The following is the text of a report set out on pages I-1 to I-[●] received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LX TECHNOLOGY GROUP LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of LX Technology Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022, the statement of financial position of the Company as at 30 June 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, of the Company's financial position as at 30 June 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISA") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividend was declared or paid by the Company's subsidiaries in respect of the Track Record Period and states that no dividend was declared or paid by the Company since its incorporation.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[**REDACTED**]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by us in accordance with ISA issued by IAASB (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*6*	500,339	1,022,169	1,330,402	536,926	854,013
Cost of sales		(420,237)	(875,307)	(1,137,266)	(439,686)	(754,392)
Gross profit		80,102	146,862	193,136	97,240	99,621
Other income	*7*	4,063	13,571	14,861	5,363	8,533
Fair value change of financial liabilities at fair value through profit or loss ("FVTPL")	*25*	(10,077)	(189,692)	(433,916)	(278,230)	36,417
Impairment losses under expected credit loss model, net of reversal	*32b*	(2,099)	(2,071)	(1,970)	(1,122)	(2,921)
Distribution and selling expenses		(72,987)	(78,237)	(115,906)	(50,462)	(64,877)
Administrative expenses		(40,454)	(32,636)	(40,497)	(18,059)	(35,376)
Research and development expenses		(12,030)	(13,654)	(18,280)	(8,000)	(13,019)
Finance costs	*8*	(11,998)	(19,106)	(36,301)	(14,580)	(21,995)
Other expenses		(1,722)	–	–	–	–
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loss before tax		(67,202)	(174,963)	(446,271)	(267,850)	(7,105)
Income tax credit (expense)	*9*	6,856	(2,164)	(2,431)	(287)	1,275
Loss and total comprehensive expense for the year/period	*10*	(60,346)	(177,127)	(448,702)	(268,137)	(5,830)
(Loss) profit and total comprehensive (expense) income attributable to:						
Owners of the Company		(60,187)	(177,302)	(448,702)	(268,137)	(5,830)
Non-controlling interests		(159)	175	–	–	–
		(60,346)	(177,127)	(448,702)	(268,137)	(5,830)
Loss per share	*14*					
– Basic *(RMB)*		(0.50)	(1.46)	(3.73)	(2.21)	(0.05)
– Diluted *(RMB)*		(0.50)	(1.46)	(3.73)	(2.21)	(0.17)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	At 30 June 2022 RMB'000
Non-current assets					
Property, plant and equipment and right-of-use assets	15	356,893	534,434	753,908	810,002
Deposits paid for acquisition of plant and equipment		2,270	4,461	1,773	1,221
Other receivables, deposits and prepayments	19	17,695	16,452	6,370	4,782
Restricted deposits	20	7,312	10,175	20,233	14,967
Deferred tax assets	16	9,609	7,738	5,481	6,763
		393,779	573,260	787,765	837,735
Current assets					
Inventories	17	45,947	122,041	74,307	63,102
Trade and lease receivables	18	47,358	37,107	53,440	58,306
Other receivables, deposits and prepayments	19	62,488	119,141	134,329	132,117
Restricted deposits	20	4,260	9,152	9,423	18,806
Bank balances and cash	20	75,911	80,378	118,553	206,009
		235,964	367,819	390,052	478,340
Current liabilities					
Trade payables	21	105,668	135,369	68,293	120,682
Other payables and accruals	22	40,575	37,140	58,396	54,553
Tax liabilities		42	39	24	3
Borrowings and lease liabilities	24	133,157	220,033	400,878	500,850
Contract liabilities	23	9,871	4,228	1,498	1,301
		289,313	396,809	529,089	677,389
Net current liabilities		(53,349)	(28,990)	(139,037)	(199,049)
Total assets less current liabilities		340,430	544,270	648,728	638,686
Non-current liabilities					
Borrowings and lease liabilities	24	73,899	107,625	161,869	170,519
Financial liabilities at FVTPL	25	256,841	606,533	1,117,083	1,080,666
		330,740	714,158	1,278,952	1,251,185
Net assets (liabilities)		9,690	(169,888)	(630,224)	(612,499)
Capital and reserves					
Paid-up capital/share capital	26	55,000	55,000	54,156	505
Reserves		(45,985)	(224,888)	(684,380)	(613,004)
Equity attributable to owners of the Company		9,015	(169,888)	(630,224)	(612,499)
Non-controlling interests		675	–	–	–
Total equity (deficit)		9,690	(169,888)	(630,224)	(612,499)

STATEMENT OF FINANCIAL POSITION

	NOTES	**At 30 June 2022** *RMB'000*
Non-current asset		
Investment in a subsidiary	*29*	1,063,240
Current asset		
Other receivables and prepayments	*19*	5,375
Current liabilities		
Other payables and accruals	*22*	4,328
Amounts due to subsidiaries	*30*	14,535
		18,863
Net current liabilities		(13,488)
Total assets less current liabilities		1,049,752
Non-current liability		
Financial liabilities at FVTPL	*25*	1,080,666
Net liabilities		(30,914)
Capital and reserves		
Share capital	*26*	505
Reserves	*36*	(31,419)
Total deficit		(30,914)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Paid-up capital/ share capital *RMB'000*	Statutory Surplus reserve *RMB'000* *(note i)*	Other reserves *RMB'000* *(note ii)*	Share-based payments reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2019	55,000	2,561	10,000	–	2,003	69,564	6,344	75,908
Loss and total comprehensive expense for the year	–	–	–	–	(60,187)	(60,187)	(159)	(60,346)
Acquisition of non-controlling interests in subsidiaries *(note 29)*	–	–	(362)	–	–	(362)	(5,510)	(5,872)
Transfer to statutory surplus reserve	–	494	–	–	(494)	–	–	–
At 31 December 2019	55,000	3,055	9,638	–	(58,678)	9,015	675	9,690
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	(177,302)	(177,302)	175	(177,127)
Acquisition of non-controlling interest in a subsidiary *(note 29)*	–	–	(1,601)	–	–	(1,601)	(850)	(2,451)
Transfer to statutory surplus reserve	–	291	–	–	(291)	–	–	–
At 31 December 2020	55,000	3,346	8,037	–	(236,271)	(169,888)	–	(169,888)
Loss and total comprehensive expense for the year	–	–	–	–	(448,702)	(448,702)	–	(448,702)
Effect of Series D-3 Capital Transfer (as defined and detailed in note 25(ii))	(844)	–	(10,790)	–	–	(11,634)	–	(11,634)
Transfer to statutory surplus reserve	–	2,402	–	–	(2,402)	–	–	–
At 31 December 2021	54,156	5,748	(2,753)	–	(687,375)	(630,224)	–	(630,224)

	Attributable to owners of the Company							
	Paid-up capital/ share capital	**Statutory Surplus reserve**	**Other reserves**	**Share-based payments reserve**	**Retained profits/ (accumulated losses)**	**Subtotal**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* *(note i)*	*RMB'000* *(note ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loss and total comprehensive expense for the period	–	–	–	–	(5,830)	(5,830)	–	(5,830)
Effect of reorganization *(note 2)*	(54,156)	–	54,156	–	–	–	–	–
Allotment on 19 January 2022 *(note 26(ii))*	366	–	(366)	–	–	–	–	–
Allotment on 25 March 2022 *(note 26(iv))*	144	–	(144)	–	–	–	–	–
Redesignated as preferred shares on 28 March 2022 *(note 26(v))*	(5)	–	5	–	–	–	–	–
Recognition of equity-settled share-based payments *(note 37)*	–	–	–	23,555	–	23,555	–	23,555
At 30 June 2022	505	5,748	50,898	23,555	(693,205)	(612,499)	–	(612,499)
At 1 January 2021	55,000	3,346	8,037	–	(236,271)	(169,888)	–	(169,888)
Loss and total comprehensive expense for the period	–	–	–	–	(268,137)	(268,137)	–	(268,137)
Effect of Series D-3 Capital Transfer (as defined and detailed in *note 25(ii)*)	(844)	–	(10,790)	–	–	(11,634)	–	(11,634)
At 30 June 2021 (unaudited)	54,156	3,346	(2,753)	–	(504,408)	(449,659)	–	(449,659)

Notes:

i Pursuant to the relevant laws in the People's Republic of China (the "PRC"), a company established in the PRC is required to transfer 10% of its profit after tax per its financial statements to the statutory surplus reserve. The statutory surplus reserve is discretionary until the reserve balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the company.

ii The other reserves mainly represent the capital premium over the amount of registered capital injected by the equity owners of LX Technology (Shenzhen) Co., Ltd. (previously known as Shenzhen LX Rental Service Co., Ltd.) ("LX Technology") other than those investors of Series of Investments (as defined and detailed in notes 2 and 25), the effect arising from acquisition of non-controlling interests in subsidiaries, Series D-3 Capital Transfer (as defined and detailed in note 25(ii)) and the Group Reorganization (as defined and detailed in note 2) and the ordinary shares allotted and issued to employee incentive platforms of the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
OPERATING ACTIVITIES					
Loss before tax	(67,202)	(174,963)	(446,271)	(267,850)	(7,105)
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets	82,239	131,209	193,343	85,910	112,173
Fair value change of financial liabilities at FVTPL	10,077	189,692	433,916	278,230	(36,417)
Finance costs	11,998	19,106	36,301	14,580	21,995
Impairment losses under expected credit loss model, net of reversal	2,099	2,071	1,970	1,122	2,921
Interest income	(262)	(560)	(669)	(395)	(182)
Write-down (reversal of write-down) of inventories	956	1,113	(1,012)	(314)	(219)
Share-based payments expense	–	–	–	–	23,555
Unrealised exchange gain	–	–	–	–	(508)
Operating cash flows before movements in working capital	39,905	167,668	217,578	111,283	116,213
(Increase) decrease in inventories	(5,316)	(30,695)	131,966	44,440	29,141
(Increase) decrease in trade and lease receivables	(28,836)	8,180	(18,303)	(8,309)	(7,787)
(Increase) decrease in other receivables, deposits and prepayments	(47,829)	(55,546)	(2,779)	(52,697)	8,047
Increase (decrease) in trade payables	68,756	29,701	(67,076)	(15,477)	52,389
Increase (decrease) in other payables and accruals	22,639	(3,435)	20,312	10,798	(3,712)
Increase (decrease) in contract liabilities	9,286	(5,643)	(2,729)	30,233	(197)
Cash generated from operations	58,605	110,230	278,969	120,271	194,094
Income tax refund (paid)	59	(296)	(189)	(145)	(1,188)
NET CASH FROM OPERATING ACTIVITIES	58,664	109,934	278,780	120,126	192,906

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
INVESTING ACTIVITIES					
Interest received	262	560	669	395	182
Purchase of property, plant and equipment	(209,341)	(308,462)	(439,541)	(262,039)	(166,739)
Deposits paid for acquisition of property, plant and equipment	(2,270)	(4,461)	(1,773)	(440)	(1,221)
Placement of restricted deposits	(10,702)	(12,178)	(19,731)	(10,326)	(6,643)
Withdrawal of restricted deposits	–	4,423	9,402	3,273	2,526
Placement of rental deposits	(1,731)	(196)	(366)	(336)	(292)
Withdrawal of rental deposits	2	332	366	334	253
NET CASH USED IN INVESTING ACTIVITIES	(223,780)	(319,982)	(450,974)	(269,139)	(171,934)
FINANCING ACTIVITIES					
Interest paid	(11,872)	(18,927)	(36,606)	(14,885)	(21,029)
Repayments of borrowings	(108,033)	(195,528)	(376,092)	(152,009)	(263,827)
Repayments of lease liabilities	(5,097)	(7,214)	(8,421)	(3,945)	(4,764)
New borrowings raised	193,159	278,635	567,871	262,591	355,588
Acquisition of non-controlling interests in subsidiaries	(5,872)	(2,451)	–	–	–
Proceeds from issue of financial liabilities at FVTPL	168,500	160,000	65,000	60,000	473,134
Payments for capital reduction of LX Technology *(note 2)*	–	–	–	–	(473,134)
Payments of [REDACTED] for financial liabilities at FVTPL	(1,722)	–	–	–	–
Payments of accrued [REDACTED]	–	–	[REDACTED]	–	[REDACTED]
NET CASH FROM FINANCING ACTIVITIES	229,063	214,515	210,369	151,752	62,789
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,947	4,467	38,175	2,739	83,761
CASH AND CASH EQUIVALENTS AT 1 JANUARY	11,964	75,911	80,378	80,378	118,553
Effect of foreign exchange rate changes	–	–	–	–	3,695
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, represented by bank balances and cash	75,911	80,378	118,553	83,117	206,009

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2022. The addresses of the Company's registered office and principal place of business are disclosed in the section headed "Corporate Information" in the Document.

The Company is an investment holding company and the Company became the holding company of the entities now comprising the Group upon completion of the Group Reorganization as defined and detailed in note 2. The entities set out in note 29 now comprising the Group are engaged in provision of device subscription services, information technology ("IT") technical subscription services and device recycling business.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB and the conventions applicable for group reorganization.

Prior to the group reorganization as more fully explained in the section "History, Reorganization and Corporate Structure" of the Document and detailed below (the "Group Reorganisation"), LX Technology is the holding company of all the operating companies now comprising the Group. In preparation for the [**REDACTED**] of the Company's shares on the Stock Exchange, the companies now comprising the Group underwent a Group Reorganization as described below and the major steps of the Group Reorganization include the following:

Incorporation of the Company

On 10 January 2022, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, the authorized share capital of the Company was HK$7,600,000 divided into 760,000,000 shares of a par value of HK$0.01 each, among which one ordinary share was issued and allotted at par to an initial independent subscriber, which was transferred to Bear Family Technology Limited ("Bear Family") at par on 10 January 2022. On 19 January 2022, a total of 44,777,900 ordinary shares were issued and allotted of which, 27,817,613, 7,568,442, 5,329,380, 3,461,307 and 601,158 ordinary shares were issued and allotted to Bear Family, Little Bear Technology Limited ("Little Bear"), Charlie Bear Technology Limited ("Charlie Bear"), Gold Bear Technology Limited ("Gold Bear") and Trinity Limited ("Hesheng BVI"), respectively, which are investment holding companies held by certain equity owners of LX Technology, as part of the Group Reorganization.

The 601,158 ordinary shares held by Hesheng BVI, as designated by one of the Capital Reduction Parties as defined below, were redesignated as the Series D-2 preferred shares on 28 March 2022.

