



凌雄科技集團有限公司
LX Technology Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2436

INTERIM REPORT

2023



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Zuoxiong
Mr. Chen Xiuwei
Mr. Cao Weijun

Non-executive Director

Mr. Li Jing

Independent Non-executive Directors

Mr. Kam Chi Sing
Ms. Xu Nailing
Mr. Yao Zhengwang
(appointed with effect from 11 April 2023)
Ms. Zhao Jinlin (resigned with effect from 11 April 2023)

AUDIT COMMITTEE

Ms. Xu Nailing (Chairlady)
Mr. Kam Chi Sing
Mr. Yao Zhengwang
(appointed with effect from 11 April 2023)
Ms. Zhao Jinlin (resigned with effect from 11 April 2023)

REMUNERATION COMMITTEE

Mr. Yao Zhengwang (Chairman)
(appointed with effect from 11 April 2023)
Ms. Zhao Jinlin (Chairlady)
(resigned with effect from 11 April 2023)
Mr. Hu Zuoxiong
Ms. Xu Nailing

NOMINATION COMMITTEE

Mr. Hu Zuoxiong (Chairman)
Ms. Xu Nailing
Mr. Yao Zhengwang
(appointed with effect from 11 April 2023)
Ms. Zhao Jinlin
(resigned with effect from 11 April 2023)

JOINT COMPANY SECRETARIES

Mr. Liu Yan
Ms. Cheung Ka Lun Karen

AUTHORISED REPRESENTATIVES

Mr. Hu Zuoxiong
Mr. Liu Yan

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Cheung Ka Lun Karen

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Maling District, Meilin Street
Futian District
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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348 Kwun Tong Road
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands



HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

ZHONGHUI ANDA CPA Limited

Certified Public Accountants
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon
Hong Kong

COMPLIANCE ADVISOR

Haitong International Capital Limited

Suites 3001–3006 & 3015–3016
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong Laws

Sidley Austin

Level 39
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8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited

Shenzhen Branch
International Financial Building
No. 2022 Jianshe Road
Luohu District
Shenzhen
Guangdong
China

China Merchants Bank

Shenzhen Branch
China Merchants Bank Shenzhen
Branch Building
No. 2016 Shennan Boulevard
Futian District
Shenzhen
Guangdong
China

STOCK CODE

2436

WEBSITE

www.bearrental.com

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

2022 Annual Report	the annual report of the Company for the year ended 31 December 2022
Articles or Articles of Association	the second amended and restated articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Board
associate(s)	has the meaning ascribed thereto under the Listing Rules
Bear Family	Bear Family Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders
Beauty Bear	Beauty Bear Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders
Beauty Bear Employee Incentive Plan	the employee incentive plan consisting of the Beauty Bear Share Option Scheme and the RSA Scheme adopted by our Company pursuant to a resolution of the Board passed on 1 April 2022 and 17 October 2022
Beauty Bear Share Option Scheme	the share option scheme under the Beauty Bear Employee Incentive Plan adopted by the Board pursuant to the written resolutions passed on 1 April 2022
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the “Board Committee” means any of them
BVI	the British Virgin Islands
Capitalisation Issue	has the meaning ascribed to “Capitalization Issue” in the Prospectus
CG Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended from time to time
China or PRC	the People’s Republic of China
Company	LX Technology Group Limited 凌雄科技集團有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2022 and the Shares of which are listed on the Main Board (stock code: 2436)
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Hu, Bear Family, Little Bear, LX Brothers and Beauty Bear
Director(s)	director(s) of the Company

Definitions



DLM	device lifecycle management, comprising a broad portfolio of solutions covering major stages of the full lifecycle of an IT device, aiming at improving enterprises' return on investment in devices and ensuring devices function at their expected quality and efficiency
EBITDA	earnings before interest, taxes, depreciation and amortisation
Employee Incentive Plans	collectively the Beauty Bear Employee Incentive Plan and the LX Brothers Employee Incentive Plan
Global Offering	has the meaning ascribed to it in the Prospectus
Group, we, us or our	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
IFRS	International Financial Reporting Standard
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
IPO	the initial public offering of the Company
IT	information technology
JD or JD.com	JD.com, Inc., a leading supply chain-based technology and service provider, the shares of which are listed on the Stock Exchange (stock code: 9618) and the American depositary shares of which are listed on NASDAQ (ticker symbol: JD)
JD Group	JD.com and its subsidiaries and consolidated affiliated entities
KA Customer(s)	key account customer, a customer who subscribes 30 devices or more as at 1 January of a particular year under the Company's long-term device subscription services
Listing	the listing of the Shares on the Main Board
Listing Date	the date of Listing of the Company, i.e. 24 November 2022
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Little Bear	Little Bear Technology Limited, a company incorporated in the BVI with limited liability on 5 November 2021 and one of our Controlling Shareholders
LX Brothers	LX Brothers Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders



Definitions

LX Brothers Employee Incentive Plan	the employee incentive plan adopted by our Company pursuant to the written resolutions of the Board passed on 23 March 2022
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Mr. Hu	Mr. Hu Zuoxiong, our chairman, chief executive officer and executive Director and one of our Controlling Shareholders
Mr. Hua	Mr. Hua Baocheng, a Shareholder and an employee of the Group
Nomination Committee	the nomination committee of the Board
Prospectus	the prospectus of the Company dated 14 November 2022
Remuneration Committee	the remuneration committee of the Board
Renminbi or RMB	the lawful currency of the PRC
Reporting Period	the six months ended 30 June 2023
RSA Scheme	the restricted share award scheme under the Beauty Bear Employee Incentive Plan adopted by a resolution of the Board on 1 April 2022 and amended by a resolution of the Board on 17 October 2022
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
SME	a small-and medium-sized enterprise with a number of employees under 5,000
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning as ascribed thereto under the Listing Rules
Teeroy Trust	Teeroy Limited, the trustee holding the Shares on trust for the benefit of the participants of the Beauty Bear Employee Incentive Plan
Tricor Trust	Tricor Trust (Hong Kong) Limited, the trustee holding the Shares on trust for the benefit of the participants of the LX Brothers Employee Incentive Plan

Chairman's Statement



Dear Shareholders,

On behalf of the Board of Directors and the management team of the Group, I am delighted to present the interim report of LX Technology Group Limited and its subsidiaries for the six months ended 30 June 2023. I would like to express my sincere gratitude for your continued support in LX Technology. Since our Listing, we have progressively fortified our corporate operations, enhanced our corporate and brand image, and solidified our prominent position in the device lifecycle management sector, all of which have been instrumental in the development of the Company.

In the first half of 2023, the national economy continued to be volatile and uncertain whilst slowly recovering from the impact of the pandemic. Despite various beneficial policies and measures announced by the PRC government, SMEs have experienced lack of incentives for capital investments and remained wait-and-see positions for development and expansion. Larger corporates also remained passive and slowed down their device replacement and disposal plans. While the Group was not immune to the impact of all these, the Group has quickly shifted its focus to expand our customers reach and optimised costs and expenses in order to enhance our business resilience. The Group recorded an increase in adjusted EBITDA (a non-IFRS measure) by approximately 5.2% to approximately RMB134.1 million for the Reporting Period as compared to approximately RMB127.5 million for the corresponding period in 2022. We also recorded an improvement in adjusted EBITDA margin (a non-IFRS measure) to approximately 16.3% for the Reporting Period as compared to 14.9% for the corresponding period in 2022.

Going forward, we remain steadfast in our mission to enable our customers to achieve “seamless office operations”. As part of our efforts in serving a myriad of SMEs in China, we continue to step up and cater to the increasing digital requirements of SMEs and address their IT device management difficulties, creating highly-efficient and asset-light office environments. Furthermore, we aim to further promote the principles of environmental, social and governance (ESG) into our corporate ethos, thereby contributing to the achievement of the national goals of “emission peak and carbon neutrality”.

With our commitment to “customer-centric services, close collaboration and trustworthiness, accountability, and long-term hard work and perseverance” and effective use of our proceeds from Listing to facilitate the improvement in customer experience, the expansion of customer base and market share, system upgrades and product development, and the enhancement of our risk management capabilities, a solid foundation will be laid for the Group to cope with challenges and boost long-term growth.

Lastly, on behalf of the Board, I would like to express my heartfelt appreciation to the management team and employees for their unwavering commitment and valuable contributions. I would also like to extend sincere gratitude to our Shareholders, business partners and the community for your support and trust. Let us forge ahead together and continue to share the achievements of the Group's development.

Hu Zuoxiong

Chairman

LX Technology Group Limited

Hong Kong, 28 August 2023

Management Discussion and Analysis

BUSINESS REVIEW

Overview

We are a leading DLM solution provider in China. We are committed to delivering high-quality device recycling, device subscription and IT technical subscription services to our customers.

