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LX Technology Group Limited

凌雄科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2436)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of LX Technology Group Limited (the “**Company**”) hereby announces the annual audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2024 (the “**Year**”), together with comparative figures for the year ended 31 December 2023.

FINANCIAL SUMMARY

Revenue for the Year was approximately RMB2,371.7 million, representing an increase of approximately 32.3% from approximately RMB1,793.1 million for the year ended 31 December 2023.

Net loss for the Year was approximately RMB58.3 million, representing a decrease of approximately 55.5% from approximately RMB131.0 million for the year ended 31 December 2023.

Adjusted EBITDA (a non-IFRS measure) for the Year was approximately RMB283.4 million, representing an increase of approximately 17.6% from approximately RMB241.0 million for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group has made significant strides in optimising our device lifecycle management (“**DLM**”) business, reinforcing our commitment to efficiency, innovation and sustainability.

Over the past year, we have achieved significant growth across our DLM business, with a strong emphasis on the expansion of our device recycling and device subscription service lines. Our efforts have resulted in notable financial and operational improvements. We are particularly delighted to have successfully transformed our device recycling business from a gross loss to a gross profit through strategic pricing, operational efficiencies and increased market demand.

Additionally, the Group introduced an integrated artificial intelligence (“**AI**”) tool which features 24/7 intelligent Q&A system, internal support system, legal domain and programming assistance. This comprehensive AI tool enhances internal processes and workflow management, strengthens customer acquisition and asset management, mitigates contractual risks and boosting development efficiency. Through digitalisation steps taken by the Group, we aim to strengthen our capabilities in automation, data analytics and AI-driven solutions, streamline processes, enhancing operational efficiency, reduce redundancies and improve overall agility in response to market dynamics and customers’ needs.

Our Business Model

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

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

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

Device recycling business

For the Year, the Group's revenue from device recycling business amounted to approximately RMB1,835.7 million, representing an increase of approximately 42.7% as compared to approximately RMB1,286.4 million for the same period in 2023.

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

	Year ended 31 December		<i>Growth Rate</i>
	2024	2023	
Number of devices sold (<i>device</i>)	972,396	810,559	20.0%
Number of device recycling customers	2,652	1,980	33.9%
Average revenue per device recycling customer (<i>RMB</i>)	692,190	649,692	6.5%
Average sales value (<i>RMB/device</i>)	1,391.1	1,179.9	17.9%

Device subscription business

For the Year, the Group's revenue from device subscription business amounted to approximately RMB379.5 million, representing an increase of approximately 9.1% as compared to approximately RMB347.9 million for the same period in 2023.

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

	Year ended 31 December		
	2024	2023	<i>Growth Rate</i>
Revenue from device subscription services			
(RMB'000)	379,482	347,863	9.1%
— Brand-new devices	311,416	284,440	9.5%
— Second-hand devices	68,066	63,423	7.3%
Total device subscription volume (<i>device</i>)	6,175,846	5,744,050	7.5%
— Brand-new devices	5,013,644	4,505,008	11.3%
— Second-hand devices	1,162,202	1,239,042	-6.2%
Total number of devices available for subscription	627,471	590,564	6.2%

IT technical subscription services

For the Year, the Group's revenue from IT technical subscription services amounted to approximately RMB156.5 million, representing a decrease of approximately 1.4% as compared to approximately RMB158.8 million for the same period in 2023.

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

	Year ended 31 December		
	2024	2023	
	(RMB'000)	(RMB'000)	<i>Growth Rate</i>
Revenue from IT technical subscription services	156,549	158,840	-1.4%
— Long-term subscriptions	117,847	115,468	2.1%
— Short-term subscriptions	38,702	43,372	-10.8%

Future Outlook

As we look ahead, we remain committed to driving innovation and strengthening our position as a leading device lifecycle management services provider. The increasing adoption of AI-driven technologies presents new opportunities, and we are well-positioned to support businesses in their digital transformation through our specialised device subscription services and IT technical services. This strategic move enhances computing performance, enabling our customers to stay ahead in an increasingly data-driven world.

Our focus on sustainability and circular economy principles will continue to shape our operations, ensuring that our full stack DLM businesses contribute to a more efficient and environmentally responsible future. As businesses demand greater flexibility and efficiency in managing IT assets, we will continue to refine and expand our offerings to meet these evolving needs.