Incorporation of Bear Technology Group Limited 小熊科技集團有限公司 ("LX BVI")

LX BVI was incorporated in the British Virgin Islands ("BVI") with limited liability on 10 January 2022. Since the date of its incorporation, LX BVI has been authorized to issue a maximum of 50,000 shares of one class with a par value of US$1.00 each. On 19 January 2022, one ordinary share of LX BVI was allotted and issued, credited as fully paid at par to the Company as the sole shareholder. LX BVI is an intermediate holding company of the Group in BVI.

Incorporation of LX Technology (Hong Kong) Group Limited 凌雄科技集團(香港)有限公司 ("LX HK")

LX HK was incorporated in Hong Kong with limited liability on 26 January 2022. On the same day, one ordinary share was issued and allotted at a subscription price of HK$1.00 to its initial subscriber and the aforesaid share was transferred to LX BVI on 28 January 2022 and (ii) 9,999 shares were issued and allotted to LX BVI at a subscription price of HK$9,999. LX HK is an intermediate holding company of the Group in Hong Kong.

Reduction of Registered Capital of LX Technology

Prior to the Group Reorganization, several rounds of investments were made in LX Technology by various pre-[**REDACTED**] investors and fully settled, including Series A investment, Series B investment, Series C investment, Series D-1 investment, Series D-2 investment and Series D-3 investment (collectively defined as "Series of Investments"), as detailed in note 25.

On 9 February 2022, as part of the Group Reorganization, LX Technology and the then existing equity owners of LX Technology entered into a capital reduction agreement, pursuant to which the respective registered capital contributed by the pre-[**REDACTED**] investors (collectively referred to as the "Capital Reduction Parties") in LX Technology (the "Capital Reduction") was repurchased by LX Technology at the consideration equivalent to respective considerations paid by these pre-[**REDACTED**] investors when they subscribed for the registered capital of LX Technology at the relevant time.

As a result, the registered capital of LX Technology was reduced from RMB106,607,146 to RMB54,155,565 and it was owned as to approximately 54.8% by Mr. Hu Zuoxiong, 25.4% by Shenzhen Hongyang Investment Partnership (LLP) (深圳市泓陽投資合夥企業(有限合夥)) ("Hongyang Investment") and 19.8% by Shenzhen LX Investment Partnership (LLP) (深圳市凌雄投資合夥企業(有限合夥)) ("LX Investment"), who are the registered equity owners of LX Technology other than the pre-[**REDACTED**] investors of the Series of Investments as set out in note 25.

The consideration for the Capital Reduction amounting to RMB473,134,000 was used by the relevant Capital Reduction Parties to subscribe for the Series A preferred shares, the Series B preferred shares, the Series C preferred shares, the Series D-1 preferred shares, the Series D-2 preferred shares and the Series D-3 preferred shares issued by the Company (collectively referred as "Preferred Shares") and the consideration has been fully settled during the six months ended 30 June 2022.

Hesheng BVI, an offshore affiliated entity designated by Shanghai Hesheng Corporate Management Service Centre (LLP) (上海合聖企業管理服務中心(有限合夥)), a Series D-2 Investor in LX Technology and one of the Capital Reduction Parties, subscribed for 601,158 ordinary shares of the Company. Such ordinary shares were redesignated as the Series D-2 Preferred Shares on 28 March 2022.

Conversion of LX Technology to a sino-foreign joint venture enterprise

On 16 February 2022, Hongyang Investment and Vulcan Investment Company Limited ("**Vulcan**"), an independent third party, entered into an equity transfer agreement, pursuant to which Vulcan agreed to acquire 1% of the equity interest in LX Technology from Hongyang Investment at a total consideration of RMB5,450,000 and was fully settled in cash on 25 February 2022 (the "**Vulcan Investment**"). Vulcan became an equity owner of LX Technology on 16 February 2022.

Subscription of shares of the Company by the Capital Reduction Parties and share transfer of Vulcan

In order to reflect the then shareholding structure of LX Technology immediately prior to the Capital Reduction and taking into account the Vulcan Investment, an aggregate of 48,599,654 Preferred Shares of various classes of the Company were allotted and issued to the Capital Reduction Parties' respective affiliates with a total consideration of RMB473,134,000 and 507,992 ordinary shares of the Company were transferred from Little Bear to Vulcan and the consideration has been fully settled during the six months ended 30 June 2022.

Acquisition of LX Technology by LX HK

On 28 February 2022, LX HK and the then existing shareholders of LX Technology, namely, Mr. Hu Zuoxiong, Hongyang Investment, LX Investment and Vulcan entered into an equity transfer agreement, pursuant to which LX HK agreed to acquire the entire equity interests in LX Technology at a total consideration of approximately RMB61,196,000, which was made reference to the registered capital of LX Technology after the Capital Reduction. The registration of alternation was completed on 22 March 2022 and LX Technology became wholly owned by LX HK.

After completion of the above steps, the Company became the holding company of the companies now comprising the Group on 22 March 2022.

As the shares are proportionately issued to the shareholders of the Company upon completion of the Group Reorganization, which involves interspersing the Company, LX BVI and LX HK between LX Technology and its shareholders, the Group comprising of the Company, LX BVI, LX HK, LX Technology and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity throughout the Track Record Period, regardless of the actual date when they legally form part of the Group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of LX Technology throughout the Track Record Period.

The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 have been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group as if the Company had always been the holding company of LX Technology at those dates.

As at 30 June 2022, the Group had net current liabilities and net liabilities of RMB199,049,000 and RMB612,499,000, respectively. The net liabilities primarily arises from the Preferred Shares as detailed in note 25 issued by the Company classified as financial liabilities at FVTPL amounting RMB1,080,666,000 as at 30 June 2022.

Notwithstanding the above, the Historical Financial Information has been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

i. The borrowings facilities for the Group's working capital requirements for the next twelve months from the date of this report will be available as and when required, having regard to the following:

   - Up to 30 September 2022, the Group has successfully raised new borrowings or renewed the existing borrowings total amounting to approximately RMB131,843,000. The directors of the Company are in the opinion that the bank facilities of the Group will be renewed upon or before the maturity dates after considering the Group's positive relationships with the external financiers, on-going loan covenants compliance and past experience with them; and

   - As at 30 September 2022, the Group has unutilized borrowings facilities of approximately RMB153,648,000.

ii. The directors of the Company have assessed the terms of the financial liabilities at FVTPL and concluded that these financial liabilities at FVTPL are not redeemable in the next twelve months from the date of this report.

iii. The Group has prepared a working capital forecast for the next twelve months from the date of this report which shows that the Group will continue generating net cash inflows from operating activities during forecast period.

Having taken into account the above, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from the date of this report. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, International Accounting Standards ("IASs") and the related interpretations issued by the IASB that are effective for the accounting period beginning on 1 January 2022 throughout the Track Record Period, except that the Group has adopted IFRS 16 *Leases* ("IFRS 16") since 1 January 2019. The accounting policies for leases under IFRS 16 are set out in note 4 below.

IFRS 16 "Leases"

Transition and summary of effects arising from initial application of IFRS 16

On 1 January 2019, the Group has applied IFRS 16. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations. The Group applied IFRS 16 in accordance with the transition provisions of IFRS 16.

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognized in the opening retained profits as at 1 January 2019.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

As at 1 January 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by relevant group entities is 6.4%.

	As at 1 January 2019 *RMB'000*
Operating lease commitments as at 1 January 2019	16,914
Recognition exemption for short-term leases	(892)
	16,022
Discounting effect using the incremental borrowing rate as at 1 January 2019	(2,709)
Lease liabilities recognized as at 1 January 2019	13,313
Analysed as	
– current	2,062
– non-current	11,251
	13,313

The right-of-use assets as at 1 January 2019 represented leased properties with the carrying amount of RMB13,313,000. The transition to IFRS 16 did not have impact on the Group's retained profits at 1 January 2019.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application on 1 January 2019.

- Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognized as income on straight-line basis over the extended lease term.

- Effective on 1 January 2019, the Group has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the Historical Financial Information of the Group for the year ended 31 December 2019.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

During the Track Record Period, the Group entered into sale and leaseback transactions in relation to certain equipment for subscription and the transactions do not satisfy the requirements as sales. Accordingly, the Group accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs described below, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Group's consolidated financial statements in the foreseeable future.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

As at 30 June 2022, the Group's financial liabilities at FVTPL consist of the Company's Preferred Shares and the Preferred Shares will be converted into ordinary shares of the Company upon completion of a Qualified [**REDACTED**] (as defined and detailed in note 25) that do not meet equity instruments classification by applying *IAS 32 Financial Instruments: Presentation*. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The financial liabilities at FVTPL with carrying amount of RMB1,080,666,000 as at 30 June 2022 are classified as non-current as set out in Note 25. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments that do not meet equity instruments classification also constitute settlement of the instruments. The financial liabilities at FVTPL amounting to RMB1,080,666,000 would continue to be classified as non-current.

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4 to the Historical Financial Information, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

As at 30 June 2022, the carrying amount of right-of-use assets and lease liabilities of lease transactions which the tax deductions are attributable to the lease liabilities, are RMB15,740,000 and RMB17,858,000, respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of accumulated losses at the beginning of the earliest comparative period presented. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* ("IFRS 2"), leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the entities now comprising the Group. Control is achieved when the Group:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment and right-of-use assets", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities in "borrowings and lease liabilities" on the consolidated statements of financial position.

Lease modifications

The Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Lease income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognize the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employment benefits

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for rental, use in provision of services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and lease receivables, other receivables, rental deposits, restricted deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade and lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For provision matrix assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and lease receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by group entities are recognized at the proceeds received, net of direct [**REDACTED**].

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

The financial liabilities at FVTPL represented Series of Investments in LX Technology and Preferred Shares issued by the Company, which contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The warrants ("Warrants") issued by the Company which are classified as derivatives are initially recognized at fair value at the date when the contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Fair values of the Group's financial liabilities at FVTPL are determined in the manner described in note 25.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, borrowings and amounts due to subsidiaries, are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of the financial liabilities at FVTPL

LX Technology has completed the Series of Investments before and during the Track Record Period and the Company has issued the Preferred Shares and Warrants to the investors during the six months ended 30 June 2022 as set out in note 25. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments as at 31 December 2019, 2020 and 2021 and 30 June 2022 is established by using valuation techniques, which include back-solve, discounted cash flow and equity allocation based on the Black-Scholes option pricing model involving various parameters and inputs. Valuation techniques adopted by an independent qualified professional valuer are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as possibilities under different scenarios, such as qualified [**REDACTED**], redemption, liquidation, and other inputs, such as time to liquidation, discount rate, risk-free interest rate, and expected volatility value, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 was approximately RMB256,841,000, RMB606,533,000, RMB1,117,083,000 and RMB1,080,666,000, respectively and details are set out in note 25.

Useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives of property, plant and equipment are different from previous estimation. Useful lives are reviewed, at the end of each reporting period, based on changes in circumstances. The carrying amount of the property, plant and equipment of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 is approximately RMB327,840,000, RMB512,526,000, RMB735,165,000 and RMB794,262,000, respectively.

6. SEGMENT INFORMATION AND REVENUE

Segment Information

Information reported to the management of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's segment revenue and the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

(1) Recycling business

(2) Device subscription services

For year ended 31 December 2019

	Device subscription services *RMB'000*	**Recycling business** *RMB'000*	**Total** *RMB'000*
Device recycling income	–	302,844	302,844
Device subscription services			
– Short-term device subscription *(note 6(i))*	13,650	–	13,650
– Long-term device subscription *(note 6(iv))*	68,435	–	68,435
IT technical subscription services	115,410	–	115,410
	197,495	302,844	500,339

For year ended 31 December 2020

	Device subscription services *RMB'000*	**Recycling business** *RMB'000*	**Total** *RMB'000*
Device recycling income	–	765,197	765,197
Device subscription services			
– Short-term device subscription *(note 6(i))*	26,511	–	26,511
– Long-term device subscription *(note 6(iv))*	117,336	–	117,336
IT technical subscription services	113,125	–	113,125
	256,972	765,197	1,022,169

For year ended 31 December 2021

	Device subscription services *RMB'000*	**Recycling business** *RMB'000*	**Total** *RMB'000*
Device recycling income	–	924,408	924,408
Device subscription services			
– Short-term device subscription *(note 6(i))*	48,043	–	48,043
– Long-term device subscription *(note 6(iv))*	217,559	–	217,559
IT technical subscription services	140,392	–	140,392
	405,994	924,408	1,330,402

For the six months ended 30 June 2021 (unaudited)

	Device subscription services *RMB'000*	Recycling business *RMB'000*	Total *RMB'000*
Device recycling income	–	357,806	357,806
Device subscription services			
– Short-term device subscription *(note 6(i))*	17,256	–	17,256
– Long-term device subscription *(note 6(iv))*	97,752	–	97,752
IT technical subscription services	64,112	–	64,112
	179,120	357,806	536,926

For the six months ended 30 June 2022

	Device subscription services *RMB'000*	Recycling business *RMB'000*	Total *RMB'000*
Device recycling income	–	632,117	632,117
Device subscription services			
– Short-term device subscription *(note 6(i))*	27,126	–	27,126
– Long-term device subscription *(note 6(iv))*	123,241	–	123,241
IT technical subscription services	71,529	–	71,529
	221,896	632,117	854,013

Geographical information

The Group operated within one geographical segment during the Track Record Period because all of its revenue is generated in the PRC based on location of goods delivered and services rendered and all of its non-current assets are located in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2021 *RMB'000* *(unaudited)*	2022 *RMB'000*
Customer A *(note)*	N/A*	105,014	N/A*	N/A*	N/A*
Customer B *(note)*	N/A	N/A*	N/A*	N/A*	169,398

Note: Revenue from customers A and B are derived from device recycling income. During the Track Record Period, no other customers contributed over 10% of the total revenue of the Group.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the relevant year/period.

Revenue

(i) ***Disaggregation of revenue from contracts with customers***

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Type of goods or services					
Device recycling income	302,844	765,197	924,408	357,806	632,117
IT technical subscription services	115,410	113,125	140,392	64,112	71,529
Short-term device subscription	13,650	26,511	48,043	17,256	27,126
Total revenue from contracts with customers	431,904	904,833	1,112,843	439,174	730,772
Timing of revenue recognition					
A point in time	302,844	765,197	924,408	357,806	632,117
Over time	129,060	139,636	188,435	81,368	98,655
Total	431,904	904,833	1,112,843	439,174	730,772

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Recycling business	302,844	765,197	924,408	357,806	632,117
Device subscription services	129,060	139,636	188,435	81,368	98,655
Revenue from contracts with customers	431,904	904,833	1,112,843	439,174	730,772
Leases income from device subscription services *(note 6(iv))*	68,435	117,336	217,559	97,752	123,241
Total revenue	500,339	1,022,169	1,330,402	536,926	854,013

(ii) ***Performance obligations for contracts with customers***

The Group de-commissions IT devices from corporate users for selling through external e-commerce platforms or own platform. The device recycling income represents income from sales of the recycled devices and revenue is recognized when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been delivered out to customers' designated locations or picked up by customers. The Group requests a deposit of total consideration from certain customers when they entered into contracts with the Group. Contract liabilities are recognized when the Group receives such deposits from customers before goods are transferred.