The first half of 2023 was characterised by opportunities and challenges. We steadfastly prioritised customer satisfaction and increased investments to enhance user experience. Owing to these efforts, we achieved notable success in market expansion. Leveraging our DLM solutions, we assisted our customers in curbing operational costs and facilitating their digital transformation. As at 30 June 2023, the number of long-term device subscription customers of the Company was 13,761, representing a year-on-year increase of approximately 38.1%.

In addition, we consistently enhanced the quality of our products and services to address the evolving and advanced demands of our customers. We continuously refined the design and research and development of our services and products based on our customer-orientated approach, ensuring the competitiveness of our services in the market and their ability to deliver actual value to customers. These initiatives allowed the Company to attract and serve more customers.

We take pride in our substantial achievements in this highly competitive market. However, we are acutely aware of the enduring challenges. As technology continues to evolve and the market undergoes constant fluctuations, we must persistently learn and adapt to maintain our competitive edges. We will further strengthen the cooperation with customers, deepen our understanding of their needs and align our solutions with market conditions.

Our Business Model

Our DLM solutions directly tackle the weaknesses 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 Reporting Period 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 customising 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 small and medium enterprises for our subscription services.

Management Discussion and Analysis

Device recycling business

For the Reporting Period, the Group's revenue from device recycling business amounted to approximately RMB582.6 million, representing a decrease of approximately 7.8% as compared to approximately RMB632.1 million for the same period in 2022.

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

	Six months ended 30 June		
	2023	2022	Growth Rate
Number of devices sold (device)	341,957	472,682	-27.7%
Number of device recycling customers	766	596	28.5%
Average revenue per device recycling customer (RMB)	760,579	1,060,598	-28.3%
Average sales value (RMB/device)	1,377.4	1,261.2	9.2%

Device subscription business

For the Reporting Period, the Group's revenue from device subscription business amounted to approximately RMB162.6 million, representing an increase of approximately 8.1% as compared to approximately RMB150.4 million for the same period in 2022.

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

	Six months ended 30 June		
	2023	2022	Growth Rate
Revenue from device subscription services (RMB'000)	162,561	150,368	8.1%
— Brand-new devices	134,876	122,462	10.1%
— Second-hand devices	27,685	27,906	-0.8%
Total device subscription volume (device)	2,700,602	2,243,465	20.4%
— Brand-new devices	2,102,924	1,668,122	26.1%
— Second-hand devices	597,678	575,343	3.9%
Total number of devices available for subscription	533,660	488,993	9.1%

Management Discussion and Analysis

IT technical subscription services

For the Reporting Period, the Group's revenue from IT technical subscription services amounted to approximately RMB77.2 million, representing an increase of approximately 8.0% as compared to approximately RMB71.5 million for the same period in 2022.

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

	Six months ended 30 June		Growth Rate
	2023 (RMB'000)	2022 (RMB'000)	
Revenue from IT technical subscription services	77,227	71,529	8.0%
— Long-term subscriptions	57,332	54,692	4.8%
— Short-term subscriptions	19,895	16,837	18.2%

Future Outlook

As China's economy continues its gradual recovery from the impact of the pandemic, it is expected that it will sustain a steady development trend in the second half of 2023 with higher economic quality. In order to better facilitate customer's work efficiency, the Group will continue to seize developmental opportunities and enhance its service standards and quality.

In this new cycle, we aim to effectively assist customers in reducing cost and boosting efficiency. We expect that our brand awareness and industry influence will be enhanced through online and offline marketing and brand promotion, which will position us to serve more corporate customers and provide new driving force for the Group's long-term growth. Moreover, we will allocate more resources to expand our customer base and market share in target markets, including further penetration into core cities and the deepening of business collaboration with partners. We will also continue to optimise the revenue and cost structures across various business segments, enabling us to enhance business resilience and generate greater value for the Shareholders.

In respect of our device recycling business, the Group will remain committed to refining its comprehensive services in order to create the synergy between the device recycling business and the subscription services, facilitate sharing among customers and promote equipment recycling, enabling the establishment of a tighter cooperative network. The operational system empowered by digital technology will encourage the recycling of IT devices, which in turn will reduce the negative impacts on the environment and promote a sustainable development ecosystem.

In respect of device and IT technical subscription services, the Group will continue to expand its competitive edges in the industry and further consolidate its leading position in the market. Committed to its customer-centric principles, it will provide customers with holistic hardware and technical support, continually improving customer experience and meeting their requirements across various office scenarios. In addition, the Group will further carry out system upgrades, product research and development and enhancement, and the reinforcement of SaaS (software-as-a-service) functions in an effort to satisfy the asset management needs of customers.

Looking ahead to the second half of 2023, the Group will, as always, adhere to its foundational values, seize market opportunities to expand business footprint, and sustain long-term diversified growth. This commitment aims to create greater value for our Shareholders, customers, suppliers and partners.

Management Discussion and Analysis

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 periods indicated:

Revenue	Six months ended 30 June				
	2023		2022		Growth Rate
	RMB'000	%	RMB'000	%	%
Device recycling income	582,603	70.8	632,117	74.0	-7.8
Device subscription services	162,561	19.8	150,367	17.6	8.1
IT technical subscription services	77,227	9.4	71,529	8.4	8.0
Total	822,391	100.0	854,013	100.0	-3.7

For the Reporting Period, the total revenue of the Group was approximately RMB822.4 million (for the six months ended 30 June 2022: approximately RMB854.0 million), representing a decrease of approximately 3.7% as compared with the same period in 2022, mainly attributable to the decrease in revenue of our device recycling segment during the Reporting Period.

Device recycling income

The decrease in the device recycling income during the Reporting Period as compared with the same period in 2022 was mainly due to the decrease in availability of de-commissioned IT devices as a result of the decrease in volume of de-commissioned IT devices disposed of by our upstream suppliers during the Reporting Period.

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:

	Six months ended 30 June				
	2023		2022		Growth Rate
	RMB'000	%	RMB'000	%	%
Tablet computers and mobile phones	388,593	66.7	444,083	70.3	-12.5
Laptop computers and other IT devices	194,010	33.3	188,034	29.7	3.2
Total	582,603	100.0	632,117	100.0	-7.8

Management Discussion and Analysis

Revenue from device subscription services

During the Reporting Period, the increase in revenue from device subscription services as compared with the same period in 2022 was mainly due to (i) the growth in number of long-term device subscription customers from 9,966 for the six months ended 30 June 2022 to 13,761 for the Reporting Period; (ii) the growth in revenue of long-term device subscription from approximately RMB123.2 million for the six months ended 30 June 2022 to approximately RMB140.3 million for the Reporting Period; and (iii) the increase in total device subscription volume from 2,243,465 devices for the six months ended 30 June 2022 to 2,700,602 devices for the Reporting Period as more devices were subscribed to satisfy the growing business needs of enterprises.

Revenue from IT technical subscription services

During the Reporting Period, the increase in revenue from IT technical subscription services as compared with the same period in 2022 was primarily attributable to (i) the increase in average monthly subscription volume under IT technical subscription services from 257,409 devices for the six months ended 30 June 2022 to 314,600 devices for the Reporting Period; and (ii) the increase in number of customers for IT technical subscription services from 10,367 for the six months ended 30 June 2022 to 15,424 for the Reporting Period.

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 periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Shenzhen	662,658	80.6	691,067	80.9
Shanghai	30,389	3.7	43,441	5.1
Wuhan	48,411	5.9	46,979	5.5
Beijing	42,300	5.1	37,993	4.4
Guangzhou	23,061	2.8	19,878	2.3
Others ⁽¹⁾	15,572	1.9	14,655	1.8
Total	822,391	100.0	854,013	100.0

Note:

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

Management Discussion and Analysis

Cost of Sales

Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortisation, 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 RMB752.5 million for the Reporting Period (for the six months ended 30 June 2022: approximately RMB754.4 million). The decrease in cost of sales during the Reporting Period as compared to the same period in 2022 was mainly attributable to the decrease in the cost of inventories sold by approximately RMB25.1 million from approximately RMB616.6 million for the six months ended 30 June 2022 to approximately RMB591.5 million for the Reporting Period as less de-commissioned devices were purchased which was in line with the decrease in revenue of our device recycling segment; and partially offset by the increase in cost of sales for our device subscription segment by approximately RMB20.1 million from approximately RMB113.2 million for the six months ended 30 June 2022 to approximately RMB133.3 million for the Reporting Period which was in line with our increase in revenue in our device subscription segment as discussed above.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. For the Reporting Period, our gross profit was approximately RMB69.9 million, representing a decrease of approximately 29.8% as compared with approximately RMB99.6 million for the same period in 2022 as the decrease in revenue outpaced the decrease in cost of sales. The gross profit margin of the Group decreased from approximately 11.7% for the six months ended 30 June 2022 to approximately 8.5% for the Reporting Period.

