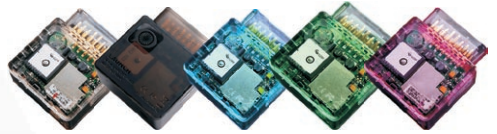




golo



Most advanced intelligent vehicle hardware

2015 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)

Interim Report



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)

2015 INTERIM REPORT

I. FINANCIAL INFORMATION

(All amounts in RMB'000 unless otherwise stated)

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	30 June 2015	31 December 2014 (Audited)
Current assets:			
Bank balances and cash		267,071	343,797
Bills receivables		32,037	23,908
Trade receivables	4	269,608	263,046
Prepayments		64,188	63,011
Other receivables		27,779	29,376
Inventories	5	142,233	92,241
Other current assets		63,323	54,197
Total current assets		866,239	869,576
Non-current assets:			
Fixed assets		288,546	307,605
Construction in progress		113,013	110,770
Intangible assets		153,017	172,113
Development expenditure		36,649	21,075
Goodwill		1,139	1,139
Deferred income tax assets		6	6
Total non-current assets		592,370	612,708
Total assets		1,458,609	1,482,284

* For identification purpose only

	<i>Notes</i>	30 June 2015	31 December 2014 (Audited)
Current liabilities:			
Short-term borrowings		512,729	612,090
Bill payables		161,420	103,420
Trade payables	6	120,672	96,155
Receipts in advance		61,653	53,064
Wage payables		3,221	2,931
Tax payables		3,355	5,256
Other payables		20,164	8,275
Non-current liabilities due within one year		–	140
Total current liabilities		883,214	881,331
Non-current liabilities:			
Long-term borrowings		1,882	2,096
Other non-current liabilities		20,000	20,000
Total non-current liabilities		21,882	22,096
Total liabilities		905,096	903,427
Shareholders' equity:			
Share capital		301,800	301,800
Capital reserve		41,748	41,748
Surplus reserve		18,099	18,099
Undistributed profit	7	187,726	214,469
Exchange difference arising on translation of foreign currency statements		3,927	2,523
Total owners' equity attributable to parent company		553,330	578,639
Minority shareholders' equity		183	218
Total shareholders' equity		553,513	578,857
Total liabilities and shareholders' equity		1,458,609	1,482,284

CONSOLIDATED INCOME STATEMENT

		For the six months ended	
		30 June	
	Notes	2015	2014
Operating income		335,919	359,647
Less: Operating costs		188,893	217,027
Business tax and surcharge		1,761	1,225
Selling expenses		64,708	44,212
Administrative expenses		98,594	78,502
Finance costs		17,026	21,948
Impairment loss on assets		-3,146	-295
Add: Gain on investments		–	–
Operating profit (loss expressed with “–”)		-31,917	-2,972
Add: Non-operating income		6,372	7,625
Less: Non-operating expenses		1,225	617
Total profit (loss expressed with “–”)		-26,770	4,036
Less: Income tax expenses	8	7	-674
Net profit (loss expressed with “–”)		-26,777	4,710
Net profit attributable to owners of parent company (loss expressed with “–”)		-26,743	4,647
Profit or loss attributable to minority shareholders		-34	63
Earnings per share			
(loss expressed with “–”):			
Basic earnings per share	9	-0.089	0.016 (Adjusted)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. Basis of Preparation of Financial Statement

Financial information in this report was extracted from the audited financial statements (the “Financial Statements”) published in the 2014 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. The accounting policies are consistent with those adopted in the preparation of the Group’s 2014 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 from 1 January 2015 to the six months ended 30 June 2015.

(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 RMB 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 periods 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. Operating Income

Income 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:

	For the six months ended 30 June	
	Current year	Previous year
Revenue from main operations	330,134	355,630
Revenue from other operations: rent	5,785	4,017
	<u>335,919</u>	<u>359,647</u>

4. Trade Receivables

	At the period end	At the beginning of the year
	Trade receivables	215,538
Less: provision of bad debts	54,070	53,919
Net amount	<u>269,608</u>	<u>263,046</u>

	At the period end	At the beginning of the year
	Aging	
Within 1 year	145,210	133,155
Over 1 year	124,398	129,891
	<u>269,608</u>	<u>263,046</u>

