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**LX Technology Group Limited**

**凌雄科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2436)**

## **DISCLOSEABLE TRANSACTIONS**

### **THE SUBSCRIPTIONS AND REDEMPTIONS**

The Board announces that in November 2022, the Company subscribed two redeemable principal and return guaranteed Money Market Funds with two different segregated portfolios, of which (i) Subscription A: HK\$227.6 million (equivalent to approximately RMB208.3 million) was subscribed in a fund of Fund Company A; and (ii) Subscription B: HK\$52.4 million (equivalent to approximately RMB48.0 million) was subscribed in a fund of Fund Company B.

In March 2023, the Company sent notices to fully redeem Subscription A and Subscription B, such Redemptions were completed on 31 March 2023 at a redemption price of HK\$228.8 million (equivalent to approximately RMB209.4 million) for Subscription A and HK\$52.7 million (equivalent to approximately RMB48.2 million) for Subscription B.

### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of Subscription A, on a standalone basis, exceeds 5% but is less than 25%, Subscription A constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable percentage ratios in respect of Subscription B, on a standalone basis, are less than 5%, Subscription B does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Whereas the highest applicable percentage ratio in respect of the Subscriptions, on an aggregated basis, exceeds 5% but is less than 25%. Therefore, the Subscriptions, if aggregated, constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of Redemption A, on a standalone basis, exceeds 5% but is less than 25%, Redemption A constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable percentage ratios in respect of Redemption B, on a standalone basis, are less than 5%, Redemption B does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Whereas the highest applicable percentage ratio in respect of the Redemptions, on an aggregated basis, exceeds 5% but is less than 25%. Therefore, the Redemptions, if aggregated, constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Accordingly, each of the Subscriptions and Redemptions are subject to reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## THE SUBSCRIPTIONS

The board (the “**Board**”) of directors (the “**Director(s)**”) of LX Technology Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announces that in November 2022, the Company subscribed two redeemable principal and return guaranteed money market funds (the “**Money Market Funds**”) with two different segregated portfolios (namely, Subscription A and Subscription B, and collectively the “**Subscriptions**”), of which (i) Subscription A: HK\$227.6 million (equivalent to approximately RMB208.3 million) was subscribed in a fund of Fund Company A (as defined below); and (ii) Subscription B: HK\$52.4 million (equivalent to approximately RMB48.0 million) was subscribed in a fund of Fund Company B (as defined below).

### Subscription A

Major terms of the agreement in respect of Subscription A are summarised as follows: -

<b>Date:</b>	24 November 2022 (as supplemented by a supplemental agreement dated 29 November 2022)
<b>Subscription amount:</b>	HK\$227,566,520 (equivalent to approximately RMB208.3 million)
<b>Parties:</b>	(i) the Company; and  (ii) Future Vision Fund SPC (“ <b>Fund Company A</b> ”)
<b>Investment scope:</b>	Investment in cash, short term bills and short term notes, certificates of deposits and other instruments, etc.

**Redemption terms:** Redeemable anytime after one month from the date of investment by submitting a redemption notice to Fund Company A, and Fund Company A shall deposit the total redemption amount to the Company's bank account within five working days

The subscription amount was determined through arm's length negotiations between the parties, taking into account the amount of idle cash the Company wishes to utilise for treasury management purpose and particulars of fund from Fund Company A such as its terms, its investment scope and risk exposure.

As at the date of this announcement, to the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, Fund Company A, its segregated portfolio and their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")).

## **Subscription B**

Major terms of the agreement in respect of Subscription B are summarised as follows: -

**Date:** 24 November 2022 (as supplemented by a supplemental agreement dated 1 December 2022)

**Subscription amount:** HK\$52,433,480 (equivalent to approximately RMB48.0 million)

**Parties:** (i) the Company  
(ii) Blue Ocean Fund SPC ("**Fund Company B**")

**Investment scope:** Investment in cash, short term bills and short term notes, certificates of deposits and other instruments, etc.

**Redemption terms:** Redeemable anytime after one month from the date of investment by submitting a redemption request to Fund Company B, and Fund Company B shall deposit the total redemption amount to the Company's bank account within five working days

The subscription amount was determined through arm's length negotiations between the parties, taking into account the amount of idle cash the Company wishes to utilise for treasury management purpose and particulars of fund from Fund Company B such as its terms, its investment scope and risk exposure.

As at the date of this announcement, to the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, Fund Company B, its segregated portfolio and their respective ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons (as defined under the Listing Rules).

## **THE REDEMPTIONS**

In March 2023, in accordance with the terms of the agreements in respect of the Subscriptions, the Company sent redemption notices to Fund Company A and Fund Company B, respectively, to fully redeem Subscription A (“**Redemption A**”) and Subscription B (“**Redemption B**”, and together with Redemption A, the “**Redemptions**”), such Redemptions were completed on 31 March 2023 at a redemption price of HK\$228.8 million (equivalent to approximately RMB209.4 million) for Subscription A and HK\$52.7 million (equivalent to approximately RMB48.2 million) for Subscription B.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is principally engaged in the provision of device lifecycle management solutions.

### **Fund Company A and its segregated portfolio**

Future Vision Fund SPC is an exempted limited liability company registered as a segregated portfolio company with the Cayman Islands Monetary Authority.

Value Investment Fund SP, which the Company subscribed, is a segregated portfolio of Future Vision Fund SPC established under the Cayman Islands laws that invests in cash, short term bills and short term notes, certificates of deposits and other instruments, etc. to maintain liquidity and manage cash position.