Other Income

For the Reporting Period, other income remained stable at approximately RMB8.6 million as compared to approximately RMB8.5 million for the six months ended 30 June 2022.

Distribution and selling expenses

The distribution and selling expenses decreased by approximately 19.6% from approximately RMB64.9 million for the six months ended 30 June 2022 to approximately RMB52.2 million for the Reporting Period, primarily attributable to (i) the decrease in customer acquisition, marketing and promotion expenses by approximately RMB11.8 million from approximately RMB21.4 million for the six months ended 30 June 2022 to approximately RMB9.6 million for the Reporting Period; and (ii) the decrease in salaries and welfare by approximately RMB3.9 million from approximately RMB33.2 million for the six months ended 30 June 2022 to approximately RMB29.3 million for the Reporting Period; and partially offset by the increase in share-based payments expense by approximately RMB3.5 million to approximately RMB10.9 million for the Reporting Period in connection with the new Shares issued for our employee incentive plans in April 2022. Our distribution and selling expenses as a percentage of revenue decreased from approximately 7.6% for the six months ended 30 June 2022 to approximately 6.3% for the Reporting Period.

Management Discussion and Analysis

Administrative Expenses

The administrative expenses increased by approximately 39.3% from approximately RMB35.4 million for the six months ended 30 June 2022 to approximately RMB49.3 million for the Reporting Period, primarily due to (i) the increase in the share-based payments expense by approximately RMB7.8 million from approximately RMB13.6 million for the six months ended 30 June 2022 to approximately RMB21.4 million for the Reporting Period in connection with the new Shares issued for our employee incentive plans in April 2022; and (ii) the recognition of one-off professional fees of approximately RMB3.7 million for the Reporting Period; and partially offset by the decrease in salaries and welfare by approximately RMB1.1 million from approximately RMB13.4 million for the six months ended 30 June 2022 to RMB12.3 million for the Reporting Period. Our administrative expenses as a percentage of revenue increased from approximately 4.1% for the six months ended 30 June 2022 to approximately 6.0% for the Reporting Period.

Research and Development Expenses

The research and development expenses decreased by approximately 2.3% from approximately RMB13.0 million for the six months ended 30 June 2022 to approximately RMB12.7 million for the Reporting Period, primarily due to (i) the decrease in salaries and welfare by approximately RMB0.8 million from RMB8.8 million for the six months ended 30 June 2022 to RMB8.0 million for the Reporting Period; and (ii) the decrease in depreciation and amortisation by approximately RMB0.4 million from approximately RMB0.5 million for the six months ended 30 June 2022 to RMB0.1 million for the Reporting Period; and partially offset by the increase in the share-based payments expense by approximately RMB0.9 million from approximately RMB2.5 million for the six months ended 30 June 2022 to approximately RMB3.4 million for the Reporting Period in connection with the new Shares issued for our employee incentive plans in April 2022. Our research and development expenses as a percentage of revenue remained stable at approximately 1.5% for the six months ended 30 June 2022 and 2023, respectively.

Finance Costs

The finance costs decreased by approximately 9.8% from approximately RMB22.0 million for the six months ended 30 June 2022 to approximately RMB19.8 million for the Reporting Period as we optimised our borrowings structure to increase the ratio of bank borrowings which charge lower interest rates.

Income Tax Credit

Our income tax credit decreased from approximately RMB1.3 million for the six months ended 30 June 2022 to approximately RMB0.7 million for the Reporting Period.

Loss and Total Comprehensive Income/(Expense) for the Reporting Period

A loss of approximately RMB42.4 million for the Reporting Period was recorded, compared to a loss of approximately RMB5.8 million for the six months ended 30 June 2022. The increase in net loss was mainly attributable to (i) the absence of the fair value changes of financial liabilities at fair value through profit or loss ("FVTPL") for the Reporting Period as compared to the fair value gain of financial liabilities at FVTPL of approximately RMB36.4 million for the corresponding period in 2022; (ii) the slight decrease in revenue for approximately 3.7% from approximately RMB854.0 million for the corresponding period in 2022 to approximately RMB822.4 million for the Reporting Period; and (iii) the increase in share-based payment expenses for approximately 51.6% from approximately RMB23.6 million for the corresponding period in 2022 to approximately RMB35.7 million for the Reporting Period.

Management Discussion and Analysis

Adjusted EBITDA

The adjusted EBITDA (a non-IFRS measure) for the Reporting Period increased by approximately 5.2% from approximately RMB127.5 million for the six months ended 30 June 2022 to approximately RMB134.1 million for the Reporting Period.

Adjusted Loss

The adjusted loss (a non-IFRS measure) for the Reporting Period was approximately RMB11.4 million as compared to the adjusted loss of approximately RMB5.2 million for the six months ended 30 June 2022.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted loss 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 loss 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 as loss plus listing expenses, (gain)/loss of financial liabilities at FVTPL, share-based payment expenses, foreign exchange gain and other one-off professional fees. We define adjusted EBITDA as loss 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, foreign exchange gain and other one-off professional fees. 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 as part of the reorganisation and the conversion from preferred shares of the Company to the Shares upon Listing. Subsequent to the Listing, the Company has not recorded, and does not expect to record, any additional fair value changes of financial liabilities at FVTPL. Share-based payments expense of approximately RMB35.7 million for the Reporting Period comprised expenses recognised under distribution and selling expenses, administrative expenses and research and development expenses in the amounts of approximately RMB10.9 million, RMB21.4 million and RMB3.4 million, respectively.

Management Discussion and Analysis

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Reconciliation of loss for the period and adjusted loss (a non-IFRS measure)		
Loss for the period	(42,359)	(5,830)
Non-IFRS measure:		
Adjusted profit		
Add:		
Listing expenses	—	13,488
Fair value change of financial liabilities at FVTPL	—	(36,417)
Share-based payments expense	35,721	23,555
Foreign exchange gain	(8,382)	—
One-off professional fees	3,655	—
Non-IFRS measure:		
Adjusted loss	(11,365)	(5,204)
Reconciliation of loss for the period and adjusted EBITDA (a non-IFRS measure)		
Loss for the period	(42,359)	(5,830)
Add:		
Income tax expense/(credit)	(743)	(1,275)
Finance costs	19,840	21,995
Interest income	(2,325)	(182)
Depreciation of property, plant and equipment and right-of-use assets	128,739	112,173
Non-IFRS measure:		
EBITDA	103,152	126,881
Add:		
Listing expenses	—	13,488
Fair value change of financial liabilities at FVTPL	—	(36,417)
Share-based payments expense	35,721	23,555
Foreign exchange gain	(8,382)	—
One-off professional fees	3,655	—
Non-IFRS measure:		
Adjusted EBITDA	134,146	127,507

Management Discussion and Analysis

Current Assets

As at 30 June 2023, the current assets of the Group were approximately RMB816.5 million, representing an increase of approximately 12.3% as compared with approximately RMB727.1 million as at 31 December 2022. As at 30 June 2023, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.4 times (as at 31 December 2022: approximately 1.2 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 decreased from approximately RMB802.9 million as at 31 December 2022 to approximately RMB764.4 million as at 30 June 2023, primarily attributable to the increase in depreciation charge amounting to approximately RMB128.7 million for the Reporting Period.

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 RMB76.6 million as at 31 December 2022 to approximately RMB94.8 million as at 30 June 2023, mainly due to the increase in purchase of de-commissioned IT devices close to 30 June 2023.

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 lease receivables increased from approximately RMB64.9 million as at 31 December 2022 to approximately RMB125.2 million as at 30 June 2023, primarily due to the timing of settlement of certain trade and lease receivables which has yet to fall due as at 30 June 2023.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments increased from approximately RMB117.3 million as at 31 December 2022 to approximately RMB123.8 million as at 30 June 2023, primarily due to the increase in deposits paid for purchase of IT devices for our device recycling segment.

Trade Payables

Trade payables represent procurements payable to suppliers for the purchase of IT devices. As at 30 June 2023, trade payables amounted to approximately RMB118.6 million, representing a decrease of approximately RMB6.6 million as compared with approximately RMB125.1 million as at 31 December 2022, primarily attributable to timely settlement of certain trade payables.

Management Discussion and Analysis

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 30 June 2023, other payables and accruals amounted to approximately RMB56.7 million, representing a decrease of approximately RMB3.9 million as compared with approximately RMB60.6 million as at 31 December 2022, primarily due to the decrease in accrued listing expenses and issue costs by approximately RMB3.9 million.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are principally funded by cash generated from operations, net proceeds from the Global Offering and other debt financings.

