**246,366**	250,253
Prepayments		**42,510**	33,171
Other receivables		**16,622**	25,815
Inventories	*6*	**137,989**	113,033
Other current assets		**4,013**	4,862
Total current assets		**864,763**	748,533
Non-current assets:			
Fixed assets		**338,801**	254,870
Construction in progress		**41,648**	130,162
Intangible assets		**86,460**	87,313
Development expenditure		**21,924**	11,375
Goodwill		**1,139**	1,139
Deferred income tax assets		**24**	22
Total non-current assets		**489,996**	484,881
Total assets		**1,354,759**	1,233,414

* *for identification purpose only*

Items	*Notes*	**30 June 2013**	31 December 2012 (Audited)
Current liabilities:			
Short-term borrowings		**486,207**	440,000
Accounts payables	*7*	**148,849**	113,986
Receipts in advance		**84,733**	52,018
Wage payables		**3,056**	3,033
Tax payables		**-19,286**	-18,878
Other payables		**12,464**	5,897
Non-current liabilities due within one year		–	624
Total current liabilities		**716,023**	596,680
Non-current liabilities:			
Long-term borrowings		**780**	780
Other non-current liabilities		**20,000**	20,000
Total non-current liabilities		**20,780**	20,780
Total liabilities		**736,802**	617,460
Shareholders' equity:			
Share capital		**60,360**	60,360
Capital reserve		**283,188**	283,188
Surplus reserve		**18,099**	18,099
Undistributed profit	*8*	**256,642**	254,378
Exchange difference arising on translation of foreign currency statements		**-333**	-71
Total owners' equity attributable to parent company		**617,956**	615,954
Total shareholders' equity		**617,956**	615,954
Total liabilities and shareholders' equity		**1,354,759**	1,233,414

CONSOLIDATED INCOME STATEMENT

Items	*Notes*	**Six months ended 30 June 2013**	2012
Operating income		**321,663**	357,055
Less: Operating cost		**213,802**	212,086
Business tax and surcharge		**2,532**	2,714
Selling expenses		**39,305**	33,843
Administrative expenses		**53,685**	59,252
Financial expenses		**19,639**	9,551
Impairment loss on assets		**1,415**	-1,420
Add: Gain on change in fair value (loss expressed with "–")		**–**	–
Gain on investment (loss expressed with "–")		**5,600**	–
Including: Gain on investments in associates and joint ventures		**–**	–
Operating profit (loss expressed with "–")		**-3,115**	41,029
Add: Non-operating income		**7,150**	10,203
Less: Non-operating expenses		**128**	340
Including: Loss on disposal of non-current assets		**–**	–
Total profit (total loss expressed with "–")		**3,907**	50,892
Less: Income tax expenses	*9*	**1,643**	3,452
Net profit (net loss expressed with "–")		**2,264**	47,440
Net profit attributable to owners of parent company		**2,264**	47,440
Earnings per share:			
Basic earnings per share	*10*	**RMB0.04**	RMB0.79

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013	2012
Net cash flow generated from operating activities	**79,775**	134,018
Net cash used in investing activities	**-23,562**	-59,624
Net cash flow from financing activities	**31,072**	56,854
Net flow in cash and cash equivalents	**87,285**	131,248
Cash and cash equivalents at 1 January	**301,157**	299,330
Effect of foreign exchange rate changes, on cash held	**-74**	–
Cash and cash equivalents at 30 June, comprising cash at banks and in hand	**388,368**	430,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. Basis of Preparation of Financial Statement

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. The accounting policies adopted in the preparation of the interim results are consistent with those adopted in the preparation of the Group's 2012 annual results.

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

2. Significant Accounting Policies, Accounting Estimates and Compilation Method of Consolidated Financial Statements

(1) Accounting period

The reporting period is the six months starting from 1 January to 30 June 2013.

