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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

### **FINANCIAL SUMMARY**

Revenue for the year ended 31 December 2022 (the “**Year**”) was approximately RMB1,664.0 million, representing an increase of 25.1% from approximately RMB1,330.4 million for the year ended 31 December 2021.

The profit for the Year was approximately RMB99.9 million as compared to a loss of approximately RMB448.7 million for 2021.

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of LX Technology Group Limited (the “**Company**”) hereby announces the annual audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**” or “**our**”) for the Year, together with comparative figures for the year ended 31 December 2021.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	3	<b>1,664,049</b>	1,330,402
Cost of sales		<u><b>(1,464,774)</b></u>	<u>(1,137,266)</u>
<b>GROSS PROFIT</b>		<b>199,275</b>	193,136
Other income	4	<b>18,606</b>	14,861
Other gains and losses	5	<b>(4,014)</b>	—
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)		<b>197,680</b>	(433,916)
Impairment losses under expected credit loss model, net of reversal		<b>(1,716)</b>	(1,970)
Distribution and selling expenses		<b>(125,709)</b>	(115,906)
Administrative expenses		<b>(86,771)</b>	(40,497)
Research and development expenses		<b>(27,493)</b>	(18,280)
Finance costs	6	<b>(42,425)</b>	(36,301)
Listing expenses		<u><b>(31,735)</b></u>	<u>(7,398)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>	7	<b>95,698</b>	(446,271)
Income tax credit/(expense)	8	<b>4,250</b>	(2,431)
<b>TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE YEAR</b>		<u><b>99,948</b></u>	<u>(448,702)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	10		
— Basic ( <i>RMB</i> )		<u><b>0.72</b></u>	<u>(3.73)</u>
— Diluted ( <i>RMB</i> )		<u><b>(0.38)</b></u>	<u>(3.73)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment and right-of-use assets		<b>802,861</b>	753,908
Deposits paid for acquisition of property, plant and equipment		<b>244</b>	1,773
Other receivables, deposits and prepayments		<b>4,676</b>	6,370
Restricted deposits		<b>12,818</b>	20,233
Deferred tax assets		<b>13,186</b>	5,481
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>833,785</b>	787,765
<b>Current assets</b>			
Inventories		<b>76,630</b>	74,307
Trade and lease receivables	<i>11</i>	<b>64,879</b>	53,440
Other receivables, deposits and prepayments		<b>112,604</b>	134,329
Tax recoverable		<b>1,159</b>	—
Financial assets at FVTPL		<b>300,811</b>	—
Restricted deposits		<b>14,719</b>	9,423
Cash and cash equivalents		<b>156,274</b>	118,553
		<hr/>	<hr/>
<b>Total current assets</b>		<b>727,076</b>	390,052
<b>Current liabilities</b>			
Trade payables, other payables and accruals	<i>12</i>	<b>185,763</b>	126,689
Tax liabilities		<b>19</b>	24
Borrowings		<b>406,358</b>	390,424
Lease liabilities		<b>6,424</b>	10,454
Contract liabilities		<b>425</b>	1,498
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>598,989</b>	529,089

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Net current assets/(liabilities)</b>	<u>128,087</u>	<u>(139,037)</u>
<b>Total assets less current liabilities</b>	<u>961,872</u>	<u>648,728</u>
<b>Non-current liabilities</b>		
Borrowings	144,556	151,160
Lease liabilities	6,495	10,709
Financial liabilities at FVTPL	—	1,117,083
Deferred tax liabilities	<u>3,509</u>	<u>—</u>
<b>Total non-current liabilities</b>	<u>154,560</u>	<u>1,278,952</u>
<b>NET ASSETS/(LIABILITIES)</b>	<u><u>807,312</u></u>	<u><u>(630,224)</u></u>
<b>Capital and reserves</b>		
Share capital/paid-up capital	3,158	54,156
Reserves	<u>804,154</u>	<u>(684,380)</u>
<b>TOTAL EQUITY</b>	<u><u>807,312</u></u>	<u><u>(630,224)</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

LX Technology Group Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2022 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) effective from 24 November 2022. The respective addresses of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and principal place of business is 501, 5th Floor, Cuilin Building, 10 Kaifeng Road, Maling District, Meilin Street, Futian District, Shenzhen, China.

The Company is an investment holding company and the Company and its subsidiaries (collectively, referred to as the “**Group**”) are engaged in device recycling business, provision of device subscription services and information technology (“**IT**”) technical subscription services.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO IFRSs

The Group has consistently applied all the new and amendments to IFRSs, International Accounting Standards (“**IASs**”), and interpretations issued by the IASB which are effective for the accounting periods beginning on 1 January 2022.

### **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 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> 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 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 Income Taxes (“**IAS 12**”) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 recognize 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 31 December 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 RMB11,330,000 and RMB12,919,000, 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.

## **3. 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 Operating Segments are as follows:

- (1) Device recycling business
- (2) Device subscription services

*Year ended 31 December 2022*

	<b>Device recycling business RMB'000</b>	<b>Device subscription services RMB'000</b>	<b>Total RMB'000</b>
Device recycling income			
— Mobile devices	<b>798,316</b>	—	<b>798,316</b>
— Non-mobile devices	<b>391,364</b>	—	<b>391,364</b>
Device subscription services			
— Short-term device subscription ( <i>note 3(i)</i> )	—	<b>61,313</b>	<b>61,313</b>
— Long-term device subscription ( <i>note 3(iv)</i> )	—	<b>257,941</b>	<b>257,941</b>
IT technical subscription services	—	<b>155,115</b>	<b>155,115</b>
	<b><u>1,189,680</u></b>	<b><u>474,369</u></b>	<b><u>1,664,049</u></b>

*Year ended 31 December 2021*

	<b>Device recycling business RMB'000</b>	<b>Device subscription services RMB'000</b>	<b>Total RMB'000</b>
Device recycling income			
— Mobile devices	468,304	—	468,304
— Non-mobile devices	456,104	—	456,104
Device subscription services			
— Short-term device subscription ( <i>note 3(i)</i> )	—	48,043	48,043
— Long-term device subscription ( <i>note 3(iv)</i> )	—	217,559	217,559
IT technical subscription services	—	140,392	140,392
	<b><u>924,408</u></b>	<b><u>405,994</u></b>	<b><u>1,330,402</u></b>

**Geographical information**

The Group operates within one geographical segment during the years ended 31 December 2022 and 2021 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 contributing over 10% of the total sales of the Group are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	<u>188,537</u>	<u>N/A*</u>

*Note:* Revenue from customers A are derived from device recycling business. During the years ended 31 December 2022 and 2021, 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 year ended 31 December 2021.