Bank Balances and Cash

Our bank balance and cash consist of bank balances and cash and restricted deposits. Our bank balance and cash amounted to approximately RMB412.1 million as at 30 June 2023 (as at 31 December 2022: approximately RMB183.8 million). The increase in bank balance and cash was mainly due to the Redemptions (as defined below). As at 30 June 2023, the Group's cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank and Other Borrowings

As at 30 June 2023, we had bank borrowings with a carrying amount of approximately RMB389.0 million (as at 31 December 2022: approximately RMB329.3 million) and other borrowings of approximately RMB221.6 million (as at 31 December 2022: approximately RMB221.6 million), such borrowings comprise (i) approximately RMB491.5 million (as at 31 December 2022: approximately RMB436.2 million) of unsecured and guaranteed bank and other borrowings; and (ii) approximately RMB119.1 million (as at 31 December 2022: 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 Reporting Period, the effective interest rates of the Group's borrowings ranged from 4.0% to 10.1% per annum (as at 31 December 2022: 4.0% to 11.8% per annum). Our borrowings were all denominated in RMB and carried borrowing terms ranging from one year to three years.

Gearing Ratio

The calculation of gearing ratio is based on total debt for the Reporting Period divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio was 76.3% as at 30 June 2023 (as at 31 December 2022: 68.2%).

Contingent Liabilities and Commitments

We did not have any material contingent liabilities as at 30 June 2023.

Management Discussion and Analysis

Foreign Exchange Risk

The Group conducts its business with all of the transactions settled in Renminbi. 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 30 June 2023, the Group had 771 full-time employees (as at 31 December 2022: 761 full-time employees). We recognise 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 Reporting Period, the remuneration for our employees, but excluding the Directors' remunerations, were approximately RMB93.9 million (for the six months ended 30 June 2022: approximately RMB85.2 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

As disclosed in the announcement of the Company dated 14 July 2023, the Company has appointed Grant Thornton Advisory Services Limited (the "**Independent Investigator**") to conduct an independent investigation (the "**Independent Investigation**") into the audit issues raised by the former auditor of the Company in relation to the Subscriptions. The Independent Investigator has issued its report of findings of the Independent Investigation. The Company has also appointed SHINEWING Risk Services Limited (the "**IC Consultant**") to conduct an independent internal control review on the Group's internal control system (the "**Independent Internal Control Review**"). The IC Consultant has completed the Independent Internal Control Review, the follow-up review on the remedial measures adopted by the Company, and has issued a report of its findings. Please refer to the said announcement for details of the findings of the Independent Investigation and the Independent Internal Control Review.

Save as disclosed above, no other event has taken place subsequent to 30 June 2023 and up to the date of this report that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

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 Reporting Period.

INTERIM DIVIDEND

The Board has resolved not to distribute any interim dividend for the Reporting Period.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Company aims 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 CG Code as its own code of corporate governance.

Save for the deviation for reasons set out below, the Group has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the CG Code during the Reporting Period.

Pursuant to code provision C.2.1 of Part 2 of the CG 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 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 Part 2 of the CG 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 report, the management has promptly arranged the circulation of monthly updates to the Directors in accordance to code provision D.1.2 of Part 2 of the CG Code.

The Company will continue to review and enhance its corporate governance practises, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a combined code (the "**Code**") of conduct for securities transactions by the Directors which comprises a comprehensive "Code of Conduct for Securities Transactions by Directors" and the Model Code. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee or a director or employee of a subsidiary or holding company, who, because of his/her office or employment, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in the applicable code provision D.2.4(e) of Part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

EMPLOYEE INCENTIVE PLANS**1. LX Brothers Employee Incentive Plan**

On 23 March 2022, the Company adopted the LX Brothers Employee Incentive Plan.

In recognition of the contributions made by the employees of our Group towards our growth and success, on 1 April 2022, a total of 102 eligible participants were offered options to subscribe for an aggregate of 6,622,445 Shares (adjusted to 17,880,602 shares upon the Capitalisation Issue), representing approximately 5.06% of the issued Shares as at the date of this report, at an exercise price of HK\$0.01 per Share. Such exercise price was determined based on the nominal value of the Share. As the Shares were not listed yet at the date of grant, the Shares had no closing price on the date immediately before the options were granted. No additional Shares will be issued in respect of the options granted and no options are available for further grant under the LX Brothers Employee Incentive Plan. The exercise period of the options under the LX Brothers Employee Incentive Plan shall be determined by the committee of the Board, provided that the exercise period shall not be more than ten years from the date of grant.

Details of these participants and movements of the options granted during the Reporting Period are as follows:

Categories of Grantee	Date of grant	Outstanding	Exercised	Vested during	Cancelled	Lapsed during	Outstanding
		balance as at 1 January 2023	during the Reporting Period	the Reporting Period	during the Reporting Period	the Reporting Period	balance as at 30 June 2023
Employee participants							
1. Directors							
Mr. Hu	1 April 2022	2,868,968 ⁽¹⁾	–	717,242	–	–	2,868,968 ⁽¹⁾
Mr. Chen Xiu Wei	1 April 2022	1,350,754 ⁽²⁾	–	675,377	–	–	1,350,754 ⁽²⁾
2. Five Highest Paid Individuals							
Five highest paid individuals other than the Directors	1 April 2022	3,490,131 ⁽³⁾	–	1,520,532	–	–	3,490,131 ⁽³⁾
3. Other Employees							
Employees other than the Directors and the five highest paid individuals	1 April 2022	10,170,749 ⁽⁴⁾	–	3,199,000	–	–	10,170,749 ⁽⁴⁾
Total		17,880,602					17,880,602

Notes:

- (1) Subject to the vesting conditions stated in note (5) being met, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.
- (2) Subject to the vesting conditions in note (5) being met, 50% of the options shall vest on each of the first and second anniversary of the date of grant.



Corporate Governance and Other Information

- (3) Subject to vesting conditions stated in note (5) being met, out of these 3,490,131 options granted, (i) for 1,296,000 options, 75% of the options shall vest on the first anniversary of the date of grant and the remaining 25% of the options shall vest on the second anniversary of the date of grant; and (ii) for 2,194,131 options, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.
- (4) Subject to the vesting conditions stated in note (5) being met, out of these 10,170,749 options granted, (i) for 2,625,376 options, 50% of the options shall vest on each of the first and second anniversary of the date of grant; and, (ii) for 7,545,373 options, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.
- (5) The Company will undergo a comprehensive assessment on the performance of the grantees an annual basis, where the grantee is ranked level S or A, all of the options of the current anniversary will be vested; where the grantee is ranked level B, only 50% of the options of the current anniversary will be vested; where the grantee is ranked any level below level B, no options of the current anniversary will be vested.
- (6) Save as disclosed above, the options are not subject to any other exercising conditions or performance targets.

In relation to the estimated fair value of the options at the date of grant and the accounting standard and policy adopted, please refer to note 38 to the consolidated financial statements in the 2022 Annual Report.

2. Beauty Bear Employee Incentive Plan

On 1 April 2022, the Company adopted the Beauty Bear Employee Incentive Plan. The Beauty Bear Employee Incentive Plan consists of a share option scheme (i.e. the Beauty Bear Share Option Scheme) and a restricted share award scheme (i.e. the RSA Scheme). 30,000,000 Shares in aggregate, representing approximately 8.49% of the issued Shares as at the date of this report, was allotted and issued to Beauty Bear, which is wholly-owned by Teeroy Trust.

2.1. Beauty Bear Share Option Scheme

The number of Shares in respect of which options are available for grant under the Beauty Bear Share Option Scheme as at 1 January 2023 and 30 June 2023 was 35,325,900. From the adoption date of the Beauty Bear Share Option Scheme and up to 30 June 2023, no option has been granted or agreed to be granted under the Beauty Bear Share Option Scheme.

Corporate Governance and Other Information

2.2. The RSA Scheme

On 1 April 2022, 2,222,222 award Shares (as adjusted to 6,000,000 Shares after the Capitalisation Issue, as defined in the Prospectus), representing approximately 1.70% of the issued Shares as at the date of this report, were granted to Mr. Hua, an employee of the Group, at a vesting price of HK\$0.01 per Share. Such vesting price was determined based on the nominal value of the Share. As the Shares were not listed yet at the date of grant, the Shares had no closing price on the date immediately before the awards were granted. Save as disclosed above, no other award had been granted or agreed to be granted under the RSA Scheme as at 30 June 2023. The number of Shares in respect of which awards are available for grant under the RSA Scheme as at 1 January 2023 and 30 June 2023 was 29,325,900. The exercise period of the awards shall be 10 years from the date of grant.