5. Inventories

	At the period end	At the beginning of the year
Raw materials	34,900	23,587
Work in progress	43,315	10,299
Finished goods	64,018	58,455
	<u>142,233</u>	<u>92,541</u>

6. Trade Payables

Aging	At the period end	At the beginning of the year
Within 1 year	108,291	86,039
Over 1 year	12,381	10,116
	<u>120,672</u>	<u>96,155</u>

7. Undistributed profits

Current year

	Amount
As at the beginning of the period	214,469
Add: net profit (loss) attributable to owners of parent company in the current period	<u>(26,743)</u>
As at the end of the period	<u>187,726</u>

8. Income tax expense

	Applicable tax rate
The Company	15%
Launch Software	15%
Shanghai Launch	25%
Launch Europe GmbH	32%
Xi'an Launch	25%
Peng Ao Da	15%

9. Earnings per share

(1) Basic earnings per share

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

Items	Current year	Previous year
Consolidated net profit for holder of ordinary shares of the parent company (loss expressed with “-”)	-26,743	4,647
Average weighted number of outstanding ordinary shares of the parent	301,800,000	60,360,000
Basic earnings per share (RMB/share)	-0.089	0.08
After adjustment (RMB/share)	-0.089	0.016

(2) Diluted earnings per share

As there was no ordinary share with dilutive potential for the year 2015 and 2014, thus no diluted earnings per share is presented.

10. Dividend

From the end of the Reporting Period, no dividend has been recommended by the board. (2014: nil).

11. 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	Manufacturing of equipment and machines for maintenance	USD18,000,000
深圳市元征軟件開發有限公司 ("Launch Software")	Wholly-owned	Software development	RMB40,000,000
Launch Europe GmbH	Wholly-owned	Sales of LAUNCH products	RMB671,875
西安元征軟件科技有限公司 ("Xi'an Launch")	Wholly-owned	Software development	RMB100,000,000
深圳市鵬奧達科技有限公司 ("Peng Ao Da")	Controlling subsidiary (88% shareholding)	Software development	RMB1,000,000

12. Contingent Liability

At the end of the Reporting Period, the Company did not have any significant contingent liability.

13. Pledge of assets

As at 30 June 2015, the Company pledged properties and buildings with original value approximately amounted to 171,000,000 for certain bank borrowings.

14. Capital commitment

As at 30 June 2015, the Company did not have any significant capital commitment.

15. Post-Balance Sheet Event

There is no material post-balance sheet event which is required to be disclosed but has not been disclosed.

II. MANAGEMENT DISCUSSION AND ANALYSIS

The Group's principal developments in the half year under review are as follows:

OPERATING RESULTS

In the first half of 2015, as a result of the economic downward pressure in the eurozone, the market supply and demand in the upper and down streams of the automotive industry were sluggish. Besides, China's economy was under relatively heavy downward pressure with significant rise in capital and labor cost. Its industrial structure is gradually transforming to services. As a result, the Group is facing increasing operation pressure. In order to meet the market demand, the Group adjusted its operation strategies to strengthen the leading position of the traditional diagnostic equipment in the industry, speeded up the expansion of end users of Internet of Vehicles and improved the building of the Internet of Vehicles network.

On planning of the Internet of Vehicles business, the Group continued its development concept of the previous year with the golo car cloud platform as the center supported by a living platform for car owners, a working platform for repair technicians, an open platform for repair and maintenance enterprises and a third-party service platform. Through the above sub-platforms and series of Internet of Vehicles intelligent hardware, it developed the Internet of Vehicles network for auto-owner users, repair and maintenance enterprises and other third-party service providers. During the Reporting Period, the Group has developed hundreds of thousands of end users and collected millions of driving diagnostic reports through the platform, and opened up channels for the operation of the big data on the Internet of Vehicles.

In order to improve the quality of services of the Internet of Vehicles business, on the one hand, the Group continued to give golo Technicians Box to repair technicians to provide car owners with timely services. On the other hand, the Group increased investment in the research and development of the application platforms for the Internet of Vehicles to enrich service contents to the living of vehicle owners. Thirdly, the Group continued to take advantage of WeMedia, online transmission as well as various exhibitions both at home and abroad to increase the marketing efforts on the products of the Internet of Vehicles. In the first half of 2015, as the intelligent hardware of the Internet of Vehicles was still under an experiencing and marketing stage, the Internet of Vehicles business has yet to make substantial contributions to the operating income of the Group.