Looking forward, we will deepen our investment in technological advancements, service excellence and market expansion to sustain long-term growth. With a strong foundation and a forward-thinking strategy, we are confident in our ability to drive greater value for our stakeholders while reinforcing our commitment to innovation and sustainability.

FINANCIAL REVIEW

Revenue

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

Revenue	Year ended 31 December				Growth Rate %
	2024 (Audited) RMB'000	%	2023 (Audited) RMB'000	%	
Device recycling income	1,835,688	77.4	1,286,390	71.7	42.7
Device subscription services	379,482	16.0	347,863	19.4	9.1
— Long-term device subscription	328,730	13.9	292,757	16.3	12.3
— Short-term device subscription	50,752	2.1	55,106	3.1	-7.9
IT technical subscription services	156,549	6.6	158,840	8.9	-1.4
Total	2,371,719	100.0	1,793,093	100.0	32.3

For the Year, the total revenue of the Group was approximately RMB2,371.7 million (31 December 2023: approximately RMB1,793.1 million), representing an increase of approximately 32.3% as compared with the same period in 2023, mainly attributable to the increase in revenue in the device recycling business and the device subscription services business.

Device recycling income

The increase in the device recycling income during the Year as compared with the same period in 2023 was mainly due to the increase in sales of devices from 810,559 devices for the year ended 31 December 2023 to 972,396 for the Year, representing an increase of approximately 20%.

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

	Year ended 31 December				Growth
	2024		2023		Rate
	RMB'000	%	RMB'000	%	%
Tablet computers and mobile phones	1,001,563	54.6	702,346	54.6	42.6
Laptop computers and other IT devices	834,125	45.4	584,044	45.4	42.8
Total	1,835,688	100.0	1,286,390	100.0	42.7

Revenue from device subscription services

The increase in revenue from device subscription services during the Year as compared with the same period in 2023 was mainly due to (i) the growth in number of long-term device subscription customers from 21,615 for the year ended 31 December 2023 to 23,818 for the Year resulted from our enhanced sales and marketing efforts focused on customer acquisition and channel development; and (ii) the increase in total device subscription volume from 5,744,050 devices for the year ended 31 December 2023 to 6,175,846 devices for the Year as more devices were subscribed to satisfy the growing business needs of enterprises and the growing acceptance of device rental over traditional purchases by enterprises.

Revenue from IT technical subscription services

The decrease in revenue from IT technical subscription services during the Year as compared with the same period in 2023 was primarily attributable to the decrease in short-term IT technical subscription services needed by our customers, which are essentially one-time packages to cater offline examinations, exhibitions and conferences.

Revenue by geographical locations

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

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Shenzhen	1,717,743	72.4	1,485,481	82.9
Shanghai	111,989	4.7	98,839	5.5
Wuhan	91,581	3.9	37,533	2.1
Beijing	96,901	4.1	87,438	4.9
Guangzhou	44,455	1.9	47,077	2.6
Others ⁽¹⁾	309,050	13.0	36,725	2.0
Total	<u>2,371,719</u>	<u>100.0</u>	<u>1,793,093</u>	<u>100.0</u>

Note:

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

Cost of Sales

Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortization, which primarily include depreciation of equipment for subscription; (iii) staff costs, representing salaries and welfare for our business operation personnel; and (iv) others, mainly representing costs related to short-term device subscription services such as rentals for venue and wages for temporary staff. Our cost of sales was approximately RMB2,175.3 million for the Year (31 December 2023: approximately RMB1,645.5 million), accounting for approximately 91.7% (31 December 2023: approximately 91.8%) of our revenue in the same period. The increase in cost of sales during the Year as compared to the same period in 2023 was mainly attributable to the increase in the cost of inventories sold by approximately RMB228.3 million from approximately RMB1,308.3 million for the year ended 31 December 2023 to approximately RMB1,536.6 million for the Year; and the increase in cost of sales for our device subscription segment by approximately RMB10.5 million from approximately RMB275.7 million for the year ended 31 December 2023 to approximately RMB286.2 million for the Year which was in line with our increase in revenue in our device subscription segment as discussed above.