(2) Reporting currency

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

(3) Method of preparing consolidated financial statements

All subsidiaries were included in the consolidated financial statements.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting 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 software upgrade service via internet as follows:

	Six months ended 30 June 2013	2012
Product sales	**309,689**	331,177
Income of software upgrade fees	**8,188**	22,405
Revenue from main operations	**317,877**	353,582
Revenue from other operations: rental income	**3,786**	3,473
Total	**321,663**	357,055

4. Accounts receivable

	At the period end	At the beginning of the period (Audited)
Accounts receivable	**283,510**	288,592
Less: provision of bad debts	**37,144**	38,339
Net amount	**246,366**	250,253

Ageing analysis of accounts receivable

Ageing	**At the period end**	At the beginning of the period (Audited)
Within 1 year	**143,010**	148,529
1 to 2 years	**83,007**	88,410
2 to 3 years	**15,938**	11,156
3 to 4 years	**3,184**	1,892
4 to 5 years	**1,227**	266
Net amount	**246,366**	250,253

5. Inventories

	Ending balance Book value	Ending balance Provision for impairment in value	Ending balance Carrying amount	Beginning balance Book value (Audited)	Beginning balance Provision for impairment in value (Audited)	Beginning balance Carrying amount (Audited)
Raw materials	77,344	8,872	68,472	62,765	8,872	53,893
Work-in-progress	28,884	1,883	27,001	12,411	1,883	10,528
Finished goods	50,244	7,728	42,516	56,340	7,728	48,612
Total	156,472	18,483	137,989	131,516	18,483	113,033

6. Accounts payable

Ageing	**At the period end**	At the beginning of the period (Audited)
Within 1 year	**124,649**	108,036
1 to 2 years	**18,775**	3,549
2 to 3 years	**3,657**	1,635
Over 3 years	**1,768**	766
Total	**148,849**	113,986

7. Undistributed profits

Current year

	2013
As at the beginning of the period	**254,378**
Add: net profit attributable to parent company in the current year (loss expressed with "-")	**2,264**
As at the end of the period	**256,642**

Previous year

	2012
As at the beginning of the period	292,876
Add: net profit attributable to parent company in the current year	47,440
Less: special dividend	52,337
As at the end of the period	287,979

8. Income tax expense

	Applicable Tax Rate	
	2013	2012
The Company	**15%**	15%
Launch Software	**15%**	15%
Shanghai Launch	**25%**	12.5%
Launch Europe Gmbh	**32%**	32%
Xi'an Launch	**25%**	N/A

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 weighted average number of outstanding ordinary share of the parent company.

	Six months ended 30 June	
Items	**2013**	2012
Consolidated net profit for holder of ordinary share of the parent company	**2,264**	47,440
Weighted average number of outstanding ordinary share of the parent	**60,360,000**	60,360,000
Basic earnings per share (RMB/share)	**0.04**	0.79

(2) Diluted earnings per share

As there was no ordinary shares with dilutive potential for the year 2013 and 2012, thus no diluted earnings per share was presented.

10. Dividend

From the end of the reporting period, no dividend has been suggested by the Board. (2012: special dividend of 52,337).

II. MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The global automotive industry recorded a slow growth due to the impact of macro-economic control policies in the PRC and fluctuations in the U.S. and European economies. In this regard, the Group formulated a prudent business strategy in the beginning of the year which actively controlled the sales and production with a focus in technology and product development reserve. In mid-2013, the turnover and net profit of the Group amounted to approximately 322,000,000 and 2,000,000 respectively, representing a decrease of 10% and 96% respectively as compare to corresponding period last year. Although operating profit in the first half of the year recorded a loss of 3,000,000 after including investment income from disposal of interest in an associate, but the Group was still managed to turn loss into profit compared with the second half of the previous year after crediting value-added tax rebates and subsidies, which basically met the expectation in the beginning of the year.

BUSINESS REVIEW

Market

In the first half of 2013, the Group adopted sound marketing strategies to implement refined management on the market which optimized sales channels and marketing staffing, improved operation efficiency and significantly enhanced brand advantage. As the global economy was still in turmoil and lack of growth drivers in domestic and overseas automotive market, the Group actively controlled the sales and production and strengthened management on distributors to cope with the market risks, which led to a more reasonable distribution of authorized distributors in the domestic market and the distribution optimization of authorized distributors in the overseas market.

In the first half of the year, the Group's domestic sales division conducted 87 vehicle networking technical applications and products training sessions throughout the country. These training sessions were highly concerned by the automotive repair industry and vocational institutions and brought a lot of customers with intention to cooperate.