## Revenue

(i) Disaggregation of revenue from contracts with customers

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Type of goods or services</b>		
Device recycling income	1,189,680	924,408
IT technical subscription services	155,115	140,392
Short-term device subscription	61,313	48,043
Total	<u>1,406,108</u>	<u>1,112,843</u>
<b>Timing of revenue recognition</b>		
At a point in time	1,189,680	924,408
Over time	216,428	188,435
	<u>1,406,108</u>	<u>1,112,843</u>



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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Device recycling income	<b>1,189,680</b>	924,408
Device subscription services	<b>216,428</b>	188,435
<b>Revenue from contracts with customers</b>	<b>1,406,108</b>	1,112,843
Lease income from device subscription services (note 3(iv))	<b>257,941</b>	217,559
Total revenue	<b>1,664,049</b>	1,330,402

(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, including mobile devices (tablet computers and mobile phones) and non-mobile 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 terms 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 3(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) and the expected timing of recognising revenue are as follows:

**At 31 December 2022**

	<b>Device recycling income <i>RMB'000</i></b>	<b>IT technical subscription services <i>RMB'000</i></b>	<b>Short- term device subscription services <i>RMB'000</i></b>
Within one year	—	140,368	8,314
More than one year but not more than two years	—	57,012	—
More than two years	—	12,146	—
	<u>—</u>	<u>209,526</u>	<u>8,314</u>

At 31 December 2021

	Device recycling income <i>RMB'000</i>	IT technical subscription services <i>RMB'000</i>	Short- term device subscription services <i>RMB'000</i>
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	—
	<u>1,498</u>	<u>116,818</u>	<u>630</u>

- (iv) The revenue from long-term device subscription of equipment to the customers with fixed subscription payments for year ended 31 December 2022 amounted to RMB257,941,000 (2021: RMB217,559,000) 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	226,099	157,533
In the second year	70,046	59,713
In the third year	33,239	20,301
	<u>329,384</u>	<u>237,547</u>

#### 4. OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income	750	669
Government subsidies ( <i>note</i> )	10,309	10,672
Compensation income from customers	7,547	3,520
	<u>18,606</u>	<u>14,861</u>

*Note:* 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 recognised.

#### 5. OTHER GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on disposal of property, plant and equipment	1,555	—
Foreign exchange losses	(5,784)	—
Fair value change of financial assets at FVTPL	215	—
	<u>(4,014)</u>	<u>—</u>

#### 6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on borrowings	41,315	34,763
Interest expenses on lease liabilities	1,110	1,538
	<u>42,425</u>	<u>36,301</u>

## 7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is stated after charging/(crediting):

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Directors' emoluments	16,420	2,340
Other staff costs:		
Salaries, allowances and other benefits in kind	125,451	115,223
Retirement benefit scheme contributions	8,695	6,813
Equity-settled share-based payments expense	57,374	—
	<u>191,520</u>	<u>122,036</u>
Auditors' remuneration	4,205	519
Depreciation of property, plant and equipment and right-of-use assets	236,700	193,343
Gain on disposal of property, plant and equipment	(1,555)	—
Write-down/(reversal of write-down) of inventories ( <i>note</i> )	57	(1,012)
Cost of inventories recognized as an expense	<u>1,131,344</u>	<u>892,608</u>

## 8. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax — the PRC		
Charge for the year	17	174
Over-provision in prior years	(71)	—
Deferred tax	<u>(4,196)</u>	<u>2,257</u>
	<u>(4,250)</u>	<u>2,431</u>

## 9. DIVIDEND

No dividend was declared or paid by the Company since its incorporation in respect of the years ended 31 December 2022 and 2021, nor any dividend been proposed since the end of the reporting period.

## 10. EARNINGS/(LOSS) PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings/(loss) for the year attributable to owners of the Company for the purpose of basic earnings/(loss) per shares	99,948	(448,702)
Effect of dilutive potential loss in respect of financial liabilities at FVTPL	<u>(197,680)</u>	<u>—</u>
Loss for the year attributable to owners of the Company for the purposes of diluted loss per share	<u><u>(97,732)</u></u>	<u><u>(448,702)</u></u>
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	139,034,560	120,189,303
Effect of dilutive potential ordinary shares:		
— Financial liabilities at FVTPL	<u>119,012,046</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>258,046,606</u></u>	<u><u>120,189,303</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share has been determined on the assumption that the group reorganization and the capitalization issue of the Company had been effected since 1 January 2021, and without taking into account 47,880,601 shares 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 year ended 31 December 2021, the Series of Investments in LX Shenzhen 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 year ended 31 December 2021 is the same as basic loss per share for the year.

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the exercise of the Company's share options and share award since their assumed exercise would result in decrease in loss per share.

## 11. TRADE AND LEASE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade and lease receivables		
— third parties	67,459	57,052
— related parties	4,750	2,033
	<u>72,209</u>	<u>59,085</u>
Less: allowance for expected credit losses	(7,330)	(5,645)
	<u><u>64,879</u></u>	<u><u>53,440</u></u>

As at 1 January 2021, trade and lease receivables amounted to RMB37,107,000.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	49,784	43,299
More than 3 months but within 6 months	7,738	7,326
More than 6 months but within 1 year	4,940	691
Over 1 year	2,417	2,124
	<u><u>64,879</u></u>	<u><u>53,440</u></u>

As at 31 December 2022, included in the Group's trade and lease receivables balance are debtors with aggregate carrying amount of RMB20,029,000 (2021: RMB21,688,000) which are past due. Out of the past due balances RMB9,258,000 (2021: RMB11,672,000) 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.