Gross Profit and Gross Profit Margin

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

	Year ended 31 December			
	2024		2023	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Device recycling income	9,755	0.5	(27,947)	-2.2
Device subscription services	93,248	24.6	72,124	20.7
IT technical subscription services	93,395	59.7	103,453	65.1
Total	196,398	8.3	147,630	8.2

Our gross profit represents our revenue less our cost of sales. For the Year, our gross profit was approximately RMB196.4 million, representing an increase of approximately 33.0% as compared with approximately RMB147.6 million for the same period in 2023 as we successfully transformed our device recycling business from a gross loss to a gross profit. The gross profit margin of the Group increased from approximately 8.2% for the year ended 31 December 2023 to approximately 8.3% for the Year.

Device recycling income

We recorded gross profit for our device recycling business of approximately RMB9.8 million for the Year as compared to a gross loss of approximately RMB27.9 million for the year ended 31 December 2023. Our gross profit margin of device recycling business was 0.5% for the Year, as compared to gross loss margin of approximately 2.2% for the year ended 31 December 2023, due to our success in strategic pricing for the sale of devices during the Year resulting in an increase in average sales value per device from RMB1,179.9 for the year ended 31 December 2023 to RMB1,391.1 for the Year, representing an increase of approximately 17.9%.

Device subscription services

The gross profit of device subscription services increased from approximately RMB72.1 million for the year ended 31 December 2023 to approximately RMB93.2 million for the Year, mainly attributable to the increase in demand for and strategic pricing of certain popular models of devices for the Year. Our gross profit margin of device subscription services increased from approximately 20.7% for the year ended 31 December 2023 to approximately 24.6% for the Year. The average monthly utilization rates of our major types of devices for subscription increased from approximately 87.9% for the year ended 31 December 2023 to approximately 88.8% for the Year.

IT technical subscription services

The gross profit of IT technical subscription services decreased from approximately RMB103.5 million for the year ended 31 December 2023 to approximately RMB93.4 million for the Year. Our gross profit margin of IT technical subscription services decreased from approximately 65.1% for the year ended 31 December 2023 to approximately 59.7% for the Year, primarily attributable to the decrease in revenue from our short-term IT technical subscription services from approximately RMB55.1 million for the year ended 31 December 2023 to approximately RMB50.8 million for the Year, which has higher profit margin.

Other Income

Other income increased to approximately RMB28.0 million for the Year from approximately RMB18.5 million for the year ended 31 December 2023, primarily attributable to the government funding in the amount of approximately RMB11.8 million we received during the Year.

Distribution and selling expenses

The distribution and selling expenses increased by approximately 11.4% from approximately RMB128.4 million for the year ended 31 December 2023 to approximately RMB143.1 million for the Year, primarily attributable to the increase in marketing and promotion expenses of approximately RMB14.7 million for the Year as we engaged certain marketing experts in our marketing activities. Our distribution and selling expenses as a percentage of revenue decreased from approximately 7.2% for the year ended 31 December 2023 to approximately 6.0% for the Year.

Administrative Expenses

The administrative expenses decreased by approximately 8.5% from approximately RMB102.5 million for the year ended 31 December 2023 to approximately RMB93.8 million for the Year, primarily due to the decrease in the share-based payments expense in connection with our employee incentive plans from approximately RMB37.6 million for the year ended 31 December 2023 to approximately RMB22.7 million for the Year. Our administrative expenses as a percentage of revenue decreased from approximately 5.7% for the year ended 31 December 2023 to approximately 4.0% for the Year.

Research and Development Expenses

The research and development expenses slightly decreased by approximately 1.7% from approximately RMB25.5 million for the year ended 31 December 2023 to approximately RMB25.1 million for the Year, primarily due to the decrease in the share-based payments expense by approximately RMB3.7 million from approximately RMB5.2 million for the year ended 31 December 2023 to approximately RMB1.5 million for the Year in connection with our employee incentive plans. Our research and development expenses as a percentage of revenue decreased from approximately 1.4% for the year ended 31 December 2023 to approximately 1.1% for the Year.

Finance Costs

The finance costs increased by approximately 13.9% from approximately RMB41.8 million for the year ended 31 December 2023 to approximately RMB47.6 million for the Year as we increased our borrowings to cater our funding needs for business expansion.