Details of the participant and movements of the awards granted during the Reporting Period are as follows:

Categories of Grantee	Date of grant	Outstanding	Exercised	Cancelled	Lapsed during the Reporting Period	Outstanding balance as at 30 June 2023
		balance as at 1 January 2023	during the Reporting Period	during the Reporting Period		
Employee participants			Vested during the Reporting Period			
Mr. Hua	1 April 2022	6,000,000 ⁽¹⁾⁽²⁾	–	1,500,000 ⁽³⁾	–	6,000,000 ⁽¹⁾⁽²⁾

Notes:

- (1) The Company will undergo a comprehensive assessment on the performance of the grantee on an annual basis, where the grantee is ranked level S or A, all of the awards of the current anniversary will be vested; where the grantee is ranked level B, only 50% of the awards of the current anniversary will be vested; where the grantee is ranked any level below level B, no awards of the current anniversary will be vested. Subject to the aforesaid vesting conditions being met, the awards shall vest on each of the first, second, third and fourth anniversary of the date of grant.
- (2) Save as disclosed in (1) above, the awards granted are not subject to any other performance targets.
- (3) The closing price of the Shares immediately before the date on which the awards were vested was HK\$10.42.

In relation to the estimated fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to note 38 to the consolidated financial statements in the 2022 Annual Report.

As at 30 June 2023, no additional Shares may be issued in respect of the options and awards granted under all Employee Incentive Plans.

Corporate Governance and Other Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Mr. Hu	Interest in controlled corporations ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	139,182,407 Shares (L)	39.40%
	Beneficial owner ⁽⁶⁾	2,868,968 Shares (L)	0.81%
	Total	142,051,375 Shares (L)	40.21%
Mr. Chen Xiuwei	Beneficial owner ⁽⁶⁾	1,350,754 Shares (L)	0.38%

Note:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Bear Family is interested in 75,107,558 Shares and Bear Family is wholly owned by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Bear Family.
- (3) Beauty Bear is interested in 30,000,000 Shares. The entire issued share capital of Beauty Bear is held by Teeroy Trust, who was entrusted by the Company to hold such shares for the Beauty Bear Employee Incentive Plan. Pursuant to the deed of trust signed by the Company and Teeroy Trust, Teeroy Trust will exercise the voting rights in the Company through Beauty Bear in accordance with the instructions of Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Beauty Bear.
- (4) Little Bear is interested in 19,063,215 Shares. Mr. Hu controls the entire voting rights of Little Bear. As such, by virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Little Bear.
- (5) LX Brothers is interested in 17,880,602 Shares. The entire issued share capital of LX Brothers is held by Tricor Trust, who was entrusted by the Company to hold such Shares for the purpose of the LX Brothers Employee Incentive Plan. Pursuant to the deed of trust signed by the Company and Tricor Trust, Tricor Trust will exercise the voting rights in the Company through LX Brothers in accordance with the instructions of Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by LX Brothers.
- (6) Each of Mr. Hu and Mr. Chen Xiuwei has been granted options with respect to 2,868,968 and 1,350,754 outstanding Shares under the LX Brothers Employee Incentive Plan. These Shares are currently held by Tricor Trust (see note (5) above). For details, please refer to the section headed "Employee Incentive Plans – 1. LX Brothers Employee Incentive Plan" in this interim report.

Corporate Governance and Other Information

Interest in shares of associated corporation

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interest
Mr. Hu	Bear Family	Beneficial owner	1 share (L)	100%
	Little Bear	Beneficial owner; interest in a controlled corporation	10,000 shares (L)	100%
	LX Brothers	Beneficial owner; interest in a controlled corporation	1 share (L)	100%
	Beauty Bear	Interest in a controlled corporation	1 share (L)	100%

Note:

(1) The letter "L" denotes the person's long position in the shares of the associated corporation.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2023, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DEBENTURES

The Company did not issue any debentures for the six months ended 30 June 2023.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 30 June 2023, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Bear Family	Beneficial owner	75,107,558 Shares (L)	21.26%
Hunan TV and Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) (" Hunan TVBI ")	Interest in controlled corporations ⁽²⁾	46,335,877 Shares (L)	13.12%
Shenzhen Dachen Caizhi Venture Capital Investment Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) (" Dachen Management ")	Interest in controlled corporations ⁽³⁾	46,335,877 Shares (L)	13.12%
Shanghai Tongyun Information Technology Partnership (LLP) (上海通韞信息技術合夥企業(有限合夥)) (" Shanghai Tongyun ")	Interest in controlled corporations ⁽⁴⁾	32,941,239 Shares (L)	9.32%
UBS Trustees (B.V.I.) Limited	Trustee ⁽⁵⁾	39,645,968 Shares (L)	11.22%
Mr. Liu Qiangdong Richard (" Mr. Liu ")	Beneficiary of a trust ⁽⁵⁾	39,645,968 Shares (L)	11.22%
Mr. Chen Wei	Interest in a controlled corporation ⁽⁶⁾	36,910,391 Shares (L)	10.45%
Shenzhen Oriental Fortune Investment Management Co., Ltd. (深圳市東方富海投資管理股份有限公司) (" Shenzhen OFC Investment ")	Interest in a controlled corporation ⁽⁶⁾	36,910,391 Shares (L)	10.45%
Beauty Bear	Beneficial owner ⁽⁷⁾	30,000,000 Shares (L)	8.49%
Little Bear	Beneficial owner ⁽⁸⁾	19,063,215 Shares (L)	5.40%
Mr. Hua	Interest in a controlled corporation ⁽⁹⁾	18,528,528 Shares (L)	5.25%
	Beneficial owner ⁽¹⁰⁾	6,000,000 Shares (L)	1.70%
	Total	24,528,528 Shares (L)	6.94%
LX Brothers ⁽¹¹⁾	Beneficial owner	17,880,602 Shares (L)	5.06%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Dachen Management is ultimately owned as to 55% by Hunan TVBI. By virtue of the SFO, Hunan TVBI is deemed to be interested in the Shares held by Dachen Management.
- (3) 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**") hold 32,941,239 Shares, 8,656,664 Shares and 4,737,974 Shares, respectively. Dachen Management is the sole general partner of Dachen Chuangtong BVI, Dachen Chuangjing BVI and Dachen Chuangyuan ODI.

Corporate Governance and Other Information

- (4) Dachen Chuangtong BVI is wholly-owned by Shanghai Tongyun. By virtue of the SFO, Shanghai Yongyun is deemed to be interested in the Shares held by Dachen Chuangtong BVI.
- (5) Tigris Innovation Limited (“**JD BVI**”) which holds 39,645,968 Shares is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is controlled, in terms of voting power, as to 70.4% by Max Smart Limited as at 28 February 2023. Max Smart Limited, a company incorporated in British Virgin Islands, is wholly-owned by UBS Nominees Limited on behalf of The Max Smart Trust, with UBS Trustees (B.V.I.) Limited as the trustee and Mr. Liu as a beneficiary.
- (6) Shanghai Yujun Enterprise Management Partnership (LLP) (上海譽竣企業管理合夥企業(有限合夥)) (“**Shanghai Yujun**”) holds 36,910,391 Shares and was managed by Shenzhen Oriental Fortune SME Development Fund Equity Investment Management Co., Ltd. (深圳市富海中小企業發展基金股權投資管理有限公司) (“**Shenzhen OFC**”) as its sole general partner and SME Development Fund (Shenzhen Nanshan LLP) (中小企業發展基金(深圳南山有限合夥)) (“**SME Fund**”) is the only limited partner which holds more than one-third of the interest in Shanghai Yujun. SME Fund was also managed by Shenzhen OFC, which in turn was owned as to 51% by Shenzhen OFC Investment. Shenzhen OFC Investment was ultimately beneficially owned by Mr. Chen Wei.
- (7) The entire issued share capital of Beauty Bear is held by Teeroy Trust, who was entrusted by the Company to hold such Shares for the Beauty Bear Employee Incentive Plan. The voting rights of Beauty Bear are exercised by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Beauty Bear. For details of interests held by Mr. Hu, please refer to the section headed “Interests of Directors and Chief Executive in Securities — Interest in Shares or Underlying Shares of the Company” in this report.
- (8) Little Bear is owned as to 8.78% by Mr. Hu, 51.56% by Mr. He, 24.91% by Mr. Tang and 14.75% by Mr. Cao, among whom Mr. Hu subscribed for the voting shares and the other shareholders subscribed for the non-voting shares. As the voting rights of Little Bear are exercised by Mr. Hu, by virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Little Bear. For details of interests held by Mr. Hu, please refer to the section headed “Interests of Directors and Chief Executive in Securities — Interest in Shares or Underlying Shares of the Company” in this report.
- (9) Gold Bear Technology Limited is wholly owned by Mr. Hua. By virtue of the SFO, Mr. Hua is deemed to be interested in the Shares held by Gold Bear Technology Limited.
- (10) Mr. Hua has been granted awards with respect to 6,000,000 outstanding Shares under the RSA Scheme. These Shares are currently held by Teeroy Trust (see note (7) above).
- (11) The entire issued share capital of LX Brothers is held by Tricor Trust, who was entrusted by our Company to hold such Shares for the purpose of the LX Brothers Employee Incentive Plan. The voting rights of LX Brothers are exercised by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by LX Brothers. For details of interests held by Mr. Hu, please refer to the section headed “Interests of Directors and Chief Executive in Securities — Interest in Shares or Underlying Shares of the Company” in this report.