In June 2013, the Group held the eighteenth Launch annual conferences in Shenzhen and Xi'an and invited overseas and domestic distributors respectively. Global distributors and key partners participating in the annual conferences spoke highly of the automotive networking products released by the Company and fully affirmed the Company's technology achievements. They also showed their interest in the Company's new and potential products and their strong cooperative intention while the sales performance of the annual conferences basically reached expectation. Distributors participating in the annual conferences were confident in the future development planning of the Group. The Group's performance are expected to record a slight increase based on the feedbacks from distributors participating in the annual conferences.

Financial

In the first half of 2013, the Group adopted sound marketing strategies but sales revenue decreased compared with corresponding period last year due to the retail price adjustments of certain products. The Group turned loss into profit by better cost control compared with the second half of the previous year. Generally speaking, operation and administrative costs were effectively controlled and better quality of receivables and reasonable inventories level were kept. Although expenses were sightly increased due to further enhancement of sales and promotion, cash flow was sufficient for supporting the development planning of the Company.

Technology

In the first half of 2013, the successfully developed and developing technologies and products by the Group's IPD R&D system included:

1) DBSCar.com product line: DBSCAR(IOS), DBSCAR(Android), Idiag Client(IOS), Idiag Client(Android) and DBSCar II;

2) diagnostic equipment product line: X-431 PRO III, X431PRO+, CresetterII, Creader IV+, CRP129, MATCO_PAD, J2534 Project, BST-460, BST-760, customized products of a number of car manufacturers; Unified diagnostic framework UDF technology and TGT technology;

3) Che Yun Tong product line: RCU-G, RCU-H, RCU-L and RCU-P;

4) Tire and maintenance product line: TGT and TLT635AF Project

Patents & Honors

In the first half of 2013, the Group obtained 2 invention patents and 25 practical patents; In addition, the Enterprises with Most Growth Potential in Chinese Automotive Maintenance Industry; the Outstanding Chinese Enterprises in Innovation of Automotive Maintenance Technology; the Outstanding Chinese Automotive Maintenance Enterprises Devoted to Community Welfare; and the Top 30 Enterprises in Chinese Automotive Maintenance Industry.

Production

With the full implementation of enhanced production and effective control in product specifications and yield, 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. Furthermore, the R&D system of the Shanghai plant has been optimized and improved. The mode of enhanced production contributed significantly to the growth of the Group's product sales.

Management

In the first half of 2013, the Group invited a large number of internet technology and automotive diagnostic technology talents to optimize human resource allocation and our R & D management team structure. Furthermore, the Group continued to adopt various strict performance appraisal and incentive measures to motivate and inspire the staff, particularly for its R&D and marketing personnels, who were full of confidence in the Group's development planning and incentive policy with high morale.

In the first half of 2013, 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.

In the first half of 2013, the Group established an information system security management team to optimize the Group's ERP, CRM, IO and OA systems and significantly enhanced the procedural efficiency. Moreover, the IPD R&D system of the Group has been improving and stabilizing, and the internal communication system was streamlined.

Prospect

For the second half of 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 overall 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 utilize internet technology to provide a platform with more advanced automotive maintenance and diagnosis value-added service to professional automotive aftermarket users; accelerate the promotion of vehicle networking application products based on diagnosis technology and developed for car owners, and strive to become the core enterprise in respect of vehicle networking application based on diagnosis technology by rapid development.

For its domestic and overseas markets, the Group will gradually implement refined management, strengthen the management of receivables, and carry out an elimination system to withdraw 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. As for 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 brand appeal of "LAUNCH". Furthermore, the Group will keep improving its after sale technical service network and provide satisfactory technology and services to the market.

For R&D, the Group will continue to use the IPD R&D system, recruit experienced R&D and internet technology talents, 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 technology, 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 and optimize manufacturing procedures to enhance the production management of high value-added and high-tech products and gradually outsource production processes of products, in order to 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: million

Items	Current period	Corresponding period of previous year	Changes
Operating income	322	357	-9%
Operating cost	214	215	–
Selling expenses	39	34	15%
Administrative expenses	53	40	33%
Financing expenses	20	11	82%
Net cash flow from operating Activities	80	134	-40%
Net cash flow from investing Activities	-24	-60	-60%
Net cash flow from financing Activities	31	57	-46%
R&D expenditure	28	22	27%

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 68,000,000, accounting for 21% of total operation revenue for the reporting period.

(2) *Major suppliers*

During the Reporting Period, total purchasing amount from top five clients of the Company amounted to 66,000,000, accounting for 32% of the total purchasing amount for the year.