Short-term device subscription services are one-time packages to customers with short-term equipment needs for events such as offline large-scale examination, exhibitions, technology conferences, shopping festival or other business activities. The Group provide the IT devices together with on-site services for network set up, maintenance and repairment in case of device failure and timely retrieval of devices upon completion of use of the devices. Such contracts are assessed to be service contracts under IFRS 15 and revenue is recognized over time as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The subscription period is usually less than three months and the revenue is recognized on straight line basis over the subscription term. The customers generally pay one-time service fees with credit term of 0 to 180 days.

Long-term device subscription services include provision of IT devices to customers for a minimum period of six months with a periodic plan. The Group also provide IT technical subscription services coupled with the device subscription services during the subscription period. The contracts of long-term device subscription services are assessed to include both lease (as disclosed in note 6(iv) below) and non-lease components (IT technical subscription services). The customers generally pay subscription fees including the IT technical subscription services monthly or quarterly with credit terms of 0 to 180 days.

Revenue relating to the IT technical subscription services, which primarily include providing stand-ready services to solve problems and repairs and maintenance services in relation to the IT devices and coupled with device subscription services, standalone, or on a project basis, is recognized over time on a straight line basis over the subscription period, as the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the expected timing of recognising revenue are as follows:

At 31 December 2019

	Device recycling income *RMB'000*	**IT technical subscription services** *RMB'000*	**Short-term device subscription services** *RMB'000*
Within one year	9,871	45,796	373
More than one year but not more than two years	–	9,988	–
More than two years	–	1,630	–
	9,871	57,414	373

At 31 December 2020

	Device recycling income *RMB'000*	**IT technical subscription services** *RMB'000*	**Short-term device subscription services** *RMB'000*
Within one year	4,228	55,369	502
More than one year but not more than two years	–	17,561	–
More than two years	–	6,592	–
	4,228	79,522	502

At 31 December 2021

	Device recycling income	IT technical subscription services	Short-term device subscription services
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,498	76,855	630
More than one year but not more than two years	–	29,199	–
More than two years	–	10,764	–
	1,498	116,818	630

At 30 June 2022

	Device recycling income	IT technical subscription services	Short-term device subscription services
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,301	113,251	3,415
More than one year but not more than two years	–	36,396	–
More than two years	–	12,729	–
	1,301	162,376	3,415

(iv) The revenue from long-term device subscription of equipment to the customers with fixed subscription payments for years ended 31 December, 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 amounted to RMB68,435,000, RMB117,336,000, RMB217,559,000, RMB97,752,000 (unaudited) and RMB123,241,000, respectively which represent revenue arising from operating leases under IFRS 16. Subscription deposits are waived as long as the customers met the required credit information and passed the Group's internal risk assessment.

Undiscounted lease payments receivable on leases are as follows:

	At 31 December			At 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	54,772	107,845	157,533	244,108
In the second year	15,494	32,561	59,713	77,414
In the third year	2,008	12,484	20,301	27,235
	72,274	152,890	237,547	348,757

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Bank interest income	262	560	669	395	182
Government subsidies	3,784	10,794	10,672	3,870	5,292
Compensation income from customers	17	1,773	3,520	1,098	3,059
Others	–	444	–	–	–
	4,063	13,571	14,861	5,363	8,533

Government subsidies mainly represent industry-specific subsidies granted by the government authorities with no future related costs to be incurred. There are no unfulfilled conditions relating to such government subsidies recognized.

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on borrowings	10,195	17,393	34,763	13,766	21,370
Interest expenses on lease liabilities	1,803	1,713	1,538	814	625
	11,998	19,106	36,301	14,580	21,995

9. INCOME TAX (CREDIT) EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax:					
PRC Enterprise Income Tax ("EIT")					
Current year	170	293	174	106	7
Deferred tax *(note 16)*	(7,026)	1,871	2,257	181	(1,282)
	(6,856)	2,164	2,431	287	(1,275)

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No Hong Kong profits tax had been provided as there was no business operation that is subject to Hong Kong profits tax during the Track Record Period.

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the taxable income for the reporting period, except for LX Technology, based on the existing legislation, interpretations and practices in respect thereof.

LX Technology, a major operating entity of the Group in the PRC, was qualified as "High and New Technology Enterprises" in October 2017 which was subsequently renewed in December 2020 with a valid period of three years, and therefore LX Technology is entitled to a preferential income tax rate of 15% for the Track Record Period. The latest approval for LX Technology enjoying this tax benefit was obtained in December 2021 for the financial years of 2022, 2023 and 2024.

Certain subsidiaries in the PRC were qualified as "Small Low-profit Enterprise". From 1 January 2019 to 31 December 2021, the first RMB1 million taxable income and the portion of more than RMB1 million but less than RMB3 million taxable income of these qualifying subsidiaries would be reduced to 25% and 50% of the actual taxable income, respectively and such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would be subject the preferential income tax rate of 20%. From 1 January 2022 to 31 December 2024, the qualifying deduction of actual taxable income for first 2 tier taxable income of these qualifying subsidiaries would be reduced to 12.5% and 25% of the actual taxable income, respectively and continue to be subject to the preferential income tax rate of 20%.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year ("Super Deduction"). LX Technology has claimed such Super Deduction in ascertaining its tax assessable profits for the Track Record Period.

The income tax (credit) expense for the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss before tax	(67,202)	(174,963)	(446,271)	(267,850)	(7,105)
Tax at EIT rate of 25%	(16,801)	(43,741)	(111,568)	(66,962)	(1,776)
Tax effect of expenses not deductible for tax purpose	3,842	47,684	109,741	70,060	6,681
Tax effect of income not taxable for tax purpose	–	–	–	–	(9,111)
Tax effect of tax losses not recognized	7,090	356	9,135	1,291	4,471
Utilization of tax losses previously not recognized	–	(971)	–	(1,136)	(127)
Tax effect of Super Deduction	(1,312)	(1,449)	(2,029)	(900)	(1,163)
Tax effect of preferential tax rate	325	441	(2,848)	(2,066)	(250)
Others	–	(156)	–	–	–
Income tax (credit) expense for the year/period	(6,856)	2,164	2,431	287	(1,275)

10. LOSS FOR THE YEAR/PERIOD

Loss for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Auditor's remuneration	224	241	519	12	66
Depreciation of property, plant and equipment and right-of-use assets	82,239	131,209	193,343	85,910	112,173
[**REDACTED**] of financial liabilities at FVTPL included in other expenses	1,722	–	–	–	–
Write-down (reversal of write-down) of inventories *(note)*	956	1,113	(1,012)	(314)	(219)
Cost of inventories recognized as an expense	300,516	707,720	892,608	333,154	615,804
Directors' emoluments *(note 11)*	1,288	2,055	2,340	1,246	6,015
Other staff costs:					
Salaries, allowances and other benefits in kind	86,596	80,617	115,223	48,663	65,326
Retirement benefit scheme contributions	5,369	498	6,813	2,143	4,665
Equity-settled share-based payments expense	–	–	–	–	18,999
	93,253	83,170	124,376	52,052	95,005

Note: During the year ended 31 December 2021 and the six months ended 30 June 2021 and 2022, there was an increase in the net realisable value of certain merchandise goods due to market condition. As a result, a reversal of write-down of RMB1,012,000, RMB314,000 (unaudited) and RMB219,000, respectively has been recognized and included in cost of sales during the year/period.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Executive directors

Details of the emoluments paid or payable to the directors of the Company (including emoluments for the services as directors of LX Technology prior to becoming the directors of the Company) by the group entities during the Track Record Period are as follows:

	Year ended 31 December 2019					
	Date of appointment as director	**Fees**	**Salaries, allowances and benefit in kind**	**Performance related bonus**	**Retirement benefit scheme contributions**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Hu Zuoxiong (Chief executive officer)	10 January 2022	–	600	–	34	634
Mr. Chen Xiuwei	10 January 2022	–	120	–	–	120
Mr. Cao Weijun	10 January 2022	–	458	69	7	534
Total		–	1,178	69	41	1,288

	Year ended 31 December 2020					
	Date of appointment as director	**Fees**	**Salaries, allowances and benefit in kind**	**Performance related bonus**	**Retirement benefit scheme contributions**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Hu Zuoxiong (Chief executive officer)	10 January 2022	–	585	–	3	588
Mr. Chen Xiuwei	10 January 2022	–	920	–	1	921
Mr. Cao Weijun	10 January 2022	–	508	37	1	546
Total		–	2,013	37	5	2,055

	Year ended 31 December 2021					
	Date of appointment as director	**Fees**	**Salaries, allowances and benefit in kind**	**Performance related bonus**	**Retirement benefit scheme contributions**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Hu Zuoxiong (Chief executive officer)	10 January 2022	–	614	35	39	688
Mr. Chen Xiuwei	10 January 2022	–	976	40	16	1,032
Mr. Cao Weijun	10 January 2022	–	573	38	9	620
Non-executive director:						
Mr. Li Jing	28 March 2022	–	–	–	–	–
Total		–	2,163	113	64	2,340

	For the six months ended 30 June 2021 (unaudited)					
	Date of appointment as director	**Fees**	**Salaries, allowances and benefit in kind**	**Performance related bonus**	**Retirement benefit scheme contributions**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:						
Mr. Hu Zuoxiong (Chief executive officer)	10 January 2022	–	314	35	18	367
Mr. Chen Xiuwei	10 January 2022	–	496	40	8	544
Mr. Cao Weijun	10 January 2022	–	293	38	4	335
Non-executive director:						
Mr. Li Jing	28 March 2022	–	–	–	–	–
Total		–	1,103	113	30	1,246

		For the six months ended 30 June 2022					
	Date of appointment as director	Fees	Salaries, allowances and benefit in kind	Performance related bonus	Equity-settled share-based payments expense	Retirement benefit scheme contributions	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:							
Mr. Hu Zuoxiong (Chief executive officer)	10 January 2022	–	300	100	2,712	22	3,134
Mr. Chen Xiuwei	10 January 2022	–	480	176	1,844	9	2,509
Mr. Cao Weijun	10 January 2022	–	273	94	–	5	372
Non-executive director:							
Mr. Li Jing	28 March 2022	–	–	–	–	–	–
Total		–	1,053	370	4,556	36	6,015

Mr. Li Jing was a director of LX Technology in 2021 prior to being appointed as an non-executive director of the Company on 28 March 2022 and no emoluments were paid to him during the Track Record Period.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of entities now comprising the Group.

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of director has waived or agreed to waive any emoluments during the Track Record Period.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 included two executive directors, details of whose remuneration are set out in note 11 above. The emoluments of the remaining three highest paid employees of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	1,944	1,964	2,336	1,206	1,138
Retirement benefit scheme contributions	88	24	95	45	35
Equity-settled share-based payments expense	–	–	–	–	8,298
	2,032	1,988	2,431	1,251	9,471

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
Nil to HK$1,000,000	3	3	3	3	–
HK$2,500,001 to HK$3,000,000	–	–	–	–	2
HK$5,500,001 to HK$6,000,000	–	–	–	–	1
Total	3	3	3	3	3

During the Track Report Period, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend was declared or paid by the Company's subsidiaries in respect of the Track Record Period, and no dividend was paid or declared by the Company since its incorporation, nor any dividend been proposed since the end of the Track Report Period.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss for the year/period attributable to owners of the Company for the purpose of basic loss per shares	(60,187)	(177,302)	(448,702)	(268,137)	(5,830)
Effect of dilutive potential loss in respect of financial liabilites at FVTPL	–	–	–	–	(36,417)
Loss for the purposes of diluted loss per share	(60,187)	(177,302)	(448,702)	(268,137)	(42,247)

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Number of shares					
Weighted average number of ordinary shares for the purpose of basic loss per share	121,137,068	121,137,068	120,189,303	121,116,517	119,277,206
Effect of dilutive potential ordinary shares:					
– Financial liabilites at FVTPL	–	–	–	–	132,842,193
Weighted average number of ordinary shares for the purpose of diluted loss per share	121,137,068	121,137,068	120,189,303	121,116,517	252,119,399

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Group Reorganization as disclosed in note 2 and the Capitalization Issue (as defined and detailed in note 38(b)) had been effected since 1 January 2019, and without taking into account the [**REDACTED**] shares (after the effect of Capitalization Issue) held by LX Brothers Technology Limited and Beauty Bear Technology Limited for employee incentive platforms of the Group.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021, the Series of Investments in LX Technology (note 25) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 are the same as basic loss per share for the respective year/period. For the six months ended 30 June 2022, share options (note 37) and restricted share award (note 37) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

15. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Leased properties *RMB'000*	Equipment for subscription *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
At 1 January 2019	13,313*	254,355	1,191	2,659	568	272,086
Additions	25,132	233,989	1,208	600	4,632	265,561
Disposal/written off	–	–	(12)	–	(17)	(29)
Transfer to inventories	–	(30,260)	–	–	–	(30,260)
Modification	(2,838)	–	–	–	–	(2,838)
At 31 December 2019	35,607	458,084	2,387	3,259	5,183	504,520
Additions	1,328	350,556	3,787	6	318	355,995
Disposal/written off	–	–	(19)	–	(124)	(143)
Transfer to inventories	–	(94,287)	–	–	–	(94,287)
Modification	(2,164)	–	–	–	–	(2,164)
At 31 December 2020	34,771	714,353	6,155	3,265	5,377	763,921
Additions	6,064	486,175	1,852	539	1,982	496,612
Disposal/written off	–	–	(129)	–	(523)	(652)
Transfer to inventories	–	(159,537)	–	–	–	(159,537)
Modification	(3,717)	–	–	–	–	(3,717)
At 31 December 2021	37,118	1,040,991	7,878	3,804	6,836	1,096,627
Additions	1,459	202,819	60	49	76	204,463
Disposal/written off	–	(36,731)	(119)	(68)	(1,031)	(37,949)
Transfer to inventories	–	(46,688)	–	–	–	(46,688)
Modification	(940)	–	–	–	–	(940)
At 30 June 2022	37,637	1,160,391	7,819	3,785	5,881	1,215,513
DEPRECIATION						
At 1 January 2019	–	79,285	666	518	117	80,586
Provided for the year	6,867	73,741	398	554	679	82,239
Eliminated on disposal/written off	–	–	(11)	–	(17)	(28)
Eliminated on transfer to inventories	–	(14,857)	–	–	–	(14,857)
Eliminated on modification	(313)	–	–	–	–	(313)
At 31 December 2019	6,554	138,169	1,053	1,072	779	147,627
Provided for the year	7,778	120,208	787	633	1,803	131,209
Eliminated on disposal/written off	–	–	(18)	–	(124)	(142)
Eliminated on transfer to inventories	–	(47,738)	–	–	–	(47,738)
Eliminated on modification	(1,469)	–	–	–	–	(1,469)
At 31 December 2020	12,863	210,639	1,822	1,705	2,458	229,487
Provided for the year	8,732	180,745	1,135	696	2,035	193,343
Eliminated on disposal/written off	–	–	(61)	–	(523)	(584)
Eliminated on transfer to inventories	–	(76,307)	–	–	–	(76,307)
Eliminated on modification	(3,220)	–	–	–	–	(3,220)

	Leased properties *RMB'000*	Equipment for subscription *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
At 31 December 2021	18,375	315,077	2,896	2,401	3,970	342,719
Provided for the period	4,462	105,751	528	323	1,109	112,173
Eliminated on disposal/written off	–	(18,272)	(100)	(67)	(1,031)	(19,470)
Eliminated on transfer to inventories	–	(28,971)	–	–	–	(28,971)
Eliminated on modification	(940)	–	–	–	–	(940)
At 30 June 2022	21,897	373,585	3,324	2,657	4,048	405,511
CARRYING VALUE						
At 31 December 2019	29,053	319,915	1,334	2,187	4,404	356,893
At 31 December 2020	21,908	503,714	4,333	1,560	2,919	534,434
At 31 December 2021	18,743	725,914	4,982	1,403	2,866	753,908
At 30 June 2022	15,740	786,806	4,495	1,128	1,833	810,002

* After the adjustments upon application of IFRS 16 as disclosed in note 3, the leased properties amounted to RMB13,313,000 are recognized as right-of-use assets.