Income Tax Credit/(Expense)

For the Year, we recorded income tax credit of approximately RMB5.5 million as compared to income tax expense of approximately RMB2.5 million for the year ended 31 December 2023.

Loss and Total Comprehensive Expense for the Year

A net loss of approximately RMB58.3 million for the Year was recorded, as compared to a net loss of approximately RMB131.0 million for the year ended 31 December 2023. The decrease in net loss was mainly attributable to the increase in gross profit and strategic control in expenses during the Year.

Adjusted Loss

The adjusted loss (a non-International Financial Reporting Standard (“IFRS”) measure) for the Year was approximately RMB30.5 million, as compared to the adjusted loss of approximately RMB67.4 million for the year ended 31 December 2023.

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

The adjusted EBITDA (a non-IFRS measure) for the Year increased by approximately 17.6% from approximately RMB241.0 million for the year ended 31 December 2023 to approximately RMB283.4 million for the Year.

Non-IFRS Measures

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

We define adjusted loss as loss plus share-based payment expenses, exchange gains and one-off professional fees relating to the resumption of the trading of the shares of the Company (the “**Share(s)**”). We define adjusted EBITDA as loss plus finance cost, interest income, income tax (credit)/expenses, depreciation of property, plant and equipment and right-of-use of assets, amortisation of intangible assets, share-based payment expenses, exchange gains and one-off professional fees relating to the resumption of the trading of the Shares. Share-based payments expense of approximately RMB34.6 million for the Year (2023: approximately RMB60.6 million) comprised expenses recognized under distribution and selling expenses, administrative expenses and research and development expenses in the amounts of approximately RMB10.4 million, RMB22.7 million and RMB1.5 million, respectively (2023: approximately RMB17.8 million, RMB37.6 million and RMB5.2 million, respectively).

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Reconciliation of loss for the year and adjusted loss (a non-IFRS measure)		
Loss for the year	(58,255)	(131,032)
Non-IFRS measure:		
Adjusted loss		
Add:		
Share-based payments expense	34,621	60,529
Exchange gain	(6,880)	(3,644)
One-off professional fees	—	6,718
	<hr/>	<hr/>
Non-IFRS measure:		
Adjusted loss	<u>(30,514)</u>	<u>(67,429)</u>
Reconciliation of loss for the year and adjusted EBITDA (a non-IFRS measure)		
Loss for the year	(58,255)	(131,032)
Add:		
Income tax (credit)/expense	(5,463)	2,486
Finance costs	47,562	41,833
Bank interest income	(9,718)	(6,086)
Depreciation of property, plant and equipment and right-of-use assets	272,732	270,164
Amortisation of intangible assets	8,785	—
Non-IFRS measure:		
EBITDA	255,643	177,365
Add:		
Share-based payments expense	34,621	60,529
Exchange gain	(6,880)	(3,644)
One-off professional fees	—	6,718
	<hr/>	<hr/>
Non-IFRS measure:		
Adjusted EBITDA	<u>283,384</u>	<u>240,968</u>

Current Assets

As at 31 December 2024, the current assets of the Group were approximately RMB893.4 million, representing an increase of approximately 10.5% as compared with approximately RMB808.7 million as at 31 December 2023. As at 31 December 2024, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.2 times (31 December 2023: approximately 1.3 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 RMB795.6 million as of 31 December 2023 to approximately RMB743.5 million as of 31 December 2024 due to the reduction in device purchases during the Year.

Inventories

Our inventories primarily consist of (i) de-commissioned IT devices such as laptops, monitors, tablet computers acquired via and held for sale under our device recycling business; and (ii) device components and accessories. The inventories increased from approximately RMB79.0 million as of 31 December 2023 to approximately RMB102.8 million as of 31 December 2024, mainly due to the increase in demand in disposal of de-commissioned IT devices from upstream suppliers close to the end of the Year.