3. *Cost*

Unit: million

Items	**Current period**	**Corresponding period of previous year**	**Changes in amount over previous year**
Selling expenses	39	34	15%
Administrative expenses	54	59	-8%
Finance expenses	20	10	100%

4. *R&D expenditure*

(1) *Table of R&D expenditure*

Unit: million

R&D expenditure for current period	3
Capitalized R&D expenditure for current period	25
Total R&D expenditure	28
Percentage of total R&D expenditure over net asset	5%
Percentage of total R&D expenditure over operation income	9%

(2) *Description*

We actively invested in research and development projects during the year and expenditure increased by 36% compared with last year. Research and development expenditure to total operating income ratio increased to 9% (Last year: 6%).

5. *Cash Flow*

Unit: million

Major items	Current period	Previous period	Changes
Cash receipts from operating activities	376	460	-18%
Cash payments for goods and services acquired	165	209	-21%
Other cash payments for operating activities	131	155	-15%
Cash received from return of investment	6	–	+100%
Cash paid for fixed assets acquired	29	61	-52%
Cash receipts from borrowings	300	220	36%
Cash repayments of borrowings	254	111	129%

Description:

Cash receipts from operating activities decreased over previous year, which was mainly attributable to the decrease of overall turnover in the first half of the year compared with the same period of last 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 for operating activities decreased over the same period of last year, which was mainly attributable to the decrease in administrative expenses and manufacturing expenses during the year;

Cash received from return of investment of current period was the cash recovered from the disposal of the interest in an associate;

Net cash receipts from borrowings increased over previous year, which was mainly attributable to the increase in short-term loan for the huge expenditure in relation to the construction projects during the year.

(4) Principal businesses by geographical location

Unit: million

Geographical location	Six months ended 30 June Operating income of this year	Operating income of previous year	Increase/decrease in operating income compared over same period of previous year
Domestic	183	222	-18%
America	75	52	44%
Europe	42	49	-14%
Others	18	31	-29%
Total	318	354	-9%

Operating income for current period decreased by 35,000,000, of which products sales decreased by 21,000,000 and revenue decreased by 6% compared with corresponding period last year, revenue of software upgrade fees decreased by 14,000,000 and 64% compared with corresponding period last year. Average gross profit margin for the year was 33%, representing a decrease of 7% compared with last year. The decrease in operating income was mainly attributable to the temporary decrease in demand due to the reduced desire in consumption resulting from the effect of the global economic environment and domestic competitions. For regional sales, due to business growth was driven by the faster recovery of United States economy than European economy, America performed better with a approximately 44% increase while decrease of about 15% to 30% were noted in domestic and other regions.

(5) Analysis of asset and liability

1. Analyzing table of assets and liabilities

Unit: million

Items	At the period end	Percentage of the amount at the period end over total assets	At the beginning of the period	Percentage of the amount at the beginning of the period over total assets	Changes in amount from the beginning of the period to period end
Cash	388	29%	301	24%	29%
Accounts receivable	246	18%	250	20%	-2%
Inventories	138	10%	113	9%	22%
Fixed assets	339	25%	255	21%	33%
Construction in progress	42	3%	130	11%	-68%
Intangible assets	86	6%	87	7%	-1%
Short-term borrowings	486	36%	440	36%	10%
Total assets	1,355		1,233		

2. Descriptions

Fixed assets and construction in progress recorded a large change over the beginning of the period respectively was mainly due to certain parts of the construction of Shanghai plant and Shenzhen research building had completed gradually;

Short-term loan recorded change over the beginning of the period was mainly attributable to the increase in merchandise loans.

(6) Subsidiaries

Name of the corporation	Shareholding	Business nature	Registered capital
上海元征機械設備有限責任公司 (“Shanghai Launch”)	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
西安元征軟件科技有限責任公司 (“Xi’an Launch”)	Wholly-owned subsidiary	Software development	100,000,000
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 the reporting period of 2013, total profit of the Company reduced by 45,000,000 as compared with the same period last year.

(1) Operating income, operating costs and gross profits margin were 10%, 1% and 7% lower than the same period of last year respectively. Gross profit decreased by 37,000,000 compared with previous year.

(2) During the period, provision for impairment of accounts receivable and other receivables totaling to 1,415,000.