### **Fund Company B and its segregated portfolio**

Blue Ocean Fund SPC is an exempted limited liability company registered as a segregated portfolio company with the Cayman Islands Monetary Authority.

Flagship Fund SP, which the Company subscribed, is a segregated portfolio of Blue Ocean Fund SPC established under the Cayman Islands laws that invests in cash, short term bills and short term notes, certificates of deposits and other instruments, etc. to maintain liquidity and manage cash position.

## **REASONS FOR AND BENEFITS OF THE SUBSCRIPTIONS AND THE REDEMPTIONS**

The Company believes effective treasury function includes effective utilisation of its internal cash resources and making use of idle cash to increase interest income is part of normal daily treasury activities. In November 2022, in view of the ample cash balances exceeding the short term working capital needs of the Group, as part of its treasuring planning, the Company entered into the Subscriptions for the purpose of making use of temporary idle cash for short term interest return in low risk investments/products with flexible redemption features. After taking into account the interest rate return and balancing the flexible redemption needs of the Group, the Company considered the Subscriptions fit the needs of the Group as they involve principle guaranteed fixed income products which yield higher interest rate returns than savings deposit of banks at the relevant time and have more flexible redemption features than monthly fixed deposits offered by the banks in Hong Kong at the relevant time. As such, the Company entered into agreements in respect of the Subscriptions. Upon completion of the Redemptions, the Company recorded a gain of approximately HK\$1.5 million, which was calculated based on the interest rate return and the number of days subscribed to the respective funds. The Company intends to use such gain for general working capital of the Group.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the agreements of the Subscriptions and the transactions contemplated thereunder (including the Redemptions) are fair and reasonable, and are in the interests of the Company and its shareholders (the “**Shareholder(s)**”) as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of Subscription A, on a standalone basis, exceeds 5% but is less than 25%, Subscription A constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable percentage ratios in respect of Subscription B, on a standalone basis, are less than 5%, Subscription B does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Whereas the highest applicable percentage ratio in respect of the Subscriptions, on an aggregated basis, exceeds 5% but is less than 25%. Therefore, the Subscriptions, if aggregated, constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio in respect of Redemption A, on a standalone basis, exceeds 5% but is less than 25%, Redemption A constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As all the applicable percentage ratios in respect of Redemption B, on a standalone basis, are less than 5%, Redemption B does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Whereas the highest applicable percentage ratio in respect of the Redemptions, on an aggregated basis, exceeds 5% but is less than 25%. Therefore, the Redemptions, if aggregated, constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

Accordingly, each of the Subscriptions and Redemptions are subject to reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules. The Company acknowledges that it should issue announcement as soon as possible under the Listing Rules for all notifiable transactions conducted by the Group, in compliance with Rule 14.34 of the Listing Rules. Regrettably, due to inadvertent oversight and particularly insensitivity and unfamiliarity of the management with the relevant requirement of the Listing Rules and implications of the Subscriptions thereunder, the Company did not make timely disclosure. The management was of the understanding that the Subscriptions, which had relatively low risk exposure and flexible redemption features, were akin to bank deposits and therefore classified the relevant subscription amounts as "cash and cash equivalents". Accordingly, the management did not consider the Subscriptions to be "transactions" under Chapter 14 of the Listing Rules. Upon revisiting the terms of the Subscriptions and seeking advice from the Board and professional advisers (including the Company's compliance adviser and legal advisers), the management realised its obligation to make timely disclosure with respect of the Subscriptions. Accordingly, the Company publishes this announcement to inform the Shareholders.

## **REMEDIAL ACTIONS**

The Company takes the above incident seriously and has implemented the following remedial actions in order to prevent similar incidents from occurring again in the future:

1. the Company fully redeemed all of its investments in the Subscriptions on 31 March 2023;
2. the Company publishes this announcement as soon as practicable to inform the Shareholders in respect of the Subscriptions and the Redemptions;
3. the Company is going to conduct a review over the internal control system of the Group, particularly relating to policies, procedures and controls related to the Subscriptions (especially bank/cash management and investment purchase procedures, etc.);

4. the Company is going to refine its internal guidelines for notifiable transactions under the Listing Rules with more details to ensure timely reporting and disclosure, in particular, the responsible staff must escalate any potential notifiable transactions to the Company's management and (where necessary) the Board for assessment of implications under the Listing Rules before entering into such transactions;
5. the Company will work closely with and consult its compliance adviser and legal adviser before entering into any potential notifiable transaction; and
6. the Company will arrange regular trainings to its accounting personnel, responsible staff, senior management and Directors to strengthen and reinforce their knowledge on notifiable transactions under the Listing Rules and pre-requisite training for successor employees for relevant roles and positions.

As a result of the Subscriptions, the Company has recorded approximately HK\$1.5 million interest income. The Company considers that there is no material impact on its financial position caused by this incident. The Company will continue to make prudent decisions prior to engaging in investing activities to protect the interests of the Company and the Shareholders as a whole.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange was halted with effect from 2:57 p.m. on 23 March 2023 and will continue to be suspended pending the publication of the annual results of the Group for the year ended 31 December 2022.

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

By order of the Board  
**LX Technology Group Limited**  
**Hu Zuoxiong**  
*Chairman*

Hong Kong, 4 May 2023

*As of the date of this announcement, the executive Directors are Mr. HU Zuoxiong, Mr. CHEN Xiuwei and Mr. CAO Weijun, the non-executive Director is Mr. LI Jing, and the independent non-executive Directors are Mr. KAM Chi Sing, Ms. XU Nailing and Mr. YAO Zhengwang.*