## 12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Trade payables</b>	<b>125,123</b>	68,293
<b>Other payables and accruals</b>		
Accrued staff costs and retirement benefit scheme contributions	<b>23,594</b>	24,382
Advance from leasing customers under device subscription service	<b>17,087</b>	18,002
Other tax payables	<b>2,154</b>	5,463
Secured and other deposits received	<b>4,946</b>	3,951
Accrued expenses	<b>5,714</b>	2,041
Accrued listing and issue costs	<b>6,249</b>	3,914
Others	<b>896</b>	643
	<u><b>60,640</b></u>	<u>58,396</u>
	<u><b>185,763</b></u>	<u>126,689</u>
Represented by:		
— third parties	<b>183,318</b>	109,408
— related parties ( <i>note</i> )	<b>2,445</b>	17,281
	<u><b>185,763</b></u>	<u>126,689</u>

*Note:* The Group has payable to its related parties at the end of reporting period for purchase of IT equipment, certain operating expenses, including marketing and promotion services.

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	<b>88,185</b>	52,548
6–12 months	<b>22,104</b>	1,167
Over 1 year	<b>14,834</b>	14,578
	<u><b>125,123</b></u>	<u>68,293</u>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

We principally engage in the sales of refurbished de-commissioned information technology (“IT”) devices to, among others, resellers of IT devices, and the provision of device and IT technical subscription services to small- and medium-sized enterprises (“SMEs”) in the People’s Republic of China (“PRC” or “China”), as a device lifecycle management (“DLM”) solution provider. During the Year, the Group assisted 13,326 long-term device subscription customers to achieve light asset and digitalisation transformation, as compared to 10,030 long-term device subscription customers for the year ended 31 December 2021, representing an increase of approximately 32.9% year-over-year. In addition, the Group served 127 government units and provided aggregated device subscription volume of 18,292 devices to these government units which posed positive influence to the COVID-19 epidemic control work of these government units.

During the Year, our capability for key account customers<sup>1</sup> (the “KA Customer(s)”) acquisition had enhanced consistently, the KA Customers of the Company increased from 1,098 for the year ended 31 December 2021 to 1,387 for the Year, representing an increase of 26.3% year-over-year. The development of the business of the Group has maintained its momentum and achieved growth despite the slow market.

Since our inception, we have instilled social values into our DLM business by facilitating enterprises to lower their operating costs and improving their IT device full-lifecycle utilization, for which we have gained excellent reputation and established a reputable corporate image. The Group was recognised as one of “The Specialized and New “Little Giant” Enterprises” (專精特新“小巨人”企業) in 2021 and was once again recognised as a member of the National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台) in 2022. In July 2022, the Group was recognised as the “High Growth Enterprises of the Year” (年度高成長企業) by Securities Times. In December 2022, the Group was recognised as “A new IPO Company Most Favored by Investors” (最受投資者歡迎新股公司) by Zhitong Caijing (智通財經), “The Best Corporate Services Brand of the Year” (年度最佳企業服務品牌) by TMTpost and “The Most Influential Innovative Enterprise of the Year in the Corporate Services Field” (年度企業服務領域最具影響力創新企業) by Lieyunwang (獵雲網), respectively.

<sup>1</sup> A key account customer was defined as a customer who subscribes 30 devices or more as of 1 January of a particular year under the Company’s long-term device subscription services.



According to China Insights Industry Consultancy Limited, we are the first company in China to have built a DLM business model covering both long-term and short-term subscription period and major phases in device lifecycle. Our revenue from DLM solutions was primarily generated from (i) device recycling business, contributing to approximately 71.5% of our revenue; and (ii) device and IT technical subscription services, contributing to the rest of our revenue.

Founded in 2004, we started out with computer assembly services and sale of second-hand personal computers, which were conducted solely offline and served primarily individual customers. During the initial operation period, we established business relationship with computer suppliers, and accumulated years of experience and resources. Subsequently, we launched short-term and long-term computer rental programs in 2008 and 2013, respectively, focusing on desktop and laptop computers, and at the same time started providing IT technical services to enterprises. As long-term device subscription services can provide us with a stable and predictable stream of subscription income, it has been the focus of our device subscription business. We aspire to make DLM available to millions of individual users working in enterprises across China. Over the years, our business model has evolved from an offline single-product model serving primarily individual customers into a business model covering major phases in device lifecycle including long-term and short-term subscriptions and device disposals, serving primarily enterprises and individual users working therein.

## **Our Business Model**

Our DLM solutions directly tackle the pain points of enterprises' management of devices. With the aim to transform enterprises' management of devices through services covering major phases of IT device lifecycle, our revenue from DLM solutions during the Year was primarily generated from the following service categories:

- *Device recycling business.* We purchase de-commissioned IT devices from enterprises for use in our device subscription services after refurbishment or sale through our proprietary quotation platform. We typically target large-scale enterprises as upstream suppliers of de-commissioned IT devices. The device recycling business provides us with a stable source of de-commissioned devices.

- *Device subscription services.* Our device subscription services primarily include selecting IT devices (including brand new devices and de-commissioned devices after refurbishment) suitable for users, assembling devices, pre-installing device configurations and customizing system settings. We offer tailor-made short-term and long-term device subscription services to satisfy our customers' needs for diverse business scenarios.
- *IT technical subscription services.* We offer IT technical subscription services primarily coupled with device subscription services and, to a lesser extent, on a standalone basis, primarily including solving problems in IT devices and keeping devices on the cutting edge of technology through system upgrades. We typically target SMEs for our subscription services.

### ***Device recycling business***

For the Year, the Group's revenue from device recycling business amounted to approximately RMB1,189.7 million, representing an increase of approximately 28.7% as compared to approximately RMB924.4 million for the same period in 2021.