Trade and Lease Receivables

Our trade and lease receivables represent receivables from customers for (i) operating lease relating to device subscription services; and (ii) contracts with customers relating to device recycling business and IT technical subscription services. The trade and bill receivables increased from approximately RMB106.0 million as at 31 December 2023 to approximately RMB255.6 million as at 31 December 2024, primarily due to the increase in sales from our device recycling business close to the end of the Year, of which the receivables are expected to be settled in the first half of 2025.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments decreased from approximately RMB156.6 million as at 31 December 2023 to approximately RMB132.9 million as at 31 December 2024, primarily due to the decrease in deposits paid for purchase of IT devices close to the end of the Year.

Trade Payables

Trade payables represent procurements payable to suppliers for the purchase of IT devices. As at 31 December 2024, trade payables amounted to approximately RMB107.4 million, representing a decrease of approximately RMB40.4 million as compared with approximately RMB147.8 million as at 31 December 2023 as we settled more of our trade payables prior to 31 December 2024.

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; and (vi) others.

As at 31 December 2024, other payables and accruals amounted to approximately RMB67.7 million, representing a decrease of approximately RMB4.6 million as compared with approximately RMB72.3 million as at 31 December 2023, primarily due to the decrease in accrued staff costs and retired benefit scheme contributions from approximately RMB41.2 million for the year ended 31 December 2023 to approximately RMB31.8 million for the Year resulted from the decrease in number of employees and partially offset by the increase in other tax payables and accrued expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are principally funded by cash generated from operations, net proceeds from the Global Offering (as defined in the prospectus of the Company dated 14 November 2022 (the “**Prospectus**”)) 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 RMB295.9 million as of 31 December 2024 (31 December 2023: approximately RMB416.6 million). The decrease in bank balance and cash as we allocated more fundings in business development. As at 31 December 2024, the Group’s cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank and Other Borrowings

As of 31 December 2024, we had bank borrowings with a carrying amount of approximately RMB531.2 million (as at 31 December 2023: approximately RMB455.0 million) and other borrowings of approximately RMB278.0 million (as at 31 December 2023: approximately RMB237.2 million), such borrowings comprise (i) approximately RMB770.6 million (as at 31 December 2023: approximately RMB620.9 million) of unsecured and guaranteed bank and other borrowings; and (ii) approximately RMB38.6 million (as at 31 December 2023: approximately RMB71.3 million) of secured and guaranteed bank and other borrowings.

All of our bank and other borrowings were subject to fixed interest rate. For the Year, the effective interest rates of the Group's borrowings ranged from 3.2% to 9.4% per annum (31 December 2023: 3.2% to 9.8% per annum). Our borrowings were all denominated in Renminbi 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 year divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio as at 31 December 2024 was 113.0% (as at 31 December 2023: 93.6%).

Significant Investments Held, Material Acquisitions and Disposals

The Group had no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Year.

Future Plans for Material Investments and Capital Assets

Except for the plans disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 20 September 2024 in relation to the change of expected timeline and use of proceeds from global offering, the Group has no future plan for material investments or capital assets during the Year. However, the Group will continue to identify new opportunities for business development.

Contingent Liabilities and Commitments

We did not have any material contingent liabilities as of 31 December 2024.

Foreign Exchange Risk

The Group conducts its business with most of the transactions settled in Renminbi, while a smaller portion is settled in Hong Kong dollars and US dollars. 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 during the Year.

Employees and Remuneration Policy

As at 31 December 2024, the Group had 970 full-time employees (as at 31 December 2023: 1,143 full-time employees). The reduction in employees was a result of the Group's strategic workforce optimisation efforts aimed at improving our operational efficiency. We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. For the Year, the remunerations for our employees, but excluding the Directors' remunerations, were approximately RMB193.8 million (for the year ended 31 December 2023: approximately RMB192.1 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 the LX Brothers Employee Incentive Plan and the Beauty Bear Employee Incentive Plan.

EVENTS AFTER THE REPORTING PERIOD

No event has taken place subsequent to 31 December 2024 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of the Shareholders. The Group has adopted the code provisions in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance during the Year.