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

2. Analysis of assets, liabilities and equity interests

Total assets value amounted to 1,355,000,000 during the reporting period, increased by 10% as compared with the beginning of the year, of which accounts receivable decreased by 2%, inventory increased by 22% and fixed assets and construction in progress decreased by 1%. Total liabilities amounted to 737,000,000, increased by 19% as compared with the beginning of the year, mainly due to increase in short term loans. Total equity interest attributable to shareholders amounted to 618,200,000, increased by 0.2% as compared with the beginning of the year, mainly due to the slight profit recorded.

(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 376,000,000, while cash outflow amounted to 296,000,000. Net cash flow during the reporting period from operating activities amounted to 80,000,000.

2. Cash flows from investment activities

Cash inflow from investment activities during the reporting period amounted to 6,000,000 was payments received from disposal of equity interest in an associate. Cash outflow to investment activities amounted to 29,000,000, which was mainly used for capital expense on land payment in Xi'an and construction of plant and research building. The above expenditures were partly financed by the Company's internal resources and bank borrowings. Net cash flow from investment activities for the reporting period amounted to -24,000,000.

3. *Cash flows from fund-raising activities*

Cash inflow from fund-raising activities during the reporting period amounted to 300,000,000, which was mainly derived from bank borrowings. Cash outflow from fund-raising activities during the reporting period amounted to 269,000,000 was mainly for repayment of bank borrowings and interest. Net cash flow from fund-raising activities for the reporting period amounted to 31,000,000.

Total net cash flow was 87,000,000. Net profit for the year was 2,264,000, 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 618,000,000; and total liabilities amounted to 737,000,000. Total assets amounted to 1,355,000,000. As at the end of the year, the Company's gearing ratio was 184%.

Capital structure by liquidity

Total current liabilities	716,000,000	Accounting for 53% of the capital
Total shareholders' equity	618,000,000	Accounting for 46% of the capital

(10) Contingent Liability

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

(11) Pledge of assets

As at 30 June 2013, the Company pledged properties and buildings with original value approximately to 157,000,000 for certain bank loans.

(12) Capital commitments

As at 30 June 2013, the Company had entered into the contract of construction of Shenzhen research building with a total contract value of 80,000,000, of which 39,000,000 had not been paid, and land contract of Xi'an Launch amounted to 32,000,000, of which 12,000,000 had not been paid.

(13) Post-Balance Sheet Events

The Company has no material post-balance sheet events which is required to be disclosed but has not been disclosed.

III NOTES TO OTHER MATERIAL EVENTS

1. Scope of consolidation

During the reporting period, for the consolidation of subsidiaries, Xi'an Launch has became a wholly-owned subsidiary of the Group since 5 February 2013 and was included in the scope of consolidation.

2. Receipt of government subsidies

The Company had received value-added tax refund amounting to approximately 5,000,000 and other subsidies amounting to approximately 2,000,000 from the government.

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

The 2013 interim financial statements has been reviewed and confirmed by the audit committee of the Board of the Company.

4. 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.

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.

5. 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 six months ended 30 June 2013.

6. 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.

7. 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 2013, 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% *(Note 1)*	23.01%
	Interest in a controlled company	1,026,100	3.11% *(Note 2)*	1.70%
Mr. Liu Jun	Interest in a controlled company	13,886,400	42.08% *(Note 3)*	23.01%
Ms. Liu Yong	Interest in a controlled company	1,026,100	3.11% *(Note 4)*	1.70%

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.

(4) Mr. Liu Yong holds 60.00% interest in Shenzhen De Shi Yu which holds approximately 3.11% interest in the issued domestic shares of the Company. The corporate interest of Ms. Liu Yong in the Company duplicates with that held by Mr. Liu Xin in the Company. By virtue of Mr. Liu Yong's holding more than one-third interest in Shenzhen De Shi Yu, Ms. Liu Yong is deemed, under Part XV of the SFO, to be interested in 3.11% interest in the issued domestic shares of the Company.

Save as disclosed above, as at the 30 June 2013, 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 2013, 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% *(Note)*	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
SPX Corporation	Beneficial owner	2,463,500	9.00%	4.08%

8. 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.

9. 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.

10. 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.

IV. INTERIM REPORT AND OTHER INFORMATION

This report is set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk).

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

Shenzhen, the PRC
30 August 2013

As at the date of this report, 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.