The following table sets forth certain of our key operating data for the years indicated:

	<b>Year ended 31 December</b>		<b>Growth Rate</b>
	<b>2022</b>	<b>2021</b>	
Number of devices sold ( <i>device</i> )	<b>925,561</b>	857,118	8.0%
Number of device recycling customers	<b>1,060</b>	1,101	-3.7%
Average revenue per device recycling customer ( <i>RMB</i> )	<b>1,122,339</b>	839,608	33.7%
Average sales value ( <i>RMB/device</i> )	<b>1,185.2</b>	876.9	35.2%

### ***Device subscription business***

For the Year, the Group's revenue from device subscription business amounted to approximately RMB319.3 million, representing an increase of approximately 20.2% as compared to approximately RMB265.6 million for the same period in 2021.

The following table sets forth our revenue generated from subscription services with, and total device subscription volume from brand-new devices and second-hand devices, respectively, for the periods indicated:

	Year ended 31 December		Growth Rate
	2022	2021	
Revenue from device subscription services (RMB'000)	<b>319,254</b>	265,602	20.2%
— Brand-new devices	<b>259,380</b>	201,040	29.0%
— Second-hand devices	<b>59,874</b>	64,562	-7.3%
Total device subscription volume ( <i>device</i> )	<b>4,957,703</b>	4,235,301	17.1%
— Brand-new devices	<b>3,715,865</b>	2,832,874	31.2%
— Second-hand devices	<b>1,241,838</b>	1,402,427	-11.5%
Total number of devices available for subscription	<b>518,915</b>	455,357	14.0%

### ***IT technical subscription services***

For the Year, the Group's revenue from IT technical subscription services amounted to approximately RMB155.1 million, representing an increase of approximately 10.5% as compared to approximately RMB140.4 million for the same period in 2021.

The following table sets forth our revenue generated from the long-term and short-term IT technical subscription services, respectively, for the periods indicated:

	Year ended 31 December		Growth Rate
	2022	2021	
Revenue from IT technical subscription services	<b>155,115</b>	140,392	10.5%
— Long-term subscriptions	<b>111,769</b>	97,685	14.4%
— Short-term subscriptions	<b>43,346</b>	42,707	1.5%

## **Future Outlook**

In recent years, the implementation of mass entrepreneurship and favourable policies by the PRC government have boosted the number of enterprises, especially SMEs, in China. The growing IT spending and increased digitalisation needs of these SMEs and enterprises have led to an increasing demand for DLM solutions.

In early 2023, the PRC government launched various measures to stimulate the economy in China which is favourable for the development of the SMEs. At the same time, during the COVID-19 epidemic, the light asset office operational concepts have been cultivated within the enterprises and has changed the traditional procurement-based consumption concepts. We believe the penetration rate of the IT device subscription services market will continue to increase.

Most of the enterprises have an inelastic demand towards IT equipment such as computers, and these IT equipment requires daily maintenance and management during ordinary course of usage. The Group, as the largest enterprise-level DLM solution provider in China, will leverage the synergistic effect of the Group's business models to assist the enterprises to reduce costs, improve efficiency and achieve sustainable development.

The low penetration rate of IT device subscription services market and the growing demand of DLM solutions from enterprises have brought to the Group both challenges and opportunities. The Group aims to continue to expand the scale of IT equipment under our management, develop DLM solutions products and services for different scenarios, improve technical capabilities and upgrade system infrastructure, improve customer experience and meet the needs of our customers.

In the future, we will continue to take up additional corporate social responsibilities by assisting enterprises to reduce costs and improve efficiency. We will also pose positive environmental, social and governance impacts on the working environment of enterprises through provision of DLM solutions.

## FINANCIAL REVIEW

### Revenue

The Group's revenue comes from three service lines: (i) device recycling income; (ii) device subscription services; and (iii) IT technical subscription services. The following table sets out the breakdown of revenue by service lines during the indicated periods:

Revenue	Year ended 31 December		2021		Growth Rate
	2022		(Audited)		
	(Audited)		(Audited)		
	RMB'000	%	RMB'000	%	%
Device recycling income	<b>1,189,680</b>	<b>71.5</b>	924,408	69.4	28.7
Device subscription services	<b>319,254</b>	<b>19.2</b>	265,602	20.0	20.2
— Long-term device subscription	<b>257,941</b>	<b>15.5</b>	217,559	16.4	18.6
— Short-term device subscription	<b>61,313</b>	<b>3.7</b>	48,043	3.6	27.6
IT technical subscription services	<b>155,115</b>	<b>9.3</b>	140,392	10.6	10.5
<b>Total</b>	<b><u>1,664,049</u></b>	<b><u>100.0</u></b>	<b><u>1,330,402</u></b>	<b><u>100.0</u></b>	<b><u>25.1</u></b>

For the Year, the total revenue of the Group was approximately RMB1,664.0 million (31 December 2021: approximately RMB1,330.4 million), representing an increase of approximately 25.1% as compared with the same period in 2021, mainly attributable to the increase in revenue across all our service lines.

### *Device recycling income*

The increase in the device recycling income business during the Year as compared with the same period in 2021 was mainly due to (i) the increase in availability and resell value of de-commissioned IT devices as a result of the increasing disposal of de-commissioned IT devices by certain leading IT companies; and (ii) the enhancement of our procurement capability due to the increase in number of upstream suppliers of de-commissioned IT devices from 317 for the year ended 31 December 2021 to 365 for the Year.