The above items of property, plant and equipment, after taking into account the residual values, where applicable, are depreciated on a straight-line basis at the following rates per annum:

Leased properties	Over the lease terms of the leased properties
Equipment for subscription	20%-33.3%
Office equipment	20%-33.3%
Motor vehicles	20%-33.3%
Leasehold improvement	20% or the lease terms of the leased properties, whichever is shorter

The Group leases out the equipment for subscription included within property, plant and equipment under operating leases. The leases typically run for an initial period of few days to 3 years during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022. None of the leases includes variable lease payments.

The Group as lessee

Right-of-use assets (included in the property, plant and equipment and right-of-use assets)

	Leased properties
	RMB'000
Carrying amount	
At 31 December 2019	29,053
At 31 December 2020	21,908
At 31 December 2021	18,743
At 30 June 2022	15,740
Depreciation charge	
For the year ended 31 December 2019	6,867
For the year ended 31 December 2020	7,778
For the year ended 31 December 2021	8,732
For the six months ended 30 June 2021 (unaudited)	4,329
For the six months ended 30 June 2022	4,462

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	918	107	25	25	–
Total cash outflow for leases	7,818	9,034	9,984	4,784	5,389
Additions to right-of-use assets	25,132	1,328	6,064	5,648	1,459

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group leases offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters and office equipment in 2019, 2020 and 2021. As at 31 December 2019, 2020 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in above. The Group has no short-term leases as at 30 June 2022.

During the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, the Group has entered into new and has renewed lease agreements for the use of offices and warehouses ranging from 1 year to 6 years. On the lease commencement or lease renewal, the Group recognized right-of-use assets of RMB25,132,000, RMB1,328,000, RMB6,064,000, RMB5,648,000 (unaudited) and RMB1,459,000 and a corresponding adjustment of the same amount to lease liabilities during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively. In addition, the Group terminated certain lease arrangement which constituted lease modifications. The reduction of the Group's lease liabilities of RMB2,635,000, RMB733,000, RMB574,000, RMB574,000 (unaudited) and nil and a corresponding adjustment of the right-of-use assets of RMB2,525,000, RMB695,000, RMB497,000, RMB497,000 (unaudited) and nil were recognized and result in gain on modification of RMB110,000, RMB38,000, RMB77,000, RMB77,000 (unaudited) and nil recognized in profit or loss during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively.

Details of the lease maturity analysis of lease liabilities are set out in notes 24(b) and 32(b).

16. DEFERRED TAX ASSETS

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	9,609	7,738	5,481	6,763

The following are the major deferred tax assets recognized and movements thereon during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

	Unrealized profit	**ECL provision**	**Write-down of inventories**	**Tax losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	2,109	474	–	–	2,583
(Charge) credit to profit or loss	(726)	163	239	7,350	7,026
At 31 December 2019	1,383	637	239	7,350	9,609
(Charge) credit to profit or loss	(473)	248	278	(1,924)	(1,871)
At 31 December 2020	910	885	517	5,426	7,738
(Charge) credit to profit or loss	(191)	385	(253)	(2,198)	(2,257)
At 31 December 2021	719	1,270	264	3,228	5,481
(Charge) credit to profit or loss	(163)	602	(55)	898	1,282
At 30 June 2022	556	1,872	209	4,126	6,763

At the end of each reporting period, the Group has unused tax losses of approximately RMB70,596,000, RMB68,286,000, RMB89,983,000 and RMB113,072,000, respectively available for offset against future profits. A deferred tax asset has been recognized in respect of RMB36,021,000, RMB36,171,000, RMB21,330,000 and RMB27,043,000, respectively of such losses and no deferred tax asset has been recognized in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognized tax losses as at 31 December 2019, 2020 and 2021 and 30 June 2022 of RMB34,575,000, RMB32,115,000, RMB68,653,000 and RMB86,029,000, respectively, will be carried forward and expired in next 5 years from the respective year/period end dates.

17. INVENTORIES

	At 31 December			At 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise goods	45,947	122,041	74,307	63,102

18. TRADE AND LEASE RECEIVABLES

	At 31 December			At 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and lease receivables				
– third parties	49,264	39,678	57,052	63,207
– related parties	706	1,104	2,033	3,665
	49,970	40,782	59,085	66,872
Less: allowance for credit losses	(2,612)	(3,675)	(5,645)	(8,566)
	47,358	37,107	53,440	58,306

As at 1 January 2019, trade and lease receivables amounted to RMB19,164,000.

The following is an aged analysis of trade and lease receivables, net of allowance for credit losses, presented based on the invoice dates at the end of each reporting period:

	At 31 December			At 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-30 days	31,450	17,852	30,605	36,602
31-60 days	6,830	6,367	7,557	3,344
61-90 days	1,222	4,741	5,137	5,509
91-180 days	3,413	2,518	7,326	7,803
181-365 days	3,454	3,386	691	3,897
Over 365 days	989	2,243	2,124	1,151
	47,358	37,107	53,440	58,306

As at 31 December 2019, 2020 and 2021 and 30 June 2022, included in the Group's trade and lease receivables balance are debtors with aggregate carrying amount of RMB20,565,000, RMB17,146,000, RMB21,688,000 and RMB17,127,000 which are past due as at the respective reporting date. Out of the past due balances, RMB10,954,000, RMB7,295,000, RMB11,672,000 and RMB7,539,000 has been past due over 90 days and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

Details of impairment assessment of trade and lease receivables are set out in note 32(b).

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for operating expenses	29,675	59,618	34,701	27,158
Rental deposits	2,204	2,068	2,068	2,107
Advances to suppliers	626	1,065	3,796	345
Value-added tax receivables	42,752	68,943	85,120	90,538
Other deposits paid	3,341	2,131	10,317	8,648
Deferred [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]
Others	1,585	1,768	2,370	2,728
	80,183	135,593	[**REDACTED**]	[**REDACTED**]
Represented by:				
– *Non-current*	17,695	16,452	6,370	4,782
– *Current*	62,488	119,141	134,329	132,117
	80,183	135,593	140,699	136,899
– *third parties*	72,177	88,815	113,381	116,285
– *related parties (note)*	8,006	46,778	27,318	20,614
	80,183	135,593	140,699	136,899

Note: The Group has prepaid for certain operating expenses, including marketing and promotion services, maintenance services and logistics services, and purchase deposits to its related parties at the end of each reporting period for those transactions disclosed in note 35.

The Company

	At 30 June
	2022
	RMB'000
Deferred [**REDACTED**]	[**REDACTED**]

Details of impairment assessment of other receivables and deposits are set out in note 32(b).

20. BANK BALANCES AND CASH/RESTRICTED DEPOSITS

Bank balances as at 31 December 2019, 2020 and 2021 and 30 June 2022 carry interest at market rates which range from 0.3% to 1.5% per annum and the restricted deposits carry fixed interest rate of 0.3% per annum.

Restricted deposits amounting to RMB11,572,000, RMB18,327,000, RMB28,656,000 and RMB32,773,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively represented the secure deposits paid for borrowings granted to the Group and will be released upon repayment of borrowings. Restricted deposits amounting to RMB1,000,000, RMB1,000,000 and RMB1,000,000 as at 31 December 2020 and 2021 and 30 June 2022, respectively represented the deposits paid to a bank for letter of guarantee and will be released after 31 December 2023.

Of the total restricted deposits, RMB7,312,000, RMB10,175,000, RMB20,233,000 and RMB14,967,000 which are not expected to be released within 12 months from the respective reporting dates are presented under non-current assets as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

Details of impairment assessment of bank balances and restricted deposits are set out in note 32(b).

21. TRADE PAYABLES

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Third parties	41,098	60,784	54,637	108,974
Related parties	64,570	74,585	13,656	11,708
	105,668	135,369	68,293	120,682

The credit period on trade payables ranges from 0 to 90 days. The aging analysis of the Group's trade payables based on the invoice dates at the end of each reporting period are as follows:

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	73,855	78,948	52,548	92,501
6 – 12 months	27,331	14,083	1,167	25,809
Over 1 year	4,482	42,338	14,578	2,372
	105,668	135,369	68,293	120,682

22. OTHER PAYABLES AND ACCRUALS

The Group

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued staff costs and retirement benefit scheme contributions	17,183	14,943	24,382	22,636
Advance from leasing customers under device subscription service	11,220	12,562	18,002	19,818
Other tax payables	5,276	2,625	5,463	924
Secured and other deposits received	3,742	3,298	3,951	4,784
Accrued expenses	2,054	3,425	2,041	1,463
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Accrued [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]
Others	1,100	287	643	600
	40,575	37,140	58,396	54,553
Represented by:				
– *third parties*	39,070	34,252	54,769	49,640
– *related parties (note)*	1,505	2,888	3,627	4,913
	40,575	37,140	58,396	54,553

Note: The Group has payable to its related parties at the end of each reporting period for certain operating expenses, including marketing and promotion services as disclosed in note 35.

The Company

	At 30 June 2022
	RMB'000
Accrued [**REDACTED**]	[**REDACTED**]
Accrued [**REDACTED**]	[**REDACTED**]
	[**REDACTED**]

23. CONTRACT LIABILITIES

	At 31 December			**At 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received from customers in relation to device recycling income	9,871	4,228	1,498	1,301

As at 1 January 2019, contract liabilities amounted to RMB585,000. The directors of the Company considered that the entire balance of contract liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 would be realized within the Group's normal operating cycle based on the Group's earliest obligation to sell the recycled devices to the customers and are classified as current liabilities.

The following table shows the amount of revenue recognized during the Track Record Period relates to carried-forward contract liabilities at the beginning of the year/period.

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period	585	9,871	4,228	4,228	1,391

Typical payment terms which impact on the amount of contract liabilities recognized are set out in note 6(ii).

The decrease in contract liabilities as at 31 December 2020, 31 December 2021 and 30 June 2022 was mainly due to the decrease in recycled devices sale contracts before the year end.

24. BORROWINGS AND LEASE LIABILITIES

	At 31 December 2019	2020	2021	At 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings *(note 24(a))*	176,343	303,564	541,584	653,511
Lease liabilities *(note 24(b))*	30,713	24,094	21,163	17,858
	207,056	327,658	562,747	671,369
Represented by:				
– *current*	133,157	220,033	400,878	500,850
– *non-current*	73,899	107,625	161,869	170,519
	207,056	327,658	562,747	671,369

(a) Borrowings

	At 31 December 2019	2020	2021	At 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed rate bank borrowings	68,050	118,882	211,606	333,406
Fixed rate other borrowings	108,293	184,682	329,978	320,105
	176,343	303,564	541,584	653,511
Represented by:				
– secured *(note i)*	49,273	49,961	140,382	117,062
– unsecured *(note ii)*	127,070	253,603	401,202	536,449
	176,343	303,564	541,584	653,511
– third parties	176,343	303,564	514,773	636,426
– related parties *(note iii)*	–	–	26,811	17,085
	176,343	303,564	541,584	653,511

Notes:

i. The secured borrowings as at 31 December 2019, 2020 and 2021 and 30 June 2022 are secured by restricted deposits and/or equipment for subscription owned by the Group.

ii. The unsecured borrowings as at 31 December 2019, 2020 and 2021 and 30 June 2022 are guaranteed by a director, Mr. Hu Zuoxiong, his wife, Ms. Zhao Lin, and an independent third party. [As represented by the directors of the Company, the guarantees provided will be released before [**REDACTED**] of the Company's shares on the Stock Exchange].

iii. The borrowings from related parties as at 31 December 2021 and 30 June 2022 are secured by the equipment for subscription, interest bearing ranged from 8.1% to 14.6% with original maturity of 2 years. The maximum amount of the borrowings is approximately to RMB39,200,000 and RMB28,384,000 during the year ended 31 December 2021 and the six months ended 30 June 2022, respectively. [As represented by the directors of the Company, the borrowings with related parties will be settled prior to [**REDACTED**] of the Company's shares on the Stock Exchange.]