In terms of the traditional diagnostic equipment business, the Group completed the development of the new generation of automotive diagnostic equipment which was successfully introduced into the market. The heavy truck testing module enjoys obvious competitive advantages in the industry. The customized projects were introduced and delivered for use as scheduled. The upgraded versions of vehicles software witnessed significant growth year on year. Besides, in order to coordinate with the Internet of Vehicles businesses and expand the repair and maintenance enterprises services, the Group not only reduced the gross profit margin of the diagnostic products but also replaced for old users through the car cloud diagnostic equipment with remote diagnostic functions. Turnover of the traditional diagnostic equipment increased significantly and market share of the equipment growth, but the operating income and the gross profit margin of the products decreased slightly. However, as profit from traditional business could not meet the investment demand for the Internet of Vehicles business, and as a result, the huge investment in Internet of Vehicles business caused a loss in the operation of the Group in the interim period. However, the end users of the Internet of Vehicles maintained growth, the Group is highly confident of its future. In view of the by-stage progress of the Internet of Vehicles business in the first half and a proven edge of the brand name, the Group's position in the industry has been consolidated.

BUSINESS REVIEW

Internet of Vehicles Business

Internet of Vehicles technologies are accelerating revolution in the automotive industry. The internet leading companies in the PRC are desperately seeking for the entry point. As one of the earliest enterprises to start developing the Internet of Vehicles technology, the Group is reputable in the industry.

In the first half of 2015, the Group conducted deep development on the living platform for car owners. Based on the automotive diagnostic and the Internet of Vehicles technologies, it embedded the voice search and identification technologies and developed Golo Z, the new generation of the golo intelligent hardware for Internet of Vehicles. Based on the living platform for car owners, the car owning end users can obtain remote automotive diagnosis, safety driving prompts and other services through golo. Moreover, they can use the ancillary hardware golo Me or APP to obtain voice on demand and enjoy individualized music, cross-talk and other entertainment programs through the automotive audio system. In addition, it can establish an automotive audio social circle. The new generation of the Internet of Vehicles intelligent hardware enriched the entertainment of automotive life and social activities and solved vehicle failure, safety driving and other service demands. With the expansion of the users group, the golo series of intelligent hardware will bring the Group with huge amount of data business through the vehicle cloud platform.

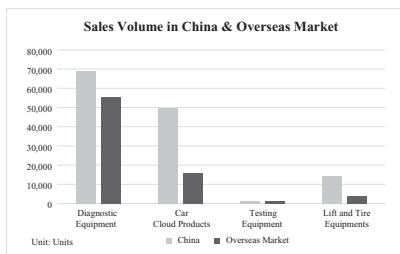
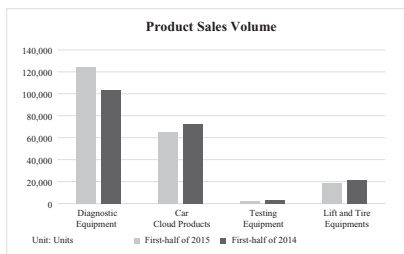
In the first half of 2015, the Group participated in the Automechnika, CeBIT, CES Asia, Global Sources Electronics and various trade exhibitions. It held 65 product launches and presentation activities for Internet of Vehicles products. 27 products promotion, business training and other activities were arranged in Shenzhen, 19 products promotion activities in the northeastern and northern regions and 19 products promotion activities in the southwestern and northwestern regions in the PRC. Through these activities and the promotion through WeMedia, product recognition was greatly enhanced, with the vehicle fleet management and application in UBI insurance industry in particular. The Group has embraced various business expansion opportunities in the PRC, Europe, Latin America and Australia.

As the new generation of intelligent hardware has entered the experiencing and marketing stage, while the Internet of Vehicles business has yet to make significant contributions to the operating income of the Group, based on the feedback from end users, the service contents have met the market demand and the Group is highly confident of the future.