The following table sets forth a breakdown of our revenue of the device recycling business by major types of IT devices during the periods indicated:

	Year ended 31 December				
	2022		2021		Growth Rate
	(Audited)		(Audited)		
RMB'000	%	RMB'000	%	%	
Tablet computers and mobile phones	<b>798,316</b>	<b>67.2</b>	468,304	50.6	70.5
Laptop computers and other IT devices	<b>391,364</b>	<b>32.8</b>	456,104	49.4	(14.2)
<b>Total</b>	<b><u>1,189,680</u></b>	<b><u>100.0</u></b>	<b><u>924,408</u></b>	<b><u>100.0</u></b>	<b><u>28.7</u></b>

### ***Revenue from device subscription services***

The increase in revenue from device subscription services during the Year as compared with the same period in 2021 was mainly due to (i) the growth in number of long-term device subscription customers from 10,030 for the year ended 31 December 2021 to 13,326 for the Year; (ii) the increase in total device subscription volume from 4,235,301 devices for the year ended 31 December 2021 to 4,957,703 devices for the Year as more devices were subscribed to satisfy the growing business needs of enterprises; and (iii) the average monthly subscription fees per device for device subscription services increased from RMB62.7 for the year ended 31 December 2021 to RMB64.4 for the Year due to the increase in subscription of laptop computers and printers which were priced relatively higher on average.

### ***Revenue from IT technical subscription services***

The increase in revenue from IT technical subscription services during the Year as compared with the same period in 2021 was primarily attributable to the increase in average monthly subscription volume under IT technical subscription services from 228,662 devices for the year ended 31 December 2021 to 285,310 devices for the Year as (i) the increase in number of devices for subscription as discussed above; and (ii) the increase in number of customers for IT technical subscription services from 11,178 for the year ended 31 December 2021 to 15,121 for the Year.

## ***Revenue by geographical locations***

The following table sets forth a breakdown of our revenue by geographical location in absolute amounts and as a percentage of our revenue during the years indicated:

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>(Audited)</b>		<b>(Audited)</b>	
	<b><i>RMB'000</i></b>	<b>%</b>	<b><i>RMB'000</i></b>	<b>%</b>
Shenzhen	<b>1,331,509</b>	<b>80.0</b>	983,551	73.9
Shanghai	<b>92,200</b>	<b>5.5</b>	85,668	6.4
Wuhan	<b>81,438</b>	<b>4.9</b>	80,051	6.0
Beijing	<b>81,061</b>	<b>4.9</b>	78,876	5.9
Guangzhou	<b>44,576</b>	<b>2.7</b>	37,852	2.8
Others <sup>(1)</sup>	<b>33,265</b>	<b>2.0</b>	64,403	4.8
<b>Total</b>	<b><u>1,664,049</u></b>	<b><u>100.0</u></b>	<b><u>1,330,402</u></b>	<b><u>100.0</u></b>

*Note:*

(1) Others mainly include Chengdu, Xiamen, Nanjing, Zaozhuang and Jingmen.

## **Cost of Sales**

Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortization, which primarily include depreciation of equipment for subscription; (iii) staff costs, representing salaries and welfare for our business operation personnel; and (iv) others, mainly representing costs related to short-term device subscription services such as rentals for venue and wages for temporary staff. Our cost of sales was approximately RMB1,464.8 million for the Year (31 December 2021: approximately RMB1,137.3 million), accounting for approximately 88.0% (31 December 2021: approximately 85.5%) of our revenue in the same period. The increase in cost of sales during the Year as compared to the same period in 2021 was mainly attributable to (i) the increase in the cost of inventories sold by approximately 31.1% or RMB276.7 million for more de-commissioned devices purchased in response to the growth of our recycling services; and (ii) the increase in the depreciation by approximately 23.0% or approximately RMB42.0 million due to more devices purchased for subscription services.

## Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by service line for the years indicated:

	Year ended December 31,			
	2022		2021	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
		%		%
Device recycling income	15,225	1.3	29,107	3.1
Device subscription services	73,725	23.1	61,654	23.2
IT technical subscription services	110,325	71.1	102,375	72.9
<b>Total</b>	<b>199,275</b>	<b>12.0</b>	<b>193,136</b>	<b>14.5</b>

Our gross profit represents our revenue less our cost of sales. For the Year, our gross profit was approximately RMB199.3 million, representing an increase of approximately 3.2% as compared with approximately RMB193.1 million for the same period in 2021 as a result of the overall revenue growth for reasons mentioned above. The gross profit margin of the Group decreased from approximately 14.5% for the year ended 31 December 2021 to approximately 12.0% for the Year.

### *Device recycling income*

The gross profit of device recycling business decreased from approximately RMB29.1 million for the year ended 31 December 2021 to approximately RMB15.2 million for the Year. Our gross profit margin of device recycling business decreased from approximately 3.1% for the year ended 31 December 2021 to approximately 1.3% for Year, primarily attributable to increasing cost of inventories sold by approximately 31.1% from approximately RMB890.9 million to approximately RMB1,167.6 million during the corresponding periods due to the purchase of more de-commissioned IT devices, which is partially offset by the increase in sales of tablet computers and mobile phones as a percentage of sales of de-commissioned IT devices from approximately 50.6% for the year ended 31 December 2021 to approximately 67.2% for the Year, which has lower profit margin.



### *Device subscription services*

The gross profit of device subscription services increased from approximately RMB61.7 million for the year ended 31 December 2021 to approximately RMB73.7 million for the Year as we managed to generate more subscription revenue by increasing the total device subscription volume from 4,235,301 for the year ended 31 December 2021 to 4,957,703 for the Year. Our gross profit margin of device subscription services remained stable at approximately 23.2% for the year ended 31 December 2021 and approximately 23.1% for the Year. The average monthly utilization rates of our major types of devices for subscription increased from approximately 84.9% for the year ended 31 December 2021 to approximately 85.3% for the Year.

### *IT technical subscription services*

The gross profit of IT device subscription services increased from approximately RMB102.4 million for the year ended 31 December 2021 to approximately RMB110.3 million for the Year. Our gross profit margin of IT technical subscription services slightly decreased from approximately 72.9% for the year ended 31 December 2021 to approximately 71.1% for the Year, primarily attributable to (i) the decrease in average monthly subscription price per device under IT technical subscription services from RMB51.2 for the year ended 31 December 2021 to RMB45.3 for the Year; and (ii) the increase in staff cost by approximately RMB1.9 million due to the increment of salary level of our technical staff as an incentive for them to address customers' demand in a more responsive manner.