Save for the deviation for reasons set out below, the Group has applied the principles of good corporate governance and complied with the Corporate Governance Code during the Year.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Hu Zuoxiong (“**Mr. Hu**”) is performing these two roles. Mr. Hu is responsible for the overall management, operation and strategic development of our Group and has been instrumental to our growth and business operation since establishment of the Group in November 2004. Taking into account the continuation of management and the implementation of our business strategies, the Directors (including the independent non-executive Directors) consider it is most suitable for Mr. Hu to hold both the positions of chief executive officer and the chairman of the Board and the existing arrangements are beneficial to the management of our Group and are in the interests of our Company and the Shareholders as a whole. The balance of power and authority is ensured by the operation of the senior management and our Board, both of which comprises experienced and high-calibre individuals. The Board comprises three executive Directors (including Mr. Hu), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group’s circumstances.

COMPLIANCE WITH 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 for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules.

Upon specific enquiry, all Directors confirmed that they have complied with the Code during the Year.

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 Year (including sale of treasury shares (as defined under the Listing Rules)). As at 31 December 2024, the Company did not hold any treasury shares.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

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

FINAL DIVIDEND

The Board has resolved not to recommend the distribution of final dividend for the Year (2023: nil).

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

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

PUBLICATION OF ANNUAL RESULTS AND 2024 ANNUAL REPORT

This announcement is published on the respective websites of the Company (www.bearrental.com) and the Stock Exchange (<http://www.hkexnews.hk>). The 2024 annual report will be despatched to the Shareholders (if requested) and will be made available on the respective websites of the Company and the Stock Exchange as and when appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	3	2,371,719	1,793,093
Cost of sales		<u>(2,175,321)</u>	<u>(1,645,463)</u>
GROSS PROFIT		196,398	147,630
Other income	4	27,973	18,546
Other gains and losses	5	36,783	10,671
Impairment losses under expected credit loss model, net of reversal		(15,322)	(7,168)
Distribution and selling expenses		(143,127)	(128,437)
Administrative expenses		(93,803)	(102,462)
Research and development expenses		(25,058)	(25,493)
Finance costs	6	<u>(47,562)</u>	<u>(41,833)</u>
LOSS BEFORE TAX	7	(63,718)	(128,546)
Income tax credit/(expense)	8	<u>5,463</u>	<u>(2,486)</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		<u>(58,255)</u>	<u>(131,032)</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(56,952)	(131,268)
Non-controlling interests		<u>(1,303)</u>	<u>236</u>
		<u>(58,255)</u>	<u>(131,032)</u>
LOSS PER SHARE	10		
— Basic (RMB)		<u>(0.19)</u>	<u>(0.43)</u>
— Diluted (RMB)		<u>(0.19)</u>	<u>(0.43)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment and right-of-use assets		743,472	795,648
Goodwill		21,204	21,204
Intangible assets		21,932	26,000
Deposits paid for acquisition of property, plant and equipment		9,780	440
Other receivables, deposits and prepayments		5,167	4,024
Restricted deposits		14,009	14,966
Deferred tax assets		13,370	10,079
Total non-current assets		828,934	872,361
Current assets			
Inventories		102,802	78,990
Trade and lease receivables	11	255,623	105,978
Other receivables, deposits and prepayments		127,685	152,577
Financial assets at FVTPL		125,431	69,569
Restricted deposits		4,915	10,963
Cash and cash equivalents		276,940	390,658
Total current assets		893,396	808,735
Current liabilities			
Trade payables, other payables and accruals	12	175,060	220,121
Tax liabilities		—	64
Borrowings		585,481	413,805
Lease liabilities		5,503	9,672
Contract liabilities		2,309	1,511
Total current liabilities		768,353	645,173
Net current assets		125,043	163,562

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Total assets less current liabilities	953,977	1,035,923
Non-current liabilities		
Borrowings	223,711	278,409
Lease liabilities	6,934	8,409
Deferred tax liabilities	7,130	9,296
Total non-current liabilities	237,775	296,114
NET ASSETS	716,202	739,809
Capital and reserves		
Share capital	3,158	3,158
Reserves	711,111	733,415
	714,269	736,573
Non-controlling interests	1,933	3,236
TOTAL EQUITY	716,202	739,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

In the current year, the Group has adopted all the new and revised IFRS Accounting Standards issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRS Accounting Standards comprise IFRS; IAS; and Interpretations. The adoption of these new and revised IFRS Accounting Standards 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 year and prior years.