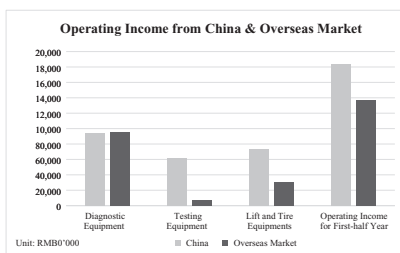
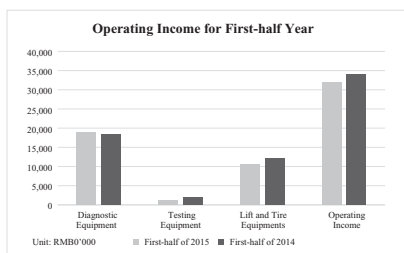
Traditional Diagnosis Business

In the first half of 2015, the production and sale of cars in China declined year on year. Driven by the production and sale growth of MPVs and SUVs, the overall sale recorded slight growth compared with the previous year, but the operating income, profits and taxes dropped significantly. In view of this, the Group reduced the gross profit margin of the products, the turnover of the automotive diagnostic equipment saw a year-on-year growth of 20%. The replacement of old equipment with new ones increased the remote automotive diagnostic function of repair and maintenance enterprises and ranked no. 1 among the world.

The global turnover of the automotive diagnostic equipment of the Group reached 125,000 units in the first half of 2015, representing a year-on-year increase of 20%. Of which 69,000 units were sold in the domestic market, representing a year-on-year increase of 28% and the overseas markets contributed sales volume of 55,000 units, representing a year-on-year increase of 12%. The global sales volume of the car cloud products of the Group was 66,000 units, representing a year-on-year decrease of 9%. Of which the Chinese market shared 50,000 units, representing a year-on-year decrease of 28% and 16,000 units were sold in the overseas market, representing a fourfold increase year-on-year. The Group suspended the production and sale of tire equipment with low profit margin. The global sales volume of lifts was 18,000 units, representing a year-on-year decrease of 13%. The Chinese market saw sales volume of 14,000 units, representing a year-on-year decrease of 17% and the overseas market witnessed sales volume of 4,000 units, representing a year-on-year increase of 2%.



In the first half of 2015, the sales revenue of the Group was RMB320 million. Declined by 6% year-on-year as a result of the replacement of old diagnostic equipment with new ones. The sales revenue from the domestic market was RMB183 million, accounted for 57%. The sales revenue from the overseas market was RMB136 million, accounted for 43%. During the Reporting Period, the sales revenue from diagnostic equipment with high profit margin reached RMB189 million, representing a year-on-year increase of 3.5% and accounted for 59% and the sales revenue from tire equipment with lower profit margin reached RMB104 million, representing a year-on-year decrease of 14% and accounted for 33%.



Technology and Products

In R&D, the Group continued to implement the management mode of IPD R&D system and advanced agile development model. In the first half year, we introduced many talents. As at the end of the Reporting Period, the Group had 702 technicians engaging in R&D.

In product development, the Group is conducting technological research in vehicle intelligent auxiliary driving, intelligent artificial identification, intelligent interpersonal communication and intelligent health management.

In the first half of 2015, the Group successfully developed the following technologies and products:

- 1) Internet of Vehicles: golo mobilediag APP, golo easydiag APP, golo6, golo6S, golo 7 etc.
- 2) Diagnostic equipment: CAT-501S Project, X-831M 3D 4-wheel positioning Project, Surface CUBE Project, WD-2 domestic customized development Project.

In the first half of 2015, the technologies and products of the Group under development included:

- 1) Internet of Vehicles: goloeye, golo-H, golo4G China Mobile version, Deutsche Telecom Project, Baidu Project, CAR Inc. Project, Guangdong Jiangsu Telecom Project, FAW Project etc.
- 2) Diagnostic equipment: ODX automotive diagnostic system Project, CRP123/CRP129 Premium development Project etc.

Patents and Honours

In the first half of 2015, the Group obtained 34 licensed invention patent technologies, 14 licensed software copyrights, and it had in aggregate 184 different patented technologies, 76 licensed software copyrights, and 52 trademark rights and was awarded 55 honours domestically and overseas.

In the first half of 2015, six new honours were added to the Group, which mainly included:

1-Key Enterprise in City with Quality of Shenzhen City; 2-2014 Top 100 Small and Medium-Sized Enterprises in Proprietary Innovation; 3-2015 Intelligent Hardware for Vehicles.

Production

In the first half of 2015, the Group's production were all based on outsourcing.

Management

In the first half of 2015, the internal management of the Group was adjusted, the new golo car owners business division, golo industry business division, golo overseas business division, health business division, automotive diagnostic and tire equipment business division were established to undertake the management of the Internet of Vehicles and operation of automotive diagnostic business, respectively. Technology centre, operation centre etc. were also established.