### **Other Income**

For the Year, other income was approximately RMB18.6 million, representing an increase of approximately 25.2% from approximately RMB14.9 million for the year ended 31 December 2021, primarily due to the recognition of approximately RMB4.0 million compensation income from customers due to early termination of contract.

### **Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)**

The fair value change of financial liabilities at FVTPL increased by approximately RMB631.6 million from a fair value loss of approximately RMB433.9 million for the year ended 31 December 2021 to a fair value gain of approximately RMB197.7 million for the Year. The turnaround from fair value loss to fair value gain was primarily attributable to the conversion of the preferred shares of the Company held by certain shareholders of the Company (the “**Shareholder(s)**”) to ordinary shares with nominal value of HK\$0.01 each of the Company (the “**Share(s)**”) upon completion of the Global Offering (as defined in the prospectus of the Company dated 14 November 2022 (the “**Prospectus**”)).

## **Distribution and selling expenses**

The distribution and selling expenses increased by approximately 8.5% from approximately RMB115.9 million for the year ended 31 December 2021 to approximately RMB125.7 million for the Year, primarily attributable to (i) the increased salaries and welfare of our sales and marketing team; and (ii) the addition of share-based payments expense of approximately RMB22.4 million in connection with the new Shares issued for our employee incentive plans in April 2022. However, our distribution and selling expenses as a percentage of revenue decreased from approximately 8.7% for the year ended 31 December 2021 to approximately 7.6% for the Year.

## **Administrative Expenses**

The administrative expenses increased by approximately 114.3% from approximately RMB40.5 million for the year ended 31 December 2021 to approximately RMB86.8 million for the Year, primarily due to the share-based payments expense of approximately RMB41.1 million in connection with the new Shares issued for our employee incentive plans in April 2022. Our administrative expenses as a percentage of revenue increased from approximately 3.0% for the year ended 31 December 2021 to approximately 5.2% for the Year.

## **Research and Development Expenses**

The research and development expenses increased by approximately 50.4% from approximately RMB18.3 million for the year ended 31 December 2021 to approximately RMB27.5 million for the Year, primarily due to (i) the share-based payments expense of approximately RMB7.7 million in connection with the new Shares issued for our employee incentive plans in April 2022; and (ii) increased salaries and welfare due to the offering of competitive remuneration to research and development staff for the development of our DLM solutions. Our research and development expenses as a percentage of revenue remained stable at approximately 1.4% and 1.7% for the years ended 31 December 2021 and 2022, respectively.

## **Finance Costs**

The finance costs increased by approximately 16.9% from approximately RMB36.3 million for the year ended 31 December 2021 to approximately RMB42.4 million for the Year, primarily attributable to the increase of interest expenses driven by a larger balance of bank and other borrowings for acquisition of IT devices for subscription in response to the increasing demand for subscription of IT devices from our customers, which was in line with our business expansion for device subscription services during the Year.

## **Income Tax (Credit)/Expense**

The income tax expense was approximately RMB2.4 million for the year ended 31 December 2021. For the Year, our income tax credit was approximately RMB4.3 million.

## **Profit/(Loss) and Total Comprehensive Income/(Expense) for the Year**

A profit of approximately RMB99.9 million for the Year was recorded, compared to a loss of approximately RMB448.70 million for the year ended 31 December 2021. The turnaround from loss to profit was primarily due to (i) the recognition of net fair value gain of financial liabilities at FVTPL of approximately RMB197.7 million for the Year as compared to fair value loss of financial liabilities at FVTPL of approximately RMB433.9 million for the corresponding period in 2021; and (ii) the increase of revenue in the amount of approximately RMB333.6 million for the Year.

## **Adjusted Profit**

The adjusted profit (a non-International Financial Reporting Standard (“IFRS”) measure) for the Year was approximately RMB10.9 million as compared to the adjusted loss of approximately RMB7.4 million for the year ended 31 December 2021.

## **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortisation (“EBITDA”)**

The adjusted EBITDA (a non-IFRS measure) for the Year increased by approximately 27.2% from approximately RMB224.0 million for the year ended 31 December 2021 to approximately RMB285.1 million for the Year.

## **Non-IFRS Measures**

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted profit and adjusted EBITDA (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that such measures provide useful information to the Shareholders, potential investors of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management to evaluate our operating performance and formulate business plans. However, our adjusted profit and adjusted EBITDA (non-IFRS measures) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRSs.

We define adjusted loss/profit as loss/profit plus listing expenses, (gain)/loss of financial liabilities at FVTPL, share-based payment expenses and exchange losses. We define adjusted EBITDA as loss/profit plus finance cost, interest income, income tax expenses, depreciation of property, plant and equipment and right-of-use of assets, listing expenses, (gain)/loss of financial liabilities at FVTPL, share-based payment expenses and exchange losses. The fair value change of financial liabilities at FVTPL represents fair value changes in relation to series of investments in LX Technology (Shenzhen) Co., Ltd, a wholly-owned subsidiary of the Company, the conversion of such investments into the preferred shares of the Company prior to the listing of the Shares (the “**Listing**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as part of the reorganisation and the conversion from preferred shares of the Company to the Shares upon Listing. Share-based payments expense of approximately RMB71.2 million for the Year comprised expenses recognized under distribution and selling expenses, administrative expenses and research and development expenses in the amounts of approximately RMB22.4 million, RMB41.1 million and RMB7.7 million, respectively.