	Bank borrowings				Other borrowings				Total			
	At 31 December			At 30 June	At 31 December			At 30 June	At 31 December			At 30 June
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the above borrowings are repayable:												
Within one year	60,772	85,427	171,798	259,307	65,064	128,137	218,626	232,644	125,836	213,564	390,424	491,951
Within a period of more than one year but not exceeding two years	2,278	33,455	37,583	62,099	43,229	56,545	104,507	85,337	45,507	90,000	142,090	147,436
Within a period of more than two years but not exceeding five years	5,000	–	2,225	12,000	–	–	6,845	2,124	5,000	–	9,070	14,124
	68,050	118,882	211,606	333,406	108,293	184,682	329,978	320,105	176,343	303,564	541,584	653,511

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December			At 30 June
	2019	2020	2021	2022
Effective interest rate	5.6% to 15.5%	5.4% to 15.5%	5.2% to 12.8%	4.0% to 12.0%

(b) Lease Liabilities

	At 31 December			At 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:				
Within one year	7,321	6,469	10,454	8,899
Within a period of more than one year but not more than two years	6,454	7,710	5,032	4,638
Within a period of more than two years but not more than five years	14,672	9,475	5,677	4,321
Within a period of more than five years	2,266	440	–	–
	30,713	24,094	21,163	17,858
Less: Amount due for settlement with 12 months shown under current liabilities	(7,321)	(6,469)	(10,454)	(8,899)
Amount due for settlement after 12 months shown under non-current liabilities	23,392	17,625	10,709	8,959

The weighted average incremental borrowing rate applied to lease liabilities was 6.4% as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

25. FINANCIAL LIABILITIES AT FVTPL

LX Technology has completed several Series of Investments before/during the Track Record Period, details are set out below.

Series of Investments	Year of completion of the subscription	Number of investor(s)	Date of agreement	Registered capital of LX Technology subscribed *RMB*	Total considerations *RMB'000*
Series A	2018	3	11 May 2018	12,721,089	68,000
Series A through exercising warrant *(note i)*	2019	1	11 May 2018	3,367,347	18,000
Series B	2019	3	16 April 2019	15,558,076	130,000
Series C	2019	1	26 November 2019	2,221,705	20,500
Series D-1	2020	3	28 June 2020	13,672,033	160,000
Series D-2	2021	3	16 January 2021	3,845,260	60,000
Series D-3 *(note ii)*	2021	1	28 June 2021	221,636	5,000
Total				51,607,146	461,500

Notes:

(i) Pursuant to the Series A investment agreement dated 11 May 2018, one of the Series A investors has been granted with a warrant for subscribing a maximum of RMB3,367,347 registered capital in LX Technology for a consideration of RMB18,000,000. On 13 December 2018, the directors of LX Technology approved the investor to exercise in full of the warrant and the consideration was fully settled in February 2019. As at 1 January 2019, the management of the Group applied discounted cash flow method to determine the underlying equity value of LX Technology and adopted equity allocation model based on the Black-Scholes option pricing model to determine the fair value of the warrant, which was RMB1,933,000.

(ii) Pursuant to the Series D-3 investment agreement dated 28 June 2021, an investor agreed to acquire paid-up capital amounting to approximately RMB844,000 in LX Technology from Mr. Hu Zuoxiong and his controlled entity, Shenzhen LX Investment Partnership (Limited Partnership), both were equity owners of LX Technology, at an aggregate consideration of RMB11,634,000 ("Series D-3 Capital Transfer") and made a capital contribution of RMB5,000,000 to LX Technology for subscribing an increased registered capital of RMB221,636 ("Series D-3 Capital Injection"). Upon completion of Series D-3 Capital Transfer and the Series D-3 Capital Injection, LX Technology agreed to grant the redemption right and liquidation preference right as set out below on those equity interests in LX Technology held by that investor ("Series D-3 Investment").

In relation to the Series D-3 Capital Transfer, the difference of RMB10,790,000 between the paid-up capital of RMB844,000 transferred and the consideration of RMB11,634,000 for the Series D-3 Capital Transfer received by the relevant equity owners of LX Technology are recognized in other reserves as deemed distribution during the year ended 31 December 2021.

On 22 March 2022, the Company entered into shareholders' agreements with its preferred shareholders, which are substitute for the agreements in relation to the Series of Investments as part of Group Reorganization. On 28 March 2022, the Company further entered into warrant agreements with four of its preferred shareholders, who are Shanghai Yujun Enterprise Management Partnership (LLP) (上海譽竣企業管理合夥企業(有限合夥)) ("Shanghai Yujun"), Shanghai Tong Yun Xin Xi Ji Shu Company Limited ("Dachen Chuangtong BVI"), Shanghai Jing Zhe Xin Xi Ji Shu Company Limited ("Dachen Chuangjing BVI") and Shanghai Yuanzhe Enterprise Management Partnership (LLP) (上海元輒企業管理合夥企業(有限合夥)) ("Dachen Chuangyuan ODI"). Pursuant to the warrant agreements, Shanghai Yujun is entitled to subscribe for 10,664,729 Series B Preferred Shares and 3,005,786 Series D-2 Preferred Shares of the Company with the subscription price of RMB95,000,000 and RMB50,000,000, respectively. Dachen Chuangtong BVI is entitled to subscribe for 6,668,262 Series A Preferred Shares, 3,929,111 Series B Preferred Shares and 1,603,086 Series D-1 Preferred Shares of the Company with subscription price of RMB38,000,000, RMB35,000,000 and RMB20,000,000, respectively. Dachen Chuangjing BVI is entitled to subscribe for 3,206,172 Series D-1 Preferred Shares of the Company with total subscription price of RMB40,000,000. Dachen Chuangyuan ODI is entitled to subscribe for 1,754,805 Series A Preferred Shares of the Company with total subscription price of RMB10,000,000. The Warrants are exercisable commencing from the date hereof and no later than 31 March 2022 or such other date as agreed between the Company and the Warrants investors. The Warrants were fully exercised for the Preferred Shares on 6 April 2022.

The details of the issued Preferred Shares of the Company as at 30 June 2022 and at the date of this report are set out below:

Preferred Shares	Year of issue	Number of investor(s)	Total number of Preferred Shares issued	Subscription price per Preferred Share	Total consideration
				RMB	*RMB'000*
Series A	2022	1	6,668,262	5.70	38,000
Series A through exercising warrant	2022	2	8,423,067	5.70	48,000
Series B through exercising warrant	2022	2	14,593,840	8.91	130,000
Series C	2022	1	2,084,011	9.84	20,500
Series D-1	2022	1	8,015,430	12.48	100,000
Series D-1 through exercising warrant	2022	2	4,809,258	12.48	60,000
Series D-2	2022	1	601,158	16.63	10,000
Series D-2 through exercising warrant	2022	1	3,005,786	16.63	50,000
Series D-3	2022	1	1,000,000	16.63	16,634
			49,200,812		473,134

Pursuant to the shareholders' agreement, the key terms of Preferred Shares remain consistent with the key terms of Series of Investments as summarised as below:

Redemption rights

The Company or LX Technology (before completion of Group Reorganization) shall redeem Series A, Series B, Series C, Series D-1, Series D-2 and Series D-3 Preferred Shares or Series of Investments if:

(i) The Company or LX Technology (before completion of Group Reorganization) fails to consummate an qualified [**REDACTED**] (the "Qualified [**REDACTED**]") on or prior to 31 December 2023; (ii) reasonable judgement of the investors that the Company or LX Technology fails to consummate an Qualified [**REDACTED**] on or prior to 31 December 2023; (iii) change of more than one third of core management of the Company; (iv) in the case of making decisions without agreed procedures and authority, the Company or LX Technology has major issues such as property transfer, off-account sales, external loans, related party transactions and external guarantees and so on, which individually or cumulatively amount to more than RMB2 million; (v) the Company or LX Technology and its subsidiaries constitute a material obstacle to its qualified [**REDACTED**] and cannot be corrected in accordance with the relevant provisions of the laws of China or the place of [**REDACTED**], or the Company or LX Technology and other investors of the Series of Investments refuse to regulate it; (vi) the Company or LX Technology fails to provide operating reports, audited financial statements and audit reports to investors as required; (vii) violation of non-competition provisions; (viii) net operating profit or income from major business segment decreases by more than 50% compared with last fiscal year; (ix) auditor issues a qualified audit opinion; (x) the Company or LX Technology enters into liquidation or insolvency proceedings; (xi) the Company or LX Technology, core management seriously violated any terms as set in the subscription agreement; or (xii) other redemption condition as set out in the agreement.

After any of the redemption events occur, the shareholders of the Preferred Shares/investors of the Series of Investments in the Company/LX Technology shall have the rights at any time to require and demand the Company or LX Technology to redeem all or any portion of their Preferred Shares or Series of Investments.

The price at which a Series A Preferred Shares or Series A Investment and Series D-3 Preferred Shares (related to Series D-3 Capital Transfer) or Series D-3 Capital Transfer to be redeemed shall be equal to the greater of (i), (ii), (iii) or (iv) below:

(i) the Series A Preferred Shares or Series A Investment subscription price as defined in the shareholders' agreements or Series D-3 investment agreement and 10% IRR per annum plus any declared but unpaid dividends;

(ii) corresponding interests based on the latest audited net book value of the Company or LX Technology before the redemption date;

(iii) corresponding interest in the equity value for the latest round of financing before the redemption date; and

(iv) fair market value estimated by an independent third-party valuation firm.

The price at which a Series B, Series C, Series D-1, Series D-2 Preferred Shares or Series B, Series C, Series D-1, Series D-2 Investments, and Series D-3 Preferred Shares (related to Series D-3 Capital Injection) or Series D-3 Capital Injection to be redeemed shall be equal to the greater of (i) or (ii) below:

(i) subscription price of respective Preferred Shares or Series of Investments as defined in the shareholders' agreements Series D-3 investment agreement * (1+12% * investment date/360) plus any declared but unpaid dividends; or

(ii) corresponding interests based on the latest audited net book value of the Company or LX Technology before the redemption date.

Liquidation Preferences

In the event of any liquidation, dissolution or winding up of the Company or LX Technology, either voluntary or involuntary, the liquidation expenses and debts of the Company or LX Technology shall be paid out of the assets in accordance with the priority prescribed by applicable laws and regulations. After the Company or LX Technology pays liquidation fees, employees' salaries, social insurance, legal compensation, taxes owed and debts of the Company or LX Technology, the remaining property of the Company or LX Technology shall be paid to shareholders of the Preferred Shares/investors of the Series of Investments. The shareholders of the Preferred Shares/investors of the Series of Investments shall receive the amount equal to subscription price together with all declared but unpaid dividends thereon.

The distribution shall be made to the shareholders/investors in the following sequence: first to Series D-3 Preferred Shares (related to Series D-3 Capital Injection) or Series D-3 Capital Injection, secondly to the Series D-2 Preferred Shares or Series D-2 Investment, thirdly to the Series D-1 Preferred Shares or Series D-1 Investment, fourthly to the Series C Preferred Shares or Series C Investment, fifthly to the Series B Preferred Shares or Series B Investment, sixthly to the Series A Preferred Shares or Series A Investments, and seventhly to the D-3 Preferred Shares (related to Series D-3 Capital Transfer) or Series D-3 Capital Transfer.

After all the Preferred Shares/Series of Investments liquidation preference amount on the Preferred Shares/Series of Investments have been paid in full as set forth above, any remaining funds or assets of the Company or LX Technology legally available for distribution to shareholders shall be distributed on a pro rata, pari passu basis among the shareholders of the Preferred Shares/investors of the Series of Investments and the remaining equity owners of the Company or LX Technology.

Anti-dilution Right

If at any time, the Company issues new equity securities, including securities or notes convertible into or exercisable for equity interests, or conducts subsequent financing, for a per-share consideration less than the then effective conversion price applicable to any Preferred Share, then such applicable conversion price shall be reduced to a price equal to the issue price determined in accordance with the formula stated in the shareholders' agreement ("Anti-dilution Adjustment").

After the Anti-dilution Adjustment, the holder of the Preferred Share shall have the right to adjust the percentage of equity interest in the Company based on the original subscription price per share after the Anti-dilution Adjustment so that the percentage of equity interest held by them in the Company reaches the percentage of its investment amount purchasable by it according to the purchase price per share after the adjustment.

The redemption rights and liquidation preferences shall be automatically terminated upon the submission of filing application of a Qualified [**REDACTED**] or the consummation of a Qualified [**REDACTED**], respectively. However, in the event the earlier of (i) the application for a Qualified [**REDACTED**] is rejected or withdrawn; (ii) the Qualified [**REDACTED**] is not consummated within twelve months after the submission of [**REDACTED**] application; or (iii) the Qualified [**REDACTED**] is not consummated as contemplated on or before 31 December 2023, to the extent any rights and privileges of the holders of the Preferred Shares were terminated or forfeited in anticipation of such contemplated Qualified [**REDACTED**], the redemption rights and liquidation preferences shall be automatically restored.

In general, all rights with respect to the Preferred Shares of the Company will be terminated at the time of completion of a Qualified [**REDACTED**]. The Preferred Share will be converted into ordinary shares on one-to-one basis, subject to Anti-dilution Adjustment where applicable, by way of redesignation to ordinary shares upon the completion of a Qualified [**REDACTED**] and the Capitalization Issue (as defined and detailed in note 38(b)).

Presentation and Classification

The directors of the Company considered that Series of Investments in LX Technology and the Preferred Shares of the Company are designated as financial liabilities measured at FVTPL and that the changes in the fair value of the Series of Investments and the Preferred Shares of the Company attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Series of Investments and the Preferred Shares of the Company not attributable to the change in credit risk of the financial liabilities are charged to profit or loss and presented as "changes in fair value of financial liabilities at FVTPL". Warrants for Series A, Series B and Series D-1 and Series D-2 Preferred Shares of the Company are accounted for as derivatives and are recognized as fair value upon initial recognition. Prior to the exercise of the Warrants, the changes in fair value are recognized in the profit or loss.

The Group classified the financial liabilities at FVTPL as non-current liabilities on the basis that the management of the Group considered the Group has the unconditional right to defer settlement for at least twelve months after the respective reporting period as the events which will cause the Group's obligation to redeem had not been triggered as at the end of each reporting period.

The movements of the financial liabilities at FVTPL are set out as below:

The Group

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of the year/period	78,264	256,841	606,533	606,533	1,117,083
Consideration from exercise of the warrant	18,000	–	–	–	–
Consideration from the Series B, C, D-1 and D-2 Investments and Series D-3 Capital Injection	150,500	160,000	65,000	65,000	–
Consideration from the Series D-3 Capital Transfer	–	–	11,634	11,634	–
Changes in fair value	10,077	189,692	433,916	278,230	(36,417)
Derecognition of the Series of Investments	–	–	–	–	(1,045,676)
Issuance of Preferred Shares	–	–	–	–	1,047,132
Issuance of Warrants	–	–	–	–	653,699
Exercise of Warrants for Preferred Shares	–	–	–	–	(655,155)
At the end of the year/period	256,841	606,533	1,117,083	961,397	1,080,666

The Company

	Six months ended 30 June 2022
	RMB'000
At the beginning of the period	–
Issuance of Preferred Shares	1,047,132
Issuance of Warrants	653,699
Exercise of Warrants for Preferred Shares	(655,155)
Changes in fair value	34,990
At the end of the period	1,080,666

The management of the Group applied back-solve and discounted cash flow method to determine the underlying equity value of the Company or LX Technology (before completion of Group Reorganization) and adopted equity allocation model based on the Black-Scholes option pricing model to determine the fair value of the financial liabilities at FVTPL.