The directors of the Company anticipate that the application of other new and amendments to IFRS Accounting Standards will have no material impact on the Group’s financial performance and positions and/or on the disclosures to the Group’s consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION AND REVENUE

Segment Information

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

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

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

Year ended 31 December 2024

	Device recycling business RMB'000	Device subscription services RMB'000	Total RMB'000
Device recycling income			
— Mobile devices	1,001,563	—	1,001,563
— Non-mobile devices	834,125	—	834,125
Device subscription services			
— Short-term device subscription (note 3(i))	—	50,752	50,752
— Long-term device subscription (note 3(iv))	—	328,730	328,730
IT technical subscription services	—	156,549	156,549
	<u>1,835,688</u>	<u>536,031</u>	<u>2,371,719</u>

Year ended 31 December 2023

	Device recycling business RMB'000	Device subscription services RMB'000	Total RMB'000
Device recycling income			
— Mobile devices	702,346	—	702,346
— Non-mobile devices	584,044	—	584,044
Device subscription services			
— Short-term device subscription (note 3(i))	—	55,106	55,106
— Long-term device subscription (note 3(iv))	—	292,757	292,757
IT technical subscription services	—	158,840	158,840
	<u>1,286,390</u>	<u>506,703</u>	<u>1,793,093</u>

Geographical information

	Revenue from external customers		Non-current assets	
	Year ended 31 December		As at 31 December	
	2024	2023	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	2,104,000	1,793,093	796,388	843,292
Hong Kong	267,719	—	—	—
	<u>2,371,719</u>	<u>1,793,093</u>	<u>796,388</u>	<u>843,292</u>

In presenting the geographical information, the revenue information is based on the locations of the customers while the non-current assets information is based on the location of assets and excludes other receivables, deposits and prepayments, restricted deposits and deferred tax assets.

Information about major customers

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

	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	344,532	N/A*
Customer B	<u>N/A*</u>	<u>405,054</u>

Note: Revenue from customers A and B are both derived from device recycling business. During the years ended 31 December 2024 and 2023, no other customers contributed over 10% of the total revenue of the Group.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2024 and 2023.

Revenue

(i) Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Type of goods or services		
Device recycling income	1,835,688	1,286,390
IT technical subscription services	156,549	158,840
Short-term device subscription	50,752	55,106
Total	<u>2,042,989</u>	<u>1,500,336</u>
Timing of revenue recognition		
At a point in time	1,835,688	1,286,390
Over time	207,301	213,946
	<u>2,042,989</u>	<u>1,500,336</u>

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

	2024 RMB'000	2023 RMB'000
Device recycling income	1,835,688	1,286,390
Device subscription services	207,301	213,946
Revenue from contracts with customers	<u>2,042,989</u>	<u>1,500,336</u>
Lease income from device subscription services (note 3(iv))	<u>328,730</u>	<u>292,757</u>
Total revenue	<u>2,371,719</u>	<u>1,793,093</u>

(ii) Performance obligations for contracts with customers

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

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

Long-term device subscription services include provision of IT devices to customers for a minimum period of six months with a periodic plan. The Group also provide IT technical subscription services coupled with the device subscription services during the subscription period. The contracts of long-term device subscription services are assessed to include both lease (as disclosed in note 3(iv) below) and non-lease components (IT technical subscription services). The customers generally pay subscription fees including the IT technical subscription services monthly or quarterly with credit terms of 0 to 180 days.

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

At 31 December 2024

	IT technical subscription services RMB'000	Short- term device subscription services RMB'000
Within one year	124,166	6,007
More than one year but not more than two years	11,572	—
More than two years	3,188	—
	<u>138,926</u>	<u>6,007</u>

At 31 December 2023

	IT technical subscription services <i>RMB'000</i>	Short- term device subscription services <i>RMB'000</i>
Within one year	134,920	5,798
More than one year but not more than two years	29,994	—
More than two years	10,282	—
	<u>175,196</u>	<u>5,798</u>

- (iv) The revenue from long-term device subscription of equipment to the customers with fixed subscription payments for year ended 31 December 2024 amounted to RMB329,009,000 (2023: RMB297,757,000) which represent revenue arising from operating leases under IFRS 16. Subscription deposits are waived as long as the customers met the required credit information and passed the Group's internal risk assessment.