A reconciliation of these non-IFRS financial measures to the nearest IFRS performance measures is provided below:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Reconciliation of gain/(loss) for the year and adjusted profit/(loss) (a non-IFRS measure)		
<b>Gain/(loss) for the year</b>	<b>99,948</b>	(448,702)
<b>Non-IFRS measure:</b>		
<b>Adjusted profit</b>		
Add:		
Listing expenses	<b>31,735</b>	7,398
Fair value change of financial liabilities at FVTPL	<b>(197,680)</b>	433,916
Share-based payments expense	<b>71,150</b>	—
Exchange loss	<b>5,784</b>	—
	<hr/>	<hr/>
<b>Non-IFRS measure:</b>		
<b>Adjusted profit/(loss)</b>	<b><u>10,937</u></b>	<b><u>(7,388)</u></b>

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Reconciliation of gain/(loss) for the year and adjusted EBITDA (a non-IFRS measure)		
<b>Gain/(loss) for the year</b>	<b>99,948</b>	(448,702)
Add:		
Income tax expense	(4,250)	2,431
Finance costs	42,425	36,301
Bank interest income	(750)	(669)
Depreciation of property, plant and equipment and right-of-use assets	236,700	193,343
<b>Non-IFRS measure:</b>		
<b>EBITDA</b>	<b>374,073</b>	(217,296)
Add:		
Listing expenses	31,735	7,398
Fair value change of financial liabilities at FVTPL	(197,680)	433,916
Share-based payments expense	71,150	–
Exchange loss	5,784	–
	<hr/>	<hr/>
<b>Non-IFRS measure:</b>		
<b>Adjusted EBITDA</b>	<b><u>285,062</u></b>	<b><u>224,018</u></b>

## Current Assets

As at 31 December 2022, the current assets of the Group were approximately RMB727.1 million, representing an increase of approximately 86.4% as compared with approximately RMB390.1 million as at 31 December 2021. As at 31 December 2022, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.2 times (31 December 2021: approximately 0.7 times).

## Property, Plant and Equipment and Right-of-Use Assets

Our property, plant and equipment and right-of-use assets of the Group primarily consist of leased properties, equipment for subscription, office equipment, motor vehicles and lease improvement. The property, plant and equipment and right-of-use assets increased from approximately RMB753.9 million as of 31 December 2021 to approximately RMB802.9 million as of 31 December 2022, primarily attributable to (i) additions of equipment for subscription amounting to approximately RMB346.4 million for our device subscription services in 2022; and (ii) partially offset by the depreciation charge amounting to approximately RMB224.4 million for the Year. The increase in acquisition of IT devices for subscription in response to the increasing demand for subscription of IT devices from our customers which was in line with our business expansion for device subscription services during the Year.

## **Inventories**

Our inventories primarily consist of (i) de-commissioned IT devices such as laptops, monitors, tablet computers acquired via and held for sale under our device recycling business; and (ii) device components and accessories. The inventories increased from approximately RMB74.3 million as of 31 December 2021 to approximately RMB76.6 million as of 31 December 2022, mainly due to the increase in demand in disposal of de-commissioned IT devices from upstream suppliers close to the end of the Year.

## **Trade and Lease Receivables**

Our trade and lease receivables represent receivables from customers for (i) operating lease relating to device subscription services; and (ii) contracts with customers relating to device recycling business and IT technical subscription services. The trade and bill receivables increased from approximately RMB53.4 million as at 31 December 2021 to approximately RMB64.9 million as at 31 December 2022, primarily due to the increase in revenue generated from the increasing amount of subscriptions and sales from all service lines, which was in line with our business expansion.

## **Other Receivables, Deposits and Prepayments**

Our other receivables, deposits and prepayments decreased from approximately RMB140.7 million as at 31 December 2021 to approximately RMB117.3 million as at 31 December 2022, primarily due to the decrease in prepayment for operating expenses by approximately RMB15.5 million due to increasing portion of usage of prepaid customer acquisition costs on third party e-commerce platform and the decrease in value-added tax receivables by approximately RMB2.2 million.

## **Trade Payables**

Trade payables represent procurements payable to suppliers for the purchase of IT devices. As at 31 December 2022, trade payables amounted to approximately RMB125.1 million, representing an increase of approximately RMB56.8 million as compared with approximately RMB68.3 million as at 31 December 2021, primarily attributable to the increase in procurement of IT devices to satisfy the needs led by the expansion of our device recycling business and device subscription business.

## **Other Payables and Accruals**

Other payables primarily consist of (i) accrued staff costs and retirement benefit scheme contributions; (ii) advance from leasing customers under device subscription services; (iii) other tax payables; (iv) secured and other deposits received; (v) accrued expenses; (vi) accrued listing expenses; (vii) accrued issue costs; and (viii) others.

As at 31 December 2022, other payables and accruals amounted to approximately RMB60.6 million, representing an increase of approximately RMB2.2 million as compared with approximately RMB58.4 million as at 31 December 2021, primarily due to the increase in accrued expenses by approximately RMB3.6 million and accrued listing and issue costs by approximately RMB2.3 million and partially offset by the decrease in other tax payables by approximately RMB3.3 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our cash requirements principally funded by cash generated from operations, net proceeds from the Global Offering (as defined in the Prospectus) and other debt financings.

### **Bank Balances and Cash**

Our bank balance and cash consist of our bank balances and cash and restricted deposits. Our bank balance and cash amounted to approximately RMB183.8 million as of 31 December 2022 (31 December 2021: approximately RMB148.2 million). The increase in bank balance and cash were mainly due to the funds raised by the Group from the Global Offering (as defined in the Prospectus) and the increases in our net cash flows from operating activities. As of 31 December 2022, majority of the Group's cash and cash equivalents were denominated in Renminbi and Hong Kong dollars.

## **Bank and Other Borrowings**

As of 31 December 2022, we had bank borrowings with a carrying amount of approximately RMB329.3 million and other borrowings of approximately RMB221.6 million, such borrowings comprise (i) approximately RMB436.2 million of unsecured and guaranteed bank and other borrowings; and (ii) approximately RMB114.8 million of secured and guaranteed bank and other borrowings.

All of our bank and other borrowings were subject to fixed interest rate. For the Year, the effective interest rates of the Group's borrowings ranged from 4.0% to 11.8% per annum (31 December 2021: 5.2% to 12.8% per annum). Our borrowings were all denominated in RMB.

## **Gearing Ratio**

The calculation of gearing ratio is based on total debt for the year divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio as of 31 December 2021 was not meaningful because the Company recorded deficit in equity as of 31 December 2021 while the gearing ratio as of 31 December 2022 was 68.2%.