Prospect

In development plan, the Group will focus on development of application technologies and services in the Internet of Vehicles, introduce business partners in industrial application, strive to build a global vehicle repair, maintenance and life platform with the golo vehicle cloud as the centre. With users experience as the core, it will provide highly efficient and quality services for car owners, technicians, repair enterprises and third-party application by the O2O business model, building a comprehensive business chain. It strives to rapidly become a core enterprise based on global Internet of Vehicles.

As for marketing, the Group will introduce talents with experience in online marketing. Taking marketing as the focus, the business model will be optimized and organically linked up with the traditional distribution channels. Relevant marketing policies will be formulated according to the characteristics of different regional markets.

FINANCIAL ANALYSIS

Analysis of Financial Status and Business Performance During the Reporting Period

Operating results

In the first half of 2015, the diagnostic products with high profit margin grew on a year-on-year basis with the tire equipment with low profit margin decreased on a year-on-year basis, which was in line with the strategy of the Group. An analysis of composition of its operating revenue shows that sales revenue of the Group from the domestic market decreased by 12% year-on-year, and its sales revenue from the overseas market increased by 4% year-on-year, and overall decreased by 7% year-on-year, operating costs decreased by 13% year-on-year, and gross profit margin increased by 4% to 44%. During the Reporting Period, after adjustment of the overseas sales model, the number of direct customers increased obviously, and after-sales service fee also increased. In addition, the Group recruited plenty of additional marketing staff, together with investment in technology for the Internet of Vehicles, administrative expenses increased by 25% year-on-year. Judging from the current operation, the traditional diagnostic business was basically stable, profit from its principal businesses was not able to meet the investment required by the Internet of Vehicles, therefore showed a loss.

Analysis of assets, liabilities and equity interests

Total assets value amounted to 1,459,000,000 during the Reporting Period, decreased by 2% as compared with the beginning of the year, of which inventory increased. Total liabilities amounted to 905,000,000, increased by 0.2% as compared with the beginning of the year, mainly due to increase in short term loans. Total equity interest attributable to shareholders amounted to 553,000,000, decreased by 4% as compared with the beginning of the year.

Principal Sources of Fund and Its Use

Cash flows from operating activities

The Company's cash inflows during the Reporting Period were mainly derived from revenue of goods selling. Cash outflow was mainly related to production and operating activities. The Company's net cash inflow from operating activities for the Reporting Period amounted to 75,000,000.

Cash flows from investment activities

Cash inflow from investment activities during the Reporting Period was nil. Cash outflow to investment activities amounted to 32,000,000, which was mainly used for capital expense on purchase of plant facilities and research. The above expenditures were mainly financed by the Company's internal resources.

Cash flows from fund-raising activities

Net cash outflow from fund-raising activities during the Reporting Period amounted to 120,000,000 was mainly for repayment of bank loans and interest.

Capital Structure

The Company's capital structure consists of interests attributable to shareholders and liabilities during the Reporting Period. Interests attributable to shareholders amounted to 553,000,000; and total liabilities amounted to 905,000,000. Total assets amounted to 1,459,000,000. As at the end of the period, the Company's gearing ratio was 181% (At the beginning of the period: 168%).

Capital structure by liquidity

Total current liabilities	883,000,000 (At the beginning of the period: 881,000,000)	Accounting for 60% (At the beginning of the period: 59%) of the capital
Total equity interest	553,000,000 (At the beginning of the period: 579,000,000)	Accounting for 38% (At the beginning of the period: 39%) of the capital

III. NOTES TO OTHER MATERIAL EVENTS

1. Receipt of government subsidies

The Company had received return of value-added tax amounting to approximately 3,500,000 from the government. Other government subsidies concerning the development of science and technology was approximately 1,100,000.

2. Scope of consolidation

During the Reporting Period, there was no change in respect of the consolidation.

3. Review of financial statements for the Reporting Period by the audit committee

The 2015 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.

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 6 months ended 30 June 2015.

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.

IV. INTERIM REPORT AND OTHER INFORMATION

This report will set out on the websites of the Company (www.cnlaunch.com) and the Stock Exchange (www.hkexnews.hk). Interim 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
31 August 2015

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 Ms. Zhang Yan, Mr. Liu Yuan and Mr. Ning Bo as independent non-executive Directors.