Save as disclosed herein, as at 30 June 2023, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

Corporate Governance and Other Information

PROCEEDS FROM THE LISTING

The Shares were successfully listed on the Stock Exchange on the Listing Date, and 353,259,000 Shares were issued. After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK\$338.1 million (approximately RMB307.9 million) (the “**Net Proceeds**”). The Group intends to use the Net Proceeds in accordance with the method and schedule set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

An analysis of the utilisation of the Net Proceeds is set out below:

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2023 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2023 (RMB million)	
To improve customer experience to satisfy the evolving customer demands:	45	138.55	138.55	24.63	113.92	31 December 2025
(i) To expand the scale of IT devices under our management and develop DLM solutions and services for different scenarios, such as digital printing solutions and integrated cloud-based conferencing solutions, etc.	30	92.37	92.37	19.18	73.19	31 December 2025
(ii) To continue to refurbish and upgrade decommissioned IT devices to extend their service life and upgrade their performance and improve customer experience	10	30.79	30.79	5.21	25.58	31 December 2025
(iii) To improve our technical service capabilities, recruit technical professionals with extensive technical service experience and provide professional training to the team, increase the coverage of service personnel in core cities and CBDs, and address customers' demand in a more responsive manner in these regions	5	15.39	15.39	0.24	15.15	31 December 2025
To expand customer base and our market share in targeted markets:	25	76.98	76.98	4.02	72.95	31 December 2028
(i) To expand our elite sales team and improve the training system for sales team to strengthen our sales network, expand our services in core cities and CBDs, and expand our customer base of growing enterprises	12.5	38.49	38.49	1.62	36.87	31 December 2028
(ii) To enhance our brand awareness and industry influence through online and offline marketing and brand promotion, and increase awareness and engagement of customers	12.5	38.49	38.49	2.40	36.08	31 December 2028
— to increase our online customer acquisition by engaging in search engines and social media advertising	9	27.71	27.71	2.25	25.46	31 December 2028

Corporate Governance and Other Information

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2023 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2023 (RMB million)	
— to cover our increased advertising expenditure to strengthen our brand awareness	3.5	10.78	10.78	0.15	10.62	31 December 2028
For system upgrade and product development	15	46.18	46.18	0.11	46.07	31 December 2028
(i) to further enhance technology capabilities and upgrade system infrastructure to improve our operational efficiency, asset management efficiency and asset utilisation rate	11	33.87	33.87	0.11	33.76	31 December 2028
— to recruit research and development staff	9.5	29.25	29.25	0.09	29.16	31 December 2028
— to invest in system server resources and software licence fee	1.5	4.62	4.62	0.02	4.60	31 December 2028
(ii) To upgrade and enhance the functionalities of our SaaS products by introducing features such as IoT technology and intelligent inventory counts to cover more business and application scenarios for enterprises to manage the full lifecycle of fixed assets	2	6.16	6.16	0.00	6.16	31 December 2028
— to recruit IoT engineers and IoT product managers and pay for their salaries	1.3	4.00	4.00	0.00	4.00	31 December 2028
— to purchase smart hardware devices, related consumables and server resources	0.7	2.16	2.16	0.00	2.16	31 December 2028
(iii) To co-develop customer service portals with third-party business partners with the core capabilities of the DLM system through standard technical interfaces, so that third party business partners can provide DLM solutions on their own platforms	2	6.16	6.16	0.00	6.16	31 December 2028
— to recruit research and development staff and pay for their salaries	1.5	4.62	4.62	0.00	4.62	31 December 2028

Corporate Governance and Other Information

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2023 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2023 (RMB million)	
— to purchase designated devices for the development of customers service portals with third-party business partners	0.5	1.54	1.54	0.00	1.54	31 December 2028
To strengthen our risk management capabilities	5	15.40	15.40	0.03	15.37	31 December 2028
(i) To expand the application of artificial intelligence technology, upgrade the intelligent risk control model and enhance realtime corporate credit assessment capabilities. We also plan to upgrade and optimise our intelligent credit granting, anti-fraud and early risk warning systems to improve the efficiency and accuracy of risk assessment	2.5	7.70	7.70	0.00	7.70	31 December 2028
(ii) To establish internal and offline risk control teams, and improve online and offline integrated risk control capabilities	2.5	7.70	7.70	0.03	7.67	31 December 2028
— to recruit risk control personnel and pay for their salaries	2	6.16	6.16	0.03	6.13	31 December 2028
— for third-party data system	0.5	1.54	1.54	0.00	1.54	31 December 2028
For working capital and general corporate purposes	10	30.79	30.79	30.79	0.00	
Total	100	307.90	307.90	59.58	248.32	

References are made to the announcements of the Company dated 4 May 2023 and 14 July 2023. During the period from November 2022 to March 2023, part of the Net Proceeds was used to fund the subscription of a fund of Fund Company A (as defined in the Company's announcement dated 4 May 2023) (the "**Subscription**") with an aim to better manage the idle cash of the Company. In March 2023, the Subscription was fully redeemed together with the agreed interest. Subsequent to the redemption of the Subscription and up to the date of this report, the unutilised Net Proceeds were placed with commercial banks licensed in Hong Kong or the PRC. The unutilised Net Proceeds and the above timeline of intended utilisation will be applied in the manners disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

Corporate Governance and Other Information

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

In November 2022, the Company subscribed two redeemable principal and return guaranteed money market funds with two different segregated portfolios with an aggregated principal of approximately HK\$280.0 million (equivalent to RMB256.3 million), which were fully redeemed together with the agreed interest on 31 March 2023. For details, please refer to the announcement of the Company dated 4 May 2023.

Save as disclosed above, the Group had no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

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 Reporting Period. However, the Group will continue to identify new opportunities for business development.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with the CG Code. During the period from 1 January 2023 to 11 April 2023, the Audit Committee consisted of three independent non-executive Directors, namely Ms. Xu Nailing, Mr. Kam Chi Sing and Ms. Zhao Jinlin. Following the resignation of Ms. Zhao Jinlin on 11 April 2023 and up to the end of the Reporting Period, Mr. Yao Zhengwang, an independent non-executive Director, was appointed as the member of the Audit Committee in place of Ms. Zhao Jinlin. Ms. Xu Nailing, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, served as the chairman of the Audit Committee.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group’s unaudited consolidated financial information for the Reporting Period, and discussed with the management and auditors of the Company the accounting principles and practices adopted by the Group.

The independent auditor of the Company, namely ZHONGHUI ANDA CPA Limited, has carried out a review of the interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.



Corporate Governance and Other Information

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules during the Reporting Period.

INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO RULE 13.51B OF THE LISTING RULES

As at the date of this report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules and none of the Directors or senior management had any relationship with any other Directors or senior management.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at 30 June 2023, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there has not been any change in the Memorandum and Articles of Association. The Company's Memorandum and Articles of Association are available on the website of the Company (www.bearrental.com) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

For and on behalf of the Board

Hu Zuoxiong

Chairman

Hong Kong, 28 August 2023

Independent Review Report



INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF LX TECHNOLOGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of LX Technology Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 34 to 54 which comprises the condensed consolidated statement of financial position as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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 Hong Kong Standards on Auditing 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Practising Certificate Number P03614

Hong Kong
28 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(audited)
REVENUE	4	822,391	854,013
Cost of sales		(752,484)	(754,392)
GROSS PROFIT		69,907	99,621
Other income	5	8,607	8,533
Other gains and losses	6	15,922	—
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)		—	36,417
Impairment losses under expected credit loss model, net of reversal		(3,541)	(2,921)
Distribution and selling expenses		(52,156)	(64,877)
Administrative expenses		(49,287)	(35,376)
Research and development expenses		(12,714)	(13,019)
Finance costs	7	(19,840)	(21,995)
Listing expenses		—	(13,488)
LOSS BEFORE TAX	8	(43,102)	(7,105)
Income tax credit	9	743	1,275
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(42,359)	(5,830)
LOSS PER SHARE	11		
— Basic (RMB)		(0.14)	(0.05)
— Diluted (RMB)		(0.14)	(0.17)