Undiscounted lease payments receivable on leases are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within one year	345,254	288,003
In the second year	44,438	59,296
In the third year	16,933	24,485
	<u>406,625</u>	<u>371,784</u>

4. OTHER INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest income	9,718	6,086
Government subsidies (<i>note</i>)	11,787	5,270
Compensation income from customers	6,468	7,190
	<u>27,973</u>	<u>18,546</u>

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

5. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Dividend income	5,518	4,887
Gain on disposal of property, plant and equipment	261	235
Gain on termination of lease	18	651
Gain on disposal of financial assets at FVTPL	—	112
Foreign exchange gains	6,880	3,644
Fair value change of financial assets at FVTPL	24,106	1,142
	<u>36,783</u>	<u>10,671</u>

6. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on borrowings	46,608	40,880
Interest expenses on lease liabilities	954	953
	<u>47,562</u>	<u>41,833</u>

7. LOSS BEFORE TAX

The Group's loss before tax is stated after charging:

	2024 RMB'000	2023 RMB'000
Directors' emoluments	7,854	13,046
Other staff costs:		
Salaries, allowances and other benefits in kind	155,499	135,314
Retirement benefit scheme contributions	8,241	6,869
Equity-settled share-based payments expense	30,100	49,869
	<u>193,840</u>	<u>192,052</u>
Auditors' remuneration		
— Audit service	2,200	2,000
— Non-audit services	400	730
Depreciation of property, plant and equipment and right-of-use assets	272,732	270,164
Amortisation of intangible assets	8,745	—
Write-down of inventories	1,986	3,072
Cost of inventories recognized as an expense	<u>1,973,586</u>	<u>1,250,918</u>

8. INCOME TAX (CREDIT)/EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax — the PRC		
Charge for the year	16	92
Over-provision in prior years	(22)	—
Deferred tax	<u>(5,457)</u>	<u>2,394</u>
	<u>(5,463)</u>	<u>2,486</u>

9. DIVIDEND

No dividend was declared or paid by the Company for the years ended 31 December 2024 and 2023, nor any dividend been proposed since the end of the reporting period.

10. 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:

	2024 RMB'000	2023 RMB'000
Loss for the year attributable to owners of the Company for the purposes of diluted loss per share	<u>(56,952)</u>	<u>(131,268)</u>
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>306,927,579</u>	<u>305,378,399</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined without taking into account of shares held by LX Brothers Technology Limited and Beauty Bear Technology Limited for employee incentive platforms of the Group.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The diluted loss per share is the same as the basic loss per share for the years ended 31 December 2024 and 2023 because the Company's share options and share award outstanding during this year was anti-dilutive.

11. TRADE AND LEASE RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade and lease receivables		
— third parties	276,622	111,086
— related parties	6,652	7,630
	<u>283,274</u>	<u>118,716</u>
Less: allowance for expected credit losses	(27,651)	(12,738)
	<u><u>255,623</u></u>	<u><u>105,978</u></u>

As at 1 January 2023, trade and lease receivables amounted to RMB64,879,000.

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:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 3 months	232,594	87,645
More than 3 months but within 6 months	7,861	10,093
More than 6 months but within 1 year	10,626	6,177
Over 1 year	4,542	2,063
	<u><u>255,623</u></u>	<u><u>105,978</u></u>

As at 31 December 2024, included in the Group's trade and lease receivables balance are debtors with aggregate carrying amount of RMB33,513,000 (2023: RMB22,365,000) which are past due. Out of the past due balances, RMB13,645,000 (2023: RMB13,085,000) has been past due over 90 days and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	107,382	147,840
Other payables and accruals		
Accrued staff costs and retirement benefit scheme contributions	31,763	41,187
Advance from leasing customers under device subscription service	17,733	17,659
Other tax payables	4,296	2,322
Secured and other deposits received	7,580	6,853
Accrued expenses	6,306	4,260
	67,678	72,281
	175,060	220,121
Represented by:		
— third parties	174,539	219,539
— related parties (<i>note</i>)	521	582
	175,060	220,121

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

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

	2024 RMB'000	2023 <i>RMB'000</i>
Within 6 months	101,483	113,363
6–12 months	3,127	23,871
Over 1 year	2,772	10,606
	107,382	147,840

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

Hong Kong, 26 March 2025

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