In addition to the underlying equity value of the Company or LX Technology (before completion of Group Reorganization) determined by back-solve and discounted cash flow method, other key valuation assumptions used in Black-Scholes option pricing model to determine the fair value of financial liabilities at FVTPL are set out as below:

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
Time to liquidation	4 years	3 years	2 years	1.5 years
Discount rate	19.8%	17.8%	15.0%	15.0%
Risk-free interest rate	2.8%	2.8%	2.4%	2.1%
Expected volatility	50.0%	58.0%	61.0%	64.0%
Possibilities under liquidation scenario	22.5%	15.0%	10.0%	5.0%
Possibilities under redemption scenario	22.5%	20.0%	25.0%	25.0%
Possibilities under [**REDACTED**] scenario	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

The fair value loss of financial liabilities at FVTPL of approximately RMB10,077,000, RMB189,692,000, RMB433,916,000 and RMB278,230,000 (unaudited) were recognized during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021, respectively, and the fair value gain of financial liabilities at FVTPL of approximately RMB36,417,000 was recognized during the six months ended 30 June 2022. Of the total gains or losses for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 included in profit or loss, losses of RMB10,077,000, RMB189,692,000, RMB433,916,000 and RMB34,990,000 related to financial liabilities at FVTPL held as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. Fair value change on financial liabilities at FVTPL are included in 'fair value change of financial liabilities at FVTPL' line item on the face of the consolidated statements of profit or loss and other comprehensive income.

Reconciliation of Level 3 fair value measurements

The Group

	Series of Investments *RMB'000*	**Preferred Shares** *RMB'000*	**Warrants** *RMB'000*	**Total** *RMB'000*
At 1 January 2019	76,331	–	1,933	78,264
Issuance of Series of Investments upon exercise of warrants	1,933	–	(1,933)	–
Issuance of Series of Investments	168,500	–	–	168,500
Changes in fair value	10,077	–	–	10,077
At 31 December 2019	256,841	–	–	256,841
Issuance of Series of Investments	160,000	–	–	160,000
Changes in fair value	189,692	–	–	189,692
At 31 December 2020	606,533	–	–	606,533
Issuance of Series of Investments	65,000	–	–	65,000
Series D-3 Capital Transfer into Series of Investments	11,634	–	–	11,634
Changes in fair value	433,916	–	–	433,916
At 31 December 2021	1,117,083	–	–	1,117,083
Derecognition of the Series of Investments	(1,045,676)	–	–	(1,045,676)
Issuance of Preferred Shares	–	391,977	–	391,977
Issuance of Warrants	–	–	653,699	653,699
Issuance of Preferred Shares upon exercise of Warrants	–	655,155	(655,155)	–
Changes in fair value	(71,407)	33,534	1,456	(36,417)
At 30 June 2022	–	1,080,666	–	1,080,666

The Company

	Series of Investments *RMB'000*	Preferred Shares *RMB'000*	Warrants *RMB'000*	Total *RMB'000*
At 10 January 2022 (date of incorporation)	–	–	–	–
Issuance of Preferred Shares	–	391,977	–	391,977
Issuance of Warrants	–	–	653,699	653,699
Issuance of Preferred Shares upon exercise of Warrants	–	655,155	(655,155)	–
Changes in fair value	–	33,534	1,456	34,990
At 30 June 2022	–	1,080,666	–	1,080,666

26. PAID-UP CAPITAL/SHARE CAPITAL

The Group

The paid-up capital as at 31 December 2019, 2020 and 2021 represented the paid-up registered capital of LX Technology at the respective dates, other than those from the Series of Investments as detailed in note 25.

The share capital as at 30 June 2022 represented the issued share capital of the Company.

The Company

	Number of shares	Share capital *HK$*	Share capital *RMB'000*
Ordinary shares of HK$0.01 each			
Authorised			
At the date of incorporation *(note (i))*	760,000,000	7,600,000	6,208
Designated as Series A Preferred Shares on 22 March 2022 *(note (iii))*	(15,091,329)	(150,913)	(123)
Designated as Series B Preferred Shares on 22 March 2022 *(note (iii))*	(14,593,840)	(145,938)	(119)
Designated as Series C Preferred Shares on 22 March 2022 *(note (iii))*	(2,084,011)	(20,840)	(17)
Designated as Series D-1 Preferred Shares on 22 March 2022 *(note (iii))*	(12,824,688)	(128,247)	(105)
Designated as Series D-2 Preferred Shares on 22 March 2022 *(note (iii))*	(3,606,944)	(36,070)	(29)
Designated as Series D-3 Preferred Shares on 22 March 2022 *(note (iii))*	(1,000,000)	(10,000)	(8)
At 30 June 2022	710,799,188	7,107,992	5,807
Issued and fully paid			
Allotment at the date of incorporation *(note (i))*	1	–	–
Allotment on 19 January 2022 *(note (ii))*	44,777,900	447,779	366
Allotment on 25 March 2022 *(note (iv))*	17,733,556	177,336	144
Redesignated as Preferred shares on 28 March 2022 *(note (v))*	(601,158)	(6,012)	(5)
At 30 June 2022	61,910,299	619,103	505

Notes:

(i) Upon incorporation on 10 January 2022, the authorized share capital of the Company was HK$7,600,000 divided into 760,000,000 shares of a par value of HK$0.01 each. One ordinary share was issued and allotted at par to an initial independent subscriber, which was transferred to Bear Family at par on 10 January 2022.

(ii) On 19 January 2022, a total of 44,777,900 ordinary shares were issued and allotted to Bear Family, Little Bear, Charlie Bear, Gold Bear and Hesheng BVI, which are investment holding companies held by certain equity owners of LX Technology, as part of the Group Reorganization.

(iii) Pursuant to the written resolutions passed on 22 March 2022, the authorized share capital of the Company was amended to HK$7,600,000 divided into (i) 710,799,188 ordinary shares; (ii) 15,091,329 Series A Preferred Shares; (iii) 14,593,840 Series B Preferred Shares; (iv) 2,084,011 Series C Preferred Shares; (v) 12,824,688 Series D-1 Preferred Shares; (vi) 3,606,944 Series D-2 Preferred Shares; and (vii) 1,000,000 Series D-3 Preferred Shares of HK$0.01 each.

(iv) The Company allotted and issued 6,622,445 and 11,111,111 ordinary shares, credited as fully paid at par, to LX Brothers Technology Limited, a company incorporated in the BVI with limited liability, and Beauty Bear Technology Limited, a company incorporated in the BVI with limited liability for employee incentive platforms of the Group, namely, LX Brothers Employee Incentive Plan and Beauty Bear Employee Incentive Plan, respectively.

(v) 601,158 ordinary shares held by Hesheng BVI, were redesignated as the Series D-2 preferred shares on 28 March 2022.

27. RETIREMENT BENEFIT SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions amounted to approximately RMB5,410,000, RMB503,000, RMB6,877,000, RMB2,173,000 (unaudited) and RMB4,701,000 for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively. No forfeited contributions have been used to reduce the level of contributions during each of the reporting period.

28. CAPITAL COMMITMENTS

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the Historical Financial Information	3,221	11,292	8,928	7,932

29. PARTICULARS OF SUBSIDIARIES

As at 30 June 2022, the investment in a subsidiary mainly consists of deemed investment of RMB1,044,241,000 arising from issuance of the Company's Preferred Shares and Warrants as part of the Group Reorganization and RMB18,999,000 arising from granting share options and restricted shares to employees of subsidiaries.

Details of the subsidiaries held by the Company as at the date of this report are set out below.

Name of subsidiaries	Place and the date of incorporation/ establishment	Issued share capital/ paid-up capital/ registered capital	Equity interest attributable to the Group at 31 December 2019	2020	2021	30 June 2022	Date of this report	Principal activities
Directly held: LX BVI	BVI, 10 January 2022	US$1	N/A	N/A	N/A	100%	[100%]	Investment holding
Indirectly held: LX HK	Hong Kong, 26 January 2022	HK$10,000	N/A	N/A	N/A	100%	[100%]	Investment holding
LX Technology	The PRC, 3 May 2013	RMB512,031,039	100%	100%	100%	100%	[100%]	Device subscription services, IT technical subscription services and device recycling business
Shenzhen LX Technology Limited (深圳凌雄科技有限公司)	The PRC, 1 November 2004	RMB2,000,000	100%	100%	100%	100%	[100%]	Device subscription services, IT technical subscription services
Shenzhen Lingrui Internet Information Technology Co., Ltd. (深圳凌瑞網絡信息技術有限公司) ("Shenzhen Lingrui") *(note i)*	The PRC, 17 April 2017	RMB10,000,000	100%	100%	100%	100%	[100%]	Device recycling business
Chengdu LX Rental Services Co., Ltd. (成都凌雄租貸服務有限公司) ("Chengdu LX") *(note iii)*	The PRC, 28 March 2017	RMB1,000,000	51%	100%	100%	100%	[100%]	Device subscription services and IT technical subscription services
LX Youfu Technology (Shenzhen) Co., Ltd. (凌雄優服技術(深圳)有限公司)	The PRC, 25 May 2017	RMB1,000,000	100%	100%	100%	100%	[100%]	IT technical subscription services
LX Youqi Technology (Shenzhen) Co., Ltd. (凌雄優企科技(深圳)有限公司)	The PRC, 25 May 2017	RMB1,000,000	100%	100%	100%	100%	[100%]	IT technical subscription services
Xiamen LX Technology Co., Ltd. (廈門凌雄科技有限公司)	The PRC, 20 September 2016	RMB2,000,000	100%	100%	100%	100%	[100%]	Device subscription services and IT technical subscription services
Hangzhou LX Rental Co., Ltd. (杭州凌雄租賃服務有限公司)	The PRC, 3 April 2019	RMB1,000,000	100%	100%	100%	100%	[100%]	Device subscription services and IT technical subscription services
Shenzhen Yueqi E-Commerce Co., Ltd. (深圳市悦企電子商務有限公司) ("Shenzhen Yueqi") *(note ii)*	The PRC, 24 August 2017	RMB2,000,000	100%	100%	100%	100%	[100%]	Device recycling business

Name of subsidiaries	Place and the date of incorporation/ establishment	Issued share capital/ paid-up capital/ registered capital	Equity interest attributable to the Group at 31 December 2019	2020	2021	30 June 2022	Date of this report	Principal activities
Guangzhou Tianchuang E-Commerce Co., Ltd. (廣州天創電子商務有限公司) ("Guangzhou Tianchuang") *(note iv)*	The PRC, 12 April 2018	RMB1,000,000	100%	100%	100%	–	–	Device recycling business
Jingmen Lingrui Recycling Resources Co., Ltd. (荊門淩瑞再生資源有限公司)	The PRC, 9 November 2017	RMB2,000,000	100%	100%	100%	100%	[100%]	Device recycling business
Zaozhuang Lingrui Recycling Resources Co., Ltd. (棗莊市淩瑞再生資源有限公司)	The PRC, 28 March 2018	RMB1,000,000	100%	100%	100%	100%	[100%]	Device recycling business
Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳淩瑞再生資源有限公司)	The PRC, 15 June 2016	RMB10,000,000	100%	100%	100%	100%	[100%]	Device recycling business
LX Environmental Protection Technology (Shanghai) Co., Ltd. (淩雄環保科技(上海)有限公司) ("LX Environmental Protection") *(note iv)*	The PRC, 24 January 2018	RMB10,000,000	100%	100%	100%	–	–	Device recycling business
Wuhan Lingrui Youji E-Commerce Co., Ltd. (武漢市淩瑞優機電子商務有限公司)	The PRC, 26 March 2021	RMB1,000,000	100%	100%	100%	100%	[100%]	Device recycling business

No audited statutory financial statements were available for the subsidiaries registered in the PRC during the Track Record Period as there were no requirements to issue audited statutory financial statements by the local authorities. No statutory audited financial statements for LX BVI and LX HK have been prepared since their respective dates of incorporation as LX BVI is incorporated in a jurisdiction where there are no statutory audit requirements, and LX HK is newly incorporated and the financial statements have not yet been due to issue.

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date. Other than the Series of Investment in LX Technology and the Preferred Shares of the Company, none of the other entities now comprising the Group had issued any debt securities at the end of the each of the reporting period.

Notes:

i In January 2019, LX Technology acquired 49% equity interests held by a non-controlling shareholder in Shenzhen Lingrui at a total consideration of RMB4,892,000.

ii In April 2019, Shenzhen Lingrui acquired 49% equity interests held by a non-controlling shareholder in Shenzhen Yueqi at a total consideration of RMB980,000.

iii In September 2020, LX Technology acquired 49% equity interests held by a non-controlling shareholder in Chengdu LX at a total consideration of RMB2,451,000.

iv In January 2022 and February 2022, the management of the Group has applied deregistration with respective government authorities for LX Environmental Protection and Guangzhou Tianchuang, respectively. The deregistration has been completed during the six months ended 30 June 2022, such financial impact is insignificant to the Group.

30. AMOUNTS DUE TO SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes lease liabilities, bank and other borrowings and financial liabilities at FVTPL, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-up capital and reserves.

The management reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through issue of new shares as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortized cost	141,971	142,779	216,404	311,571
Financial liabilities				
Amortized cost	288,907	445,943	620,426	785,368
At FVTPL	256,841	606,533	1,117,083	1,080,666

The Company

	At 30 June
	2022
	RMB'000
Financial liabilities	
Amortized cost	18,863
At FVTPL	1,080,666

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and lease receivables, other receivables and deposits, amounts due to subsidiaries, restricted deposits, bank balances and cash, trade payables, other payables and accruals, borrowings and financial liabilities at FVTPL. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances and borrowings are denominated in foreign currency of respective group entities which exposure the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are mainly as follows:

The Group

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
US dollar ("USD")	–	–	–	70,824
Liabilities				
USD	–	–	–	56,710

The Group's foreign currency risk is concentrated on the fluctuation of RMB against USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss for the year/period where RMB weakens 5% against USD. For a 5% strengthening of RMB against USD, there would be an opposite impact on the post-tax loss for the year/period.

The Group

	At 31 December			At 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Impact on post-tax profit or loss	–	–	–	529

The directors of the Company considered the sensitivity analysis is unrepresentative of the foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

The Company does not expose to significant currency risk as at 30 June 2022.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted deposits, fixed-rate borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The management considers that the exposure of fair value interest rate risk in relation to restricted deposits, fixed-rate borrowings and lease liabilities and cash flow interest rate risk arising from variable-rate bank balances is insignificant. No sensitivity analysis is presented accordingly.