Condensed Consolidated Statement of Financial Position

as at 30 June 2023

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment and right-of-use assets	12	764,352	802,861
Deposits paid for acquisition of property, plant and equipment		3,445	244
Other receivables, deposits and prepayments	14	5,128	4,676
Restricted deposits		5,007	12,818
Deferred tax assets		13,594	13,186
Total non-current assets		791,526	833,785
Current assets			
Inventories		94,813	76,630
Trade and lease receivables	13	125,200	64,879
Other receivables, deposits and prepayments	14	118,695	112,604
Tax recoverable		499	1,159
Financial assets at FVTPL		70,203	300,811
Restricted deposits		20,263	14,719
Cash and cash equivalents		386,808	156,274
Total current assets		816,481	727,076
Current liabilities			
Trade payables, other payables and accruals	15	175,296	185,763
Tax liabilities		21	19
Borrowings	16	411,201	406,358
Lease liabilities		8,469	6,424
Contract liabilities		1,449	425
Total current liabilities		596,436	598,989
Net current assets		220,045	128,087
Total assets less current liabilities		1,011,571	961,872

Condensed Consolidated Statement of Financial Position

as at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Borrowings	16	199,371	144,556
Lease liabilities		8,371	6,495
Deferred tax liabilities		3,155	3,509
Total non-current liabilities		210,897	154,560
NET ASSETS		800,674	807,312
Capital and reserves			
Share capital	17	3,158	3,158
Reserves		797,516	804,154
TOTAL EQUITY		800,674	807,312

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023

	Paid-up capital/share capital RMB'000	Share premium* RMB'000	Statutory surplus reserve* RMB'000	Other reserves* RMB'000	Share-based payments reserve* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	54,156	—	5,748	(2,753)	—	(687,375)	(630,224)
Loss and total comprehensive expense for the period (audited)	—	—	—	—	—	(5,830)	(5,830)
Effect of Series D-3 Capital Transfer (audited)	(54,156)	—	—	54,156	—	—	—
Allotment on 19 January 2022 (audited)	366	—	—	(366)	—	—	—
Allotment on 25 March 2022 (audited)	144	—	—	(144)	—	—	—
Redesignated as preferred shares on 28 March 2022 (audited)	(5)	—	—	5	—	—	—
Recognition of equity-settled share-based payments (audited)	—	—	—	—	23,555	—	23,555
At 30 June 2022 (audited)	505	—	5,748	50,898	23,555	(693,205)	(612,499)
At 1 January 2023 (audited)	3,158	1,263,785	6,735	50,898	71,150	(588,414)	807,312
Loss and total comprehensive expense for the period (unaudited)	—	—	—	—	—	(42,359)	(42,359)
Recognition of equity-settled share-based payments (unaudited)	—	—	—	—	35,721	—	35,721
At 30 June 2023 (unaudited)	3,158	1,263,785	6,735	50,898	106,871	(630,773)	800,674

* These reserve accounts comprise the consolidated reserves in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Net cash generated from operating activities	53,242	192,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,325	182
Purchase of property, plant and equipment	(112,328)	(166,739)
Purchase of financial assets at FVTPL	(13,542)	—
Proceeds on disposal of property, plant and equipment	20,603	—
Redemption of financial assets at FVTPL	248,383	—
Deposits paid for acquisition of property, plant and equipment	(3,445)	(1,221)
Other investing activities	2,116	(4,156)
Net cash generated from/(used in) investing activities	144,112	(171,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(19,840)	(21,029)
Repayments of borrowings	(278,773)	(263,827)
Repayments of lease liabilities	(4,799)	(4,764)
New borrowings raised	338,431	355,588
Proceeds from issue of financial liabilities at FVTPL	—	473,134
Payments for capital reduction of LX Technology (Shenzhen) Co., Ltd. (“LX Shenzhen”)	—	(473,134)
Payments of accrued issue costs	(3,862)	(3,179)
Net cash generated from financing activities	31,157	62,789
NET INCREASE IN CASH AND CASH EQUIVALENTS	228,511	83,761
CASH AND CASH EQUIVALENTS AT 1 JANUARY	156,274	118,553
Effect of foreign exchange rate changes	2,023	3,695
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by	386,808	206,009
Bank balances and cash	386,808	206,009

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023



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

2. BASIS OF PREPARATION

These Interim Financial Information have been prepared in accordance with International Accounting Standard 34 issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Interim Financial Information do not included all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s 2022 annual consolidated financial statements for the year ended 31 December 2022 (“**2022 Annual Report**”). The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in 2022 Annual Report.

3. APPLICATION OF AMENDMENTS TO IFRSs

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new IFRSs but is not yet in a position to state whether these new IFRSs would have a material impact on its results of operations and financial position.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

4. 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

For the six months ended 30 June 2023

	Device recycling business RMB'000 (unaudited)	Device subscription services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Device recycling income			
— Mobile devices	388,593	—	388,593
— Non-mobile devices	194,010	—	194,010
Device subscription services			
— Short-term device subscription	—	22,287	22,287
— Long-term device subscription	—	140,274	140,274
IT technical subscription services	—	77,227	77,227
	582,603	239,788	822,391

For the six months ended 30 June 2022

	Device recycling business RMB'000 (audited)	Device subscription services RMB'000 (audited)	Total RMB'000 (audited)
Device recycling income			
— Mobile devices	444,083	—	444,083
— Non-mobile devices	188,034	—	188,034
Device subscription services			
— Short-term device subscription	—	27,126	27,126
— Long-term device subscription	—	123,241	123,241
IT technical subscription services	—	71,529	71,529
	632,117	221,896	854,013

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

4. SEGMENT INFORMATION AND REVENUE (Continued)**Geographical information**

The Group operates within one geographical segment during the six months ended 30 June 2023 and 2022 because all of its revenue is generated in the People's Republic of China (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.

Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Type of goods or services		
Device recycling income	582,603	632,117
IT technical subscription services	77,227	71,529
Short-term device subscription	22,287	27,126
Total	682,117	730,772
Timing of revenue recognition		
At a point in time	582,603	632,117
Over time	99,514	98,655
	682,117	730,772

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

4. SEGMENT INFORMATION AND REVENUE (Continued)**Geographical information (Continued)****Revenue (Continued)***Disaggregation of revenue from contracts with customers (Continued)*

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Device recycling income	582,603	632,117
Device subscription services	99,514	98,655
Revenue from contracts with customers	682,117	730,772
Lease income from device subscription services	140,274	123,241
Total revenue	822,391	854,013

5. OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Interest income	2,325	182
Government subsidies (<i>note</i>)	2,492	5,292
Compensation income from customers	3,790	3,059
	8,607	8,533

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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Dividend income	489	—
Gain on disposal of property, plant and equipment	793	—
Foreign exchange gain	8,382	—
Fair value change of financial assets at FVTPL	6,258	—
	15,922	—

7. FINANCE COSTS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Interest expenses on borrowings	19,427	21,370
Interest expenses on lease liabilities	413	625
	19,840	21,995

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Directors' emoluments	8,016	6,015
Depreciation of property, plant and equipment and right-of-use assets	128,739	112,173
Gain on disposal of property, plant and equipment	(793)	—
Reversal of write-down of inventories	—	(219)
Cost of inventories recognised as an expense	570,974	615,804

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for the six months ended 30 June 2023

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Current tax — the PRC	61	7
Charge for the period	(804)	(1,282)
Deferred tax	(743)	(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 six months ended 30 June 2023 and 2022.

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 Shenzhen and certain subsidiaries, based on the existing legislation, interpretations and practices in respect thereof.

LX Shenzhen, 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 Shenzhen is entitled to a preferential income tax rate of 15% for the six months ended 30 June 2023 and 2022. The latest approval for LX Shenzhen enjoying this tax benefit was obtained in December 2020 for the financial years of 2021, 2022 and 2023.

Certain subsidiaries in the PRC were qualified as “Small Low-profit Enterprise”. 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 such reduced taxable income and the taxable income which more than RMB3 million of these qualifying subsidiaries would 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 Shenzhen has claimed such Super Deduction in ascertaining its tax assessable profits for the six months ended 30 June 2023 and 2022.

10. DIVIDEND

No dividend was declared or paid by the Company since its incorporation in respect of the six months ended 30 June 2023 and 2022, nor any dividend been proposed since the end of the reporting period.

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for the six months ended 30 June 2023

11. 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:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Loss for the period attributable to owners of the Company for the purpose of basic loss per shares	(42,359)	(5,830)
Effect of dilutive potential loss in respect of financial liabilities at FVTPL	—	(36,417)
Loss for the period attributable to owners of the Company for the purposes of diluted loss per share	(42,359)	(42,247)

	Six months ended 30 June	
	2023 (unaudited)	2022 (audited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	306,132,542	119,277,206
Effect of dilutive potential ordinary shares:		
— Financial liabilities at FVTPL	—	132,842,193
Weighted average number of ordinary shares for the purpose of diluted loss per share	306,132,542	252,119,399

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.

The computation of diluted earnings per share for the six months ended 30 June 2023 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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

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

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a total cost of RMB112,572,000 (six months ended 30 June 2022: RMB203,004,000).