## **Significant Investments Held, Material Acquisitions and Disposals**

During the Year, the Company subscribed two redeemable principal and return guaranteed money market funds (the "**Money Market Funds**") with two different segregated portfolios, of which (i) approximately HK\$227.6 million (equivalent to approximately RMB208.3 million) was subscribed in a fund of Future Vision Fund SPC ("**Fund Company A**"); and (ii) approximately HK\$52.4 million (equivalent to approximately RMB48.0 million) was subscribed in a fund of Blue Ocean Fund SPC ("**Fund Company B**"). To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, each of Fund Company A, Fund Company B, their respective segregated portfolios and ultimate beneficial owners are third parties independent of and not connected with the Company or its connected persons. For details, please refer to the announcement of the Company dated 4 May 2023.

Save as disclosed above, there were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.



## **Future Plans for Material Investments and Capital Assets**

Except for the plans disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group has no future plan for material investments or capital assets during the Year. However, the Group will continue to identify new opportunities for business development.

## **Contingent Liabilities and Commitments**

We did not have any material contingent liabilities as of 31 December 2022.

## **Foreign Exchange Risk**

The Group conducts its business with all of the transactions settled in RMB. The Group will continue to keep track of the foreign exchange risk and take prudent measures and actions to mitigate exchange risk where necessary. The Group currently has not adopted any foreign currency hedging policies.

## **Employees and Remuneration Policy**

As at 31 December 2022, the Group had 761 full-time employees (as at 31 December 2021: 831 full-time employees). We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. For the Year, the remuneration for our employees, but excluding the Directors’ remunerations, were approximately RMB191.5 million (for the year ended 31 December 2021: approximately RMB122.0 million).

We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multiple-incentive mechanism and a friendly working environment to realise our employees’ full potential.

In recognition of the contributions of our employees and to incentivise them to further promote our development, the Group also adopted LX Brothers Employee Incentive Plan and Beauty Bear Employee Incentive Plan. For details, please refer to section headed “D. Employee Incentive Plans” in Appendix IV to the Prospectus.

## SUBSEQUENT EVENTS

In March 2023, the Company fully redeemed the Money Market Funds with an aggregate redemption price of HK\$281.5 million, which comprised principal of approximately HK\$280.0 million and interest income of approximately HK\$1.5 million. For further details, please refer to the announcement of the Company dated 4 May 2023.

Save as disclosed above and in (i) the announcement of the Company dated 23 March 2023 in relation to the trading halt of the Shares; (ii) the announcements of the Company dated 31 March 2023 and 28 April 2023 in relation to, among others, the delay in publication of the annual results and annual report of the Group for the Year which was mainly caused by certain unresolved audit matters in relation to the Money Market Funds; (iii) the announcement of the Company dated 11 May 2023 in relation to the guidance on the resumption of trading in the Shares issued by the Stock Exchange (the “**Resumption Guidance**”); and (iv) the announcement of the Company dated 21 June 2023 in relation to the quarterly update on status of resumption, no other event has taken place subsequent to 31 December 2022 and up to the date of this announcement that may have a material impact on the Group’s operating and financial performance that needs to be disclosed.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of the Shareholders. The Group has adopted the code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance since 24 November 2022, being the date of Listing (the “**Listing Date**”).

Save for the deviation for reasons set out below, during the period from the Listing Date and up to 31 December 2022, the Group has complied with the Corporate Governance Code.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Hu Zuoxiong (“**Mr. Hu**”) is performing these two roles. Mr. Hu is responsible for the overall management, operation and strategic development of our Group and has been instrumental to our growth and business operation since establishment of the Group in November 2004. Taking into account the continuation of management and the implementation of our business strategies, the Directors (including the independent non-executive Directors) consider it is most suitable for Mr. Hu to hold both the positions of chief executive officer and the chairman of the Board and the existing arrangements are beneficial to the management of our Group and are in the interests of our Company and the Shareholders as a whole. The balance of power and authority is ensured by the operation

of the senior management and our Board, both of which comprises experienced and high-calibre individuals. The Board comprises three executive Directors (including Mr. Hu), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

Pursuant to code provision D.1.2 of the Corporate Governance Code, the management should provide all members of the Board with monthly updates to enable the Directors, jointly and severally, discharge their duties. However, due to an inadvertent oversight, the management has not provided such monthly update. As at the date of this announcement, the management has promptly arranged the circulation of monthly updates to the Directors in accordance to code provision D.1.2 of the Corporate Governance Code.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted a combined code (the “**Code**”) of conduct for securities transactions by the Directors since the Listing Date which comprises a comprehensive “Code of Conduct for Securities Transactions by Directors” and the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules.

Upon specific enquiry, all Directors confirmed that they have complied with the Code since the Listing Date and up to 31 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 31 December 2022.

## **REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS**

The Company established the audit committee of the Company (the “**Audit Committee**”) in compliance with the Corporate Governance Code. The Audit Committee reviewed the consolidated financial statements for the Year and considers that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the Year.

## **FINAL DIVIDEND**

The Board has resolved not to recommend the distribution of final dividend for the Year.

## **SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED (“ZHONGHUI”)**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, ZHONGHUI, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by ZHONGHUI in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI on this announcement.

## **PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT**

This announcement is published on the respective websites of the Company ([www.bearrental.com](http://www.bearrental.com)) and the Stock Exchange (<http://www.hkexnews.hk>). The 2022 annual report will be despatched to the Shareholders and will be made available on the respective websites of the Company and the Stock Exchange as and when appropriate.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares 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 fulfilment of the Resumption Guidance.

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

Hong Kong, 12 July 2023

*As at the date of this announcement, the Board comprises Mr. Hu Zuoxiong as Chairman and executive Director, Mr. Chen Xiuwei and Mr. Cao Weijun as executive Directors, Mr. Li Jing as non-executive Director, and Mr. Kam Chi Sing, Ms. Xu Nailing and Mr. Yao Zhengwang as independent non-executive Directors.*