The Company does not expose to significant interest rate risk as at 30 June 2022.

Other price risk

The Group and the Company are exposed to other price risk arising from the Preferred Shares and the Series of Investments which was classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

The Group

If the equity value of LX Technology as at 31 December 2019, 2020 and 2021 and the equity value of the Company as at 30 June 2022 had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended 31 December 2019 would increase by approximately RMB10,582,000 and decrease by approximately RMB10,639,000;
- the loss of the Group for the year ended 31 December 2020 would increase by approximately RMB26,958,000 and decrease by approximately RMB27,007,000;
- the loss of the the Group for the year ended 31 December 2021 would increase by approximately RMB52,359,000 and decrease by approximately RMB52,308,000; and
- the loss of the Group for the six months ended 30 June 2022 would increase by approximately RMB50,562,000 and decrease by approximately RMB50,466,000.

The Company

If the equity value of the Company had been changed based on the 5% higher/lower, the loss of the Company for the six months ended 30 June 2022 would increase by approximately RMB50,562,000 and decrease by approximately RMB50,466,000.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and lease receivables, other receivables and deposits, restricted deposits as well as bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group has no material concentration of credit risk at 31 December 2019, 2020 and 2021 and 30 June 2022.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below.

Trade and lease receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade and lease receivables with credit-impaired individually and collectively using provision matrix on those remaining trade and lease receivables based on shared credit risk characteristics by reference to the aging of outstanding balances. Impairment of approximately RMB2,099,000, RMB2,071,000, RMB1,970,000, RMB1,122,000 (unaudited) and RMB2,921,000 are recognized during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively. Details of the quantitative disclosures are set out below in this note.

Restricted deposits/bank balances

Credit risk on restricted deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL restricted deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognized.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Based on the average loss rates, the 12m ECL on other receivables and deposits is considered to be insignificant and therefore no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade and lease receivables**	**Other financial assets**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

The Group

					At 31 December			At 30 June
					2019	**2020**	**2021**	**2022**
	Notes	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	*Gross carrying amount* RMB'000	*Gross carrying amount* RMB'000	*Gross carrying amount* RMB'000	*Gross carrying amount* RMB'000
Financial assets at amortized cost								
Trade and lease receivables	*18*	N/A	Low risk *(note)*	Lifetime ECL – not credit-impaired	27,037	20,096	31,920	41,365
			Watch list *(note)*	Lifetime ECL – not credit impaired	21,913	16,657	20,409	18,205
			Doubtful *(note)*	Lifetime ECL not credit-impaired	1,020	4,029	6,756	7,302
					49,970	40,782	59,085	66,872
Other receivables and deposits	*19*	N/A	Low risk	12m ECL	7,130	5,967	14,755	13,483
Restricted deposits	*20*	AA	N/A	12m ECL	11,572	19,327	29,656	33,773
Bank balances	*20*	AA+	N/A	12m ECL	75,911	80,378	118,553	206,009
					144,583	146,454	222,049	320,137

Note: For trade and lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL of the trade and lease receivables using provision matrix grouped by aging of the receivables. There are no credit-impaired debtors that are assessed individually as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade and lease receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	At 31 December						At 30 June	
	2019		2020		2021		2022	
	Average loss rate	Trade and lease receivables *RMB'000*	Average loss rate	Trade and lease receivables *RMB'000*	Average loss rate	Trade and lease receivables *RMB'000*	Average loss rate	Trade and lease receivables *RMB'000*
Current(not past due)	0.9%	27,037	0.7%	20,096	0.5%	31,920	0.5%	41,365
1 – 30 days past due	0.9%	1,485	1.5%	2,813	1.4%	1,654	3.8%	4,982
31 – 60 days past due	5.3%	6,692	5.2%	3,780	4.7%	5,597	3.9%	1,926
61 – 90 days past due	6.6%	1,932	5.6%	3,706	5.2%	3,219	6.1%	3,139
91 - 365 days past due	11.2%	11,804	14.6%	6,358	14.0%	9,939	33.4%	8,158
More than 365 days past due	53.7%	1,020	53.7%	4,029	53.7%	6,756	71.2%	7,302
		49,970		40,782		59,085		66,872

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognized for trade and lease receivables under the simplified approach.

	Lifetime ECL Not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 1 January 2019	2,579	–	2,579
Changes due to financial instruments recognized as at 1 January 2019:			
– Transfer to credit-impaired	(212)	212	–
– Impairment losses reversed/recognized, net of allowance/reversal	(1,819)	264	(1,555)
– Written-offs	–	(476)	(476)
New financial assets originated:			
– Impairment losses recognized	2,064	1,590	3,654
– Written-offs	–	(1,590)	(1,590)
As at 31 December 2019	2,612	–	2,612
Changes due to financial instruments recognized as at 1 January 2020:			
– Transfer to credit-impaired	(548)	548	–
– Impairment losses recognized, net of reversal	99	42	141
– Written-offs	–	(590)	(590)
New financial assets originated:			
– Impairment losses recognized	1,512	418	1,930
– Written-offs	–	(418)	(418)

	Lifetime ECL Not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 31 December 2020	3,675	–	3,675
Changes due to financial instruments recognized as at 1 January 2021:			
– Impairment losses reversed, net of allowance	(47)	–	(47)
New financial assets originated:			
– Impairment losses recognized	2,017	–	2,017
As at 31 December 2021	5,645	–	5,645
Changes due to financial instruments recognized as at 1 January 2022:			
– Impairment losses reversed, net of allowance	1,874	–	1,874
New financial assets originated:			
– Impairment losses recognized	1,047	–	1,047
As at 30 June 2022	8,566	–	8,566
As at 1 January 2021	3,675	–	3,675
Changes due to financial instruments recognized as at 1 January 2021:			
– Impairment losses recognized, net of reversal	444	–	444
New financial assets originated:			
– Impairment losses recognized	678	–	678
As at 30 June 2021 (unaudited)	4,797	–	4,797

The Group writes off a trade and lease receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, has entered into bankruptcy proceedings or the Group has started the legal proceedings against the customers. None of the trade and lease receivables that have been written off is subject to enforcement activities.

The Company does not expose to significant credit risk as at 30 June 2022.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has available unutilized bank loan facilities of approximately RMB65,510,000, RMB103,821,000, RMB172,108,000 and RMB97,076,000, respectively and the Company has no bank loan facilities as at 30 June 2022.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate	On demand or less than 1 year	1 year to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Trade payables	–	105,668	–	–	–	105,668	105,668
Other payables and accruals	–	6,896	–	–	–	6,896	6,896
Borrowings	8.4%	137,009	50,232	5,072	–	192,313	176,343
Lease liabilities	6.4%	9,028	7,728	16,332	2,340	35,428	30,713
Financial liabilities at FVTPL	12.1%	–	–	380,835	–	380,835	256,841
		258,601	57,960	402,239	2,340	721,140	576,461

	Weighted average interest rate	On demand or less than 1 year	1 year to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020							
Trade payables	–	135,369	–	–	–	135,369	135,369
Other payables and accruals	–	7,010	–	–	–	7,010	7,010
Borrowings	8.8%	234,474	119,285	–	–	353,759	303,564
Lease liabilities	6.4%	7,784	8,673	10,273	447	27,177	24,094
Financial liabilities at FVTPL	12.1%	–	–	690,735	–	690,735	606,533
		384,637	127,958	701,008	447	1,214,050	1,076,570

	Weighted average interest rate	On demand or less than 1 year	1 year to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021							
Trade payables	–	68,293	–	–	–	68,293	68,293
Other payables and accruals	–	10,549	–	–	–	10,549	10,549
Borrowings	8.0%	431,043	148,674	9,989	–	589,706	541,584
Lease liabilities	6.4%	11,538	5,519	6,004	–	23,061	21,163
Financial liabilities at FVTPL	11.8%	–	–	712,040	–	712,040	1,117,083
		521,423	154,193	728,033	–	1,403,649	1,758,672

	Weighted average interest rate	On demand or less than 1 year	1 year to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2022							
Trade payables	–	120,682	–	–	–	120,682	120,682
Other payables and accruals	–	11,175	–	–	–	11,175	11,175
Borrowings	6.2%	523,232	154,293	14,438	–	691,963	653,511
Lease liabilities	6.4%	9,753	5,048	4,501	–	19,302	17,858
Financial liabilities at FVTPL	11.8%	–	712,040	–	–	712,040	1,080,666
		664,842	871,381	18,939	–	1,555,162	1,883,892

The Company

	Weighted average interest rate	On demand or less than 1 year	1 year to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2022							
Other payables and accruals	–	4,328	–	–	–	4,328	4,328
Amounts due to subsidiaries	–	14,535	–	–	–	14,535	14,535
Financial liabilities at FVTPL	11.8%	–	712,040	–	–	712,040	1,080,666
		18,863	712,040	–	–	730,903	1,099,529

33. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's and the Company's financial liabilities at FVTPL are measured at fair value for financial reporting purposes. The directors of the Company are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group and the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group and the Company determine the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

The Group

Financial liabilities	Fair values as at 31 December 2019	2020	2021	30 June 2022	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*				
Financial liabilities at FVTPL	256,841	606,533	1,117,083	1,080,666	Level 3	Discounted cash flow, back-solve and Black-Scholes option pricing model – the key inputs are: Time to liquidation, discount rate, risk-free interest rate, expected volatility, possibilities under liquidation scenario redemption scenario, and [**REDACTED**] scenario	Expected volatility value	An increase in expected volatility value would result in a slightly change in fair value, and vice versa

A 5% increase or decrease in the expected volatility value, while all other variables keep constant, would decrease the carrying amount of financial liabilities at FVTPL of the Group as at 31 December 2019 and 2020 by approximately RMB1,149,000 and RMB1,130,000, respectively, while increase the carrying amount of financial liabilities at FVTPL of the Group as at 31 December 2021 and 30 June 2022 by approximately RMB683,000 and RMB1,112,000, respectively, or increase the carrying amount of financial liabilities at FVTPL of the Group as at 31 December 2019 and 2020 by approximately RMB1,133,000 and RMB1,062,000 respectively, while decrease the carrying amount of financial liabilities at FVTPL of the Group as at 31 December 2021 and 30 June 2022 by approximately RMB847,000 and RMB1,257,000, respectively.

The Company

Financial liabilities	Fair values as at 30 June 2022	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	RMB'000				
Financial liabilities at FVTPL	1,080,666	Level 3	Discounted cash flow, back-solve and Black-Scholes option pricing model – the key inputs are: Time to liquidation, discount rate, risk-free interest rate, expected volatility, possibilities under liquidation scenario redemption scenario, and [**REDACTED**] scenario	Expected volatility value	An increase in expected volatility value would result in a slightly change in fair value, and vice versa

A 5% increase or decrease in the expected volatility value, while all other variables keep constant, would increase the carrying amount of financial liabilities at FVTPL of the Company as at 30 June 2022 by approximately RMB1,112,000, or decrease the carrying amount of financial liabilities at FVTPL of the Company as at 30 June 2022 by approximately RMB1,257,000.

There is no transfer between different levels of the fair value hierarchy during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

Details of reconciliation of Level 3 fair value measurement of the financial liabilities at FVTPL are set out in note 25.

Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings	**Lease liabilities**	**Financial liabilities at FVTPL**	**Accrued [REDACTED]**	**Payables for capital reduction of LX Technology**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 24(a))	*(note 24(b))*	*(note 25)*	*(note 22)*	*(note 2)*	
At 1 January 2019	60,900	13,313*	78,264	[REDACTED]	–	152,477
Financing cash flows	75,057	(6,900)	168,500	[REDACTED]	–	234,935
New leases or lease modification	–	22,497	–	[REDACTED]	–	22,497
Purchase of plant and equipment *(note i)*	30,191	–	–	[REDACTED]	–	30,191
Fair value adjustments	–	–	10,077	[REDACTED]	–	10,077
[REDACTED] for financial liabilities at FVTPL	–	–	–	[REDACTED]	–	1,722
Finance costs	10,195	1,803	–	[REDACTED]	–	11,998
At 31 December 2019	176,343	30,713	256,841	[REDACTED]	–	463,897
Financing cash flows	65,893	(8,927)	160,000	[REDACTED]	–	216,966
New leases or lease modification	–	595	–	[REDACTED]	–	595
Purchase of plant and equipment *(note i)*	43,935	–	–	[REDACTED]	–	43,935
Fair value adjustments	–	–	189,692	[REDACTED]	–	189,692
Finance costs	17,393	1,713	–	[REDACTED]	–	19,106
At 31 December 2020	303,564	24,094	606,533	[REDACTED]	–	934,191
Financing cash flows	156,711	(9,959)	65,000	[REDACTED]	–	210,369
New leases or lease modification	–	5,490	–	[REDACTED]	–	5,490
Purchase of plant and equipment *(note i)*	46,546	–	–	[REDACTED]	–	46,546
Fair value adjustments	–	–	433,916	[REDACTED]	–	433,916
Effect of Series D-3 Capital Transfer	–	–	11,634	[REDACTED]	–	11,634
Deferred [REDACTED]	–	–	–	[REDACTED]	–	[REDACTED]
Finance costs	34,763	1,538	–	[REDACTED]	–	36,301
At 31 December 2021	541,584	21,163	1,117,083	[REDACTED]	–	1,680,774
Financing cash flows	71,357	(5,389)	473,134	[REDACTED]	(473,134)	62,789
New leases or lease modification	–	1,459	–	[REDACTED]	–	1,459
Purchase of plant and equipment *(note i)*	16,013	–	–	[REDACTED]	–	16,013
Fair value adjustments	–	–	(36,417)	[REDACTED]	–	(36,417)
Deferred [REDACTED]	–	–	–	[REDACTED]	–	[REDACTED]
Derecognition of the Series of Investments	–	–	(1,045,676)	[REDACTED]	473,134	(572,542)
Issuance of Preferred Shares *(note ii)*	–	–	573,998	[REDACTED]	–	573,998
Issuance of Warrants	–	–	653,699	[REDACTED]	–	653,699

	Borrowings *RMB'000* *(note 24(a))*	**Lease liabilities** *RMB'000* *(note 24(b))*	**Financial liabilities at FVTPL** *RMB'000* *(note 25)*	**Accrued [REDACTED]** *RMB'000* *(note 22)*	**Payables for capital reduction of LX Technology** *RMB'000* *(note 2)*	**Total** *RMB'000*
Exercise of Warrants for Preferred Shares	–	–	(655,155)	[REDACTED]	–	(655,155)
Finance costs	21,370	625	–	[REDACTED]	–	21,995
Exchange adjustments	3,187	–	–	[REDACTED]	–	3,187
At 30 June 2022	653,511	17,858	1,080,666	[REDACTED]	–	1,752,848
At 1 January 2021	303,564	24,094	606,533	[REDACTED]	–	934,191
Financing cash flows	96,511	(4,759)	60,000	[REDACTED]	–	151,752
New leases or lease modification	–	5,074	–	[REDACTED]	–	5,074
Purchase of plant and equipment *(note i)*	18,198	–	–	[REDACTED]	–	18,198
Fair value adjustments	–	–	278,230	[REDACTED]	–	278,230
Effect of Series D-3 Capital Transfer	–	–	11,634	[REDACTED]	–	11,634
Consideration receivable from Series D-3 Capital Injection	–	–	5,000	[REDACTED]	–	5,000
Finance costs	13,766	814	–	[REDACTED]	–	14,580
At 30 June 2021 (unaudited)	432,039	25,223	961,397	[REDACTED]	–	1,418,659

* After the adjustments upon application of IFRS 16 as disclosed in note 3, the lease liabilities in relation to leased properties amounted to RMB13,313,000 are recognized.