During the six months ended 30 June 2023, property, plant and equipment with a carrying amount of RMB19,810,000 (six months ended 30 June 2022: RMB18,479,000) were disposed of by the Group, resulting in a gain on disposals of RMB793,000 (six months ended 30 June 2022: nil).

During the six months ended 30 June 2023, the Group has entered into several new lease agreements for the use of offices for 4 to 5 years (six months ended 30 June 2022: 2 years). On the lease commencement or lease renewal, the Group recognised right-of-use assets of RMB11,468,000 (six months ended 30 June 2022: RMB1,459,000) and a corresponding adjustment of the same amount to lease liabilities during the six months ended 30 June 2023. In addition, the Group terminated certain lease arrangement which constituted lease modifications. The reduction of the Group's lease liabilities of RMB2,748,000 (six months ended 30 June 2022: nil) and a corresponding adjustment of the right-of-use assets of RMB2,348,000 (six months ended 30 June 2022: nil) were recognised and result in gain on termination of leases of RMB400,000 (six months ended 30 June 2022: nil) recognised in profit or loss during the six months ended 30 June 2023.

13. TRADE AND LEASE RECEIVABLES

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Trade and lease receivables		
— third parties	128,795	67,459
— related parties	7,275	4,750
	136,070	72,209
Less: allowance for expected credit losses	(10,870)	(7,330)
	125,200	64,879

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

13. TRADE AND LEASE RECEIVABLES (Continued)

The following is an aged 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:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Within 3 months	101,474	49,784
More than 3 months but within 6 months	14,910	7,738
More than 6 months but within 1 year	5,905	4,940
Over 1 year	2,911	2,417
	125,200	64,879

Note: The Group has receivables from its related parties at the end of reporting period for providing device subscription services, IT technical subscription services and device recycling income as disclosed in note 20.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Prepayment for operating expenses	20,173	19,176
Rental deposits	2,266	2,002
Advances to suppliers	11,049	7,490
Value-added tax receivables	75,788	82,863
Other deposits paid	12,549	3,989
Others	1,998	1,760
	123,823	117,280
Represented by:		
— non-current	5,128	4,676
— current	118,695	112,604
	123,823	117,280
— third parties	108,860	101,639
— related parties (<i>note</i>)	14,963	15,641
	123,823	117,280

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 reporting period for those transactions disclosed in note 20.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2023

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Trade payables	118,570	125,123
Other payables and accruals		
Accrued staff costs and retirement benefit scheme contributions	25,375	23,594
Advance from leasing customers under device subscription service	17,160	17,087
Other tax payables	1,369	2,154
Secured and other deposits received	6,021	4,946
Accrued expenses	3,620	5,714
Accrued listing and issue costs	2,386	6,249
Others	795	896
	56,726	60,640
	175,296	185,763
Represented by:		
— third parties	164,859	183,318
— related parties (note)	10,437	2,445
	175,296	185,763

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 as disclosed in note 20.

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

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Within 6 months	104,643	88,185
6–12 months	2,995	22,104
Over 1 year	10,932	14,834
	118,570	125,123

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16. BORROWINGS

During the period ended 30 June 2023, the Group obtained new borrowings of RMB338,431,000 as additional working capital (six months ended 30 June 2022: RMB355,588,000) and made repayments of borrowings of RMB278,773,000 (six months ended 30 June 2022: RMB263,827,000).

17. SHARE CAPITAL

	Number of shares	Share capital HK\$	Share capital RMB'000
Ordinary shares of HK\$0.01 each			
Authorized			
At the date of incorporation (<i>note (i)</i>)	760,000,000	7,600,000	6,208
Designated as Series A Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(15,091,329)	(150,913)	(123)
Designated as Series B Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(14,593,840)	(145,938)	(119)
Designated as Series C Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(2,084,011)	(20,840)	(17)
Designated as Series D-1 Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(12,824,688)	(128,247)	(105)
Designated as Series D-2 Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(3,606,944)	(36,070)	(29)
Designated as Series D-3 Preferred Shares on 22 March 2022 (<i>note (iii)</i>)	(1,000,000)	(10,000)	(8)
Increase on 27 September 2022 (<i>note (vii)</i>)	240,000,000	2,400,000	2,162
Automatic conversion of Preferred Shares upon completion of IPO	49,200,812	492,008	401
At 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	1,000,000,000	10,000,000	8,370
Issued and fully paid			
Allotment at the date of incorporation (<i>note (i)</i>)	1	—	—
Allotment on 19 January 2022 (<i>note (ii)</i>)	44,777,900	447,779	366
Allotment on 25 March 2022 (<i>note (iv)</i>)	17,733,556	177,336	144
Redesignated as Preferred shares on 28 March 2022 (<i>note (v)</i>)	(601,158)	(6,012)	(5)
Capitalisation Issue (<i>note (vi)</i>)	188,888,889	1,888,889	1,720
Automatic conversion of Preferred Shares upon completion of IPO	49,200,812	492,008	448
Issuance of ordinary shares pursuant to IPO (<i>note (vi)</i>)	53,259,000	532,590	485
At 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	353,259,000	3,532,590	3,158

Notes to the Condensed Consolidated Financial Statements

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17. SHARE CAPITAL (Continued)

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 Shenzhen, as part of the Group Reorganisation.
- (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.
- (vi) The directors of the Company were authorized to capitalize HK\$1,888,889 (equivalents to RMB1,720,000) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 188,888,889 shares for allotment ("**Capitalization Issue**") and issue to holders of shares whose names appear on the register of members of the Company on 27 September 2022 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 on 24 November 2022, and on the same date, in connection with the Company's IPO, 53,259,000 ordinary shares of HK\$0.01 each were issued at HK\$7.60 per ordinary share of the Company for the total gross cash consideration of HK\$404,768,000 (equivalent to RMB368,606,000)
- (vii) Pursuant to the resolutions of the Company's shareholders passed on 27 September 2022, the authorised share capital of the Company was increased from HK\$7,600,000 (equivalents to RMB6,208,000) to HK\$10,000,000 (equivalents to RMB8,370,000) divided into 1,000,000,000 shares of HK\$0.01 each by the creation of an additional 240,000,000 shares.

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	16,181	9,250

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19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June 2023:

Description	Fair value measurement using:			Total As at
	Level 1	Level 2	Level 3	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Recurring fair value measurements:				
Financial assets at FVTPL	70,203	—	—	70,203
	70,203	—	—	70,203

Disclosures of level in fair value hierarchy at 31 December 2022:

Description	Fair value measurement using:			Total As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurements:				
Financial assets at FVTPL	50,403	250,408	—	300,811
	50,403	250,408	—	300,811

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20. RELATED PARTY TRANSACTIONS

Other than those transactions and balances disclosed in notes 13, 14, and 15 to the Interim Financial Information, the Group has following transactions with related parties:

Relationship	Nature of transactions	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Entities which a director of the Company or ex-director of LX Shenzhen has significant influence	Revenue from related parties		
	— Device subscription services	2,783	2,318
	— IT technical subscription services	117	125
	— Device recycling income	—	1
	Purchase of IT equipment from related parties	4,566	14,182
	Services received from related parties		
	— Marketing and promotion services	44	3,859
	— Maintenance services	2,819	5,383
	— Logistics services	—	118
	Interest expenses on other borrowings	—	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 was as follows:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
Short-term employee benefits	1,893	2,134
Post-employment benefits	53	55
Equity-settled share-based payments expenses	9,349	6,990
	11,295	9,179

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21. 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.

The following table discloses movements of the Company's share options held by eligible directors and employees of the Group during the current period:

	Number of share options	
	1/1/2023 to 30/6/2023	1/1/2022 to 30/6/2022
Outstanding at the beginning of the period	17,880,602	—
Granted during the period	—	6,622,445
Forfeited during the period	—	(3,127)
Outstanding at the end of the period	17,880,602	6,619,318

The Group recognised total expenses of approximately RMB27,445,000 (six months ended 30 June 2022: RMB19,394,000) relating to share option payment transactions for the six months ended 30 June 2023.

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.

No options were granted under the Beauty Bear Employee Incentive Plan during the both periods.

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21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

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.

On 1 April 2022, 2,222,222 award shares were granted to an employee of LX Shenzhen and were adjusted to 6,000,000 shares upon Capitalization Issue. 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 months ended 30 June 2023 (six months ended 30 June 2022: nil). The shares granted shall be vested in four equal lots on each of 1 April from 2023 to 2026 if the grantees remain as staff in the Group, there are no other vesting conditions for the shares granted under the Restricted Share Award Scheme.

The Group recognised the share-based payment expenses of RMB8,276,000 (six months ended 30 June 2022: RMB4,161,000) during the six months ended 30 June 2023.

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Information were approved and authorised for issue by the board of directors on 28 August 2023.