Note i: To better manage the Group's capital structure and financing needs, the Group enters into financing arrangements in relation to its equipment with financing lease companies. Borrowings raised in respect of such arrangements during the Track Record Period are included in the other borrowings of the Group. The proceeds which are paid by the financing lease companies to the equipment suppliers directly for the Group are non-cash transactions as disclosed in the table above.

Note ii: The amount represented the difference between the consideration received of RMB473,134,000 and the fair value of Preferred Shares on the date of issue.

35. RELATED PARTY TRANSACTIONS

Other than those transactions and balances disclosed in notes 18, 19, 21, 22 and 24 in the Historical Financial Information, the Group has following transactions with related parties:

Relationship	Nature of transactions	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Entities which a director of the Company or ex-director of LX Technology has significant influence	Revenue from related parties					
	– Device subscription services	360	2,179	4,081	1,838	2,318
	– IT technical subscription services	31	160	113	18	125
	– Device recycling income	123	–	11	3	1
	Purchase of IT equipment from related parties	73,798	52,708	41,513	25,552	14,182
	Services received from related parties					
	– Marketing and promotion services	5,034	8,808	9,645	5,871	3,859
	– Maintenance services	7,297	7,155	14,354	5,512	5,383
	– Logistics services	–	26	319	165	118
	Interest expenses on other borrowings	883	–	1,803	570	919

Compensation of key management personnel

The remuneration of directors of the Company, chief executive officer and other members of key management of the Group during the Track Record Period was as follows:

	Year ended 31 December 2019	2020	2021	Six months ended 30 June 2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	2,120	3,160	3,654	1,918	2,134
Post-employment benefits	67	7	100	48	55
Equity-settled share-based payments expense	–	–	–	–	6,990
	2,187	3,167	3,754	1,966	9,179

36. RESERVES OF THE COMPANY

Movement in the Company's reserves

Below is a table showing the movements of the reserves of the Company:

	Accumulated losses *RMB'000*	Other reserves *RMB'000* *(note)*	Share-based payments reserve *RMB'000*	Total *RMB'000*
At the date of incorporation	–	–	–	–
Loss and total comprehensive expenses for the period	(54,469)	–	–	(54,469)
Allotment on 19 January 2022 *(note 26(ii))*	–	(366)	–	(366)
Allotment on 25 March 2022 *(note 26(iv))*	–	(144)	–	(144)
Redesignated as Preferred shares on 28 March 2022 *(note 26(v))*	–	5	–	5
Recognition of equity-settled share-based payments expense	–	–	23,555	23,555
At 30 June 2022	(54,469)	(505)	23,555	(31,419)

Note: As at 30 June 2022, other reserves mainly represent the ordinary shares allotted and issued to i) certain equity owners of LX Technology as part of the Group Reorganization mentioned in note 2 and ii) employee incentive platforms of the Group.

37. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

LX Brothers Employee Incentive Plan

LX Brothers Employee Incentive Plan is adopted by the Company pursuant to the written resolutions of the board of directors of the Company passed on 23 March 2022, which is a share incentive scheme and is established to recognise the contribution of the employees of the Group towards its growth and success. The LX Brothers Employee Incentive Plan will provide the eligible participants with an opportunity to have a personal stake in the Group with a view to achieving the following objectives:

(i) encourage the eligible participants to contribute to the Group for the long-term benefits of the Company; and

(ii) provide the Group with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

Those eligible to participate in the LX Brothers Employee Incentive Plan include any director, employee or senior management employee, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom a committee of the board considers, in its absolute discretion, have contributed or will contribute to the Group.

Subject to the terms of the LX Brothers Employee Incentive Plan, a grantee is entitled to exercise, at any time prior to the expiry of 10 years from the date on which the offer of options is made, up to one-fourth of his/her granted and accepted options commencing from each of the first, second, third and fourth anniversaries of the date on which the offer of options is made; or up to three-fourths and one-fourth commencing from the first and second anniversaries of the date on which the offer of options is made, respectively; or up to half of his/her granted and accepted options from each of the first and second anniversaries of the date on which the offer of options is made under the LX Brothers Employee Incentive Plan during the period which the committee of the Board notifies to each grantee, provided that the grantee remains to be an eligible participant entitled to exercise his or her option and the satisfaction of annual comprehensive assessment of the grantee.

The exercise price per share in respect of any particular option granted under the LX Brothers Employee Incentive Plan shall be determined by the committee of the board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per share.

The total number of shares in respect of which options may be transferred under the LX Brothers Employee Incentive Plan is such number of shares, representing no more than 6.0% of the issued share capital of the Company upon 1) Capitalization Issue (as defined and detailed in note 38(b)) and 2) the completion of the [**REDACTED**] and the [**REDACTED**] ("[**REDACTED**]"), as at the date of adoption of LX Brothers Employee Incentive Plan. As at the date of this report, the total number of shares available for issue under the LX Brothers Employee Incentive Plan was 6,622,445 shares, which is to be adjusted to [**REDACTED**] shares upon Capitalization Issue and representing approximately [**REDACTED**]% of the issued share capital of the Company upon 1) Capitalization Issue and 2) the completion of [**REDACTED**].

In recognition of the contributions made by the employees of the Group towards its growth and success, on 1 April 2022, a total of 104 eligible participants were offered options to subscribe for an aggregate of 6,622,445 shares (to be adjusted to [**REDACTED**] shares upon Capitalization Issue) under LX Brothers Employee Incentive Plan.

The estimated fair value of the options granted was HK$161,103,000 (equivalent to RMB130,840,000). During the six months ended 30 June 2022, the Group recognized the share-based payments expense of RMB19,394,000 in relation to the LX Brothers Employee Incentive Plan.

The following table discloses movements of the Company's share options held by directors and employees during the six months ended 30 June 2022 under LX Brothers Employee Incentive Plan since approval of LX Brothers Employee Incentive Plan:

			Number of share options			
	Expiry date	**Exercise price** *HK$*	**At 23 March 2022**	**Granted during the period**	**Forfeited during the period**	**Outstanding at 30 June 2022**
Directors *(note i)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
Directors *(note ii)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
Senior management *(note ii)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
Senior management *(note iii)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
Employees *(note i)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
Employees *(note ii)*	31 March 2032	0.01	–	[REDACTED]	[REDACTED]	[REDACTED]
			–	[REDACTED]	[REDACTED]	[REDACTED]
Exercisable at the end of the reporting period						–

Notes:

(i) Grantees could vest [**REDACTED**]% of his or her granted options on [**REDACTED**] upon satisfaction of annual comprehensive assessment.

(ii) Grantees could vest [**REDACTED**]% of his or her granted options on [**REDACTED**] upon satisfaction of annual comprehensive assessment.

(iii) Grantee could vest [**REDACTED**]% of his granted options on [**REDACTED**] and the remaining [**REDACTED**]% of his granted options on [**REDACTED**] upon satisfaction of annual comprehensive assessment.

Save for the above, there are no other vesting conditions for the shares options granted under the LX Brothers Employee Incentive Plan.

Discounted cash flow method was used to determine the underlying equity value of the Company at grant date and the estimated fair value of the share options granted is measured based on the binomial option pricing model. The inputs into the model were as follows:

	At 1 April 2022
Share price on date of grant	HK$24.3 per share
Exercise price	HK$0.01 per share
Risk-free rate	2.2%
Expected volatility	56.2%
Expected dividend yield	0%

Expected volatility was determined by using the volatility of the comparable companies' share price over the expected life of the option. Risk-free rate was determined with reference to Hong Kong Government Exchange Fund Notes with similar tenor. Dividend yield was determined with reference to the historical dividend payout of the Group.

The binomial option pricing model has been used to estimate the fair value of the share options by the qualified valuer. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The number of the share options granted expected to vest is based on the directors' best estimate on the expected percentage of the 104 eligible employees that will remain in employment with the Group at the end of the vesting period.

Beauty Bear Employee Incentive Plan

Beauty Bear Employee Incentive Plan is adopted by the Company pursuant to the written resolutions of the board of directors of the Company passed on 1 April 2022, which is established to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. The Beauty Bear Employee Incentive Plan will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) encourage the eligible participants to contribute to the Group for the long-term benefits of the Company; and

(ii) provide the Group with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

Those eligible to participate in the Beauty Bear Employee Incentive Plan include any director, employee or senior management employee, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom a committee of the board considers, in its absolute discretion, have contributed or will contribute to the Group.

Subject to the terms of the Beauty Bear Employee Incentive Plan, a grantee is entitled to exercise, at any time prior to the expiry of 10 years from the date on which the offer of options is made, up to one-fourth of his/her granted and accepted options under the Beauty Bear Employee Incentive Plan during the period which the committee of the board notifies to each grantee, commencing from each of the first, second, third and fourth anniversaries of the date on which the offer of options is made, provided that the grantee remains to be an eligible participant entitled to exercise his or her option and the satisfaction of annual comprehensive assessment of the grantee.

The exercise price per share in respect of any particular option granted under the Beauty Bear Employee Incentive Plan shall be determined by the committee of the board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per share.

The maximum number of shares in respect of which options may be granted under the Beauty Bear Share Option Scheme of the Company must not in aggregate exceed 10% of the issued share capital of the Company upon 1) Capitalization Issue and 2) the completion of the [**REDACTED**], at the date of adoption of Beauty Bear Share Option Scheme, being [**REDACTED**] shares. No options were granted under the Beauty Bear Employee Incentive Plan during the six months ended 30 June 2022.

Restricted Share Award Scheme

Restricted Share Award Scheme is adopted by the Company pursuant to a resolution ("Resolution") of the board of directors of the Company passed on 1 April 2022, which is to encourage certain directors of the Company, employees to contribute to the Group for the long-term benefits of the Company and the shareholders as a whole and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any director of the Company, employee or any other person that, in the opinion of the board committee in its sole and absolute discretion, will contribute materially to the successful operation of the Group.

The Restricted Share Award Scheme shall be valid and effective for the period of 10 years commencing on the adoption date of the Restricted Share Award Scheme, after which period no further awards will be granted, but the it shall not affect the subsisting rights of any selected participants.

The exercise price per share in respect of any shares granted under the Restricted Share Award Scheme shall be more than, equal to, or less than fair market value of a share and may be zero, subject to such minimum consideration as may be required by applicable law.

The total number of shares awarded under the Restricted Share Award Scheme to each participant in any 12-month period up to the date of award exceed 1% of the issued share capital of the Company upon 1) Capitalization Issue and 2) the completion of the [**REDACTED**], at the date of award shall be subject to the issue of a circular by the Company to shareholders and the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules (as defined in the Document) from time to time with such participant and his/her close associates (as defined in the Listing Rules) (or his/her associates (as defined in the Listing Rules) if the participant is a connected person (as defined in the Listing Rules)) abstaining from voting after the Resolution.

No shares shall be granted pursuant to the Restricted Share Award Scheme if as a result of such grant (assumed accepted), the aggregate number of shares underlying all grants made pursuant to the Restricted Share Award Scheme (excluding the shares that have lapsed or been canceled in accordance with the rules of the Restricted Share Award Scheme) will exceed 10% of the number of shares in issue from time to time.

On 1 April 2022, 2,222,222 award shares (to be adjusted to [**REDACTED**] shares upon Capitalization Issue) were granted to an employee of LX Technology. Save as disclosed above, no other award shares had been granted or agreed to be granted under the Restricted Share Award Scheme during the six month ended 30 June 2022. The shares granted shall be vested in four equal lots on each of 1 April from 2023 to 2026, there are no other vesting conditions for the shares granted under the Restricted Share Award Scheme.

The directors of the Company and the qualified valuer used discounted cash flow method to determine the underlying equity value of the Company and performed equity allocation based on Black-Scholes option pricing model to arrive the fair value of the shares at grant date. The aggregate fair value of the shares held for the Restricted Share Award Scheme granted on 1 April 2022 was HK$36,370,000 (equivalent to RMB29,538,000) and the Group recognized the share-based payment expenses of RMB4,161,000 during the six months ended 30 June 2022.

38. EVENTS AFTER THE REPORTING PERIOD

[On [●], written resolutions of all shareholders of the Company were passed to approve the below matters set out in the paragraph headed "Further information about our Group – 5. Written resolutions of our Shareholders passed on [●], 2022" in Appendix IV to the Document. It was resolved, among other things:

(a) the authorized share capital of the Company was increased from HK$7,600,000 divided into (i) 710,799,188 ordinary shares; (ii) 15,091,329 Series A Preferred Shares; (iii) 14,593,840 Series B Preferred Shares; (iv) 2,084,011 Series C Preferred Shares; (v) 12,824,688 Series D-1 Preferred Shares; (vi) 3,606,944 Series D-2 Preferred Shares; and (vii) 1,000,000 Series D-3 Preferred Shares to HK$10,000,000 divided into (i) 950,799,188 shares; (ii) 15,091,329 Series A Preferred Shares; (iii) 14,593,840 Series B Preferred Shares; (iv) 2,084,011 Series C Preferred Shares; (v) 12,824,688 Series D-1 Preferred Shares; (vi) 3,606,944 Series D-2 Preferred Shares; and (vii) 1,000,000 Series D-3 Preferred Shares, by the creation of an additional 240,000,000 ordinary shares ranking pari passu in all aspects with the existing shares with immediate effect;

(b) conditional on the share premium account of the Company being credited as a result of the [**REDACTED**], the directors of the Company were authorized to capitalize HK$[**REDACTED**] standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par [**REDACTED**] shares for allotment ("Capitalization Issue") and issue to holders of shares whose names appear on the register of members of the Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in the Company.]

39. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries, have been prepared in respect of any period subsequent to 30 June 2022.]