



National SME Public Service Demonstration Platform  
National Specialized and New “Little Giant” Enterprise

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

(Incorporated in the Cayman Islands with limited liability)

**Stock Code 02436.HK**



**2022**

Environmental,  
Social and Governance Report

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# 1 About the Environmental, Social and Governance Report

## 1.1 Reporting Standards

This report is a summary of the environmental, social and governance performance of LX Technology Group Limited (together with its subsidiaries, the “Group” or “LX Technology”) in 2022, prepared based on Appendix 27 “Environmental, Social and Governance Reporting Guide” (the “Guide”) of the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

## 1.2 Reporting Principles

This report complies with the reporting principles in the “Environmental, Social and Governance Reporting Guide” of the Hong Kong Stock Exchange, including:

**Materiality:** Based on the principle of materiality, this report determines the major issues to be responded herein via materiality analysis and provides key disclosures of environmental, social and governance matters with potential significant impacts on the investors and other stakeholders.

**Quantitative:** Based on the principle of quantitative, this report discloses the quantitative key performance indicators (“KPIs”), gives the description of such KPIs, and provides the calculation basis and assumptions.

**Balance:** Based on the principle of balance, this report reflects the objective facts and discloses indicators involving both positive information and negative information.

**Consistency:** Based on the principle of consistency, this report clearly illustrates the method of statistics compilation and statistical data of the environmental, social and governance quantitative KPIs, and maximizes the consistency of indicators and calculations used for different reporting periods to reflect the tendency of performance level.

For the year ended 31 December 2022, the Company has complied with the “comply or explain” provisions set out in the Guide.

## 1.3 Reporting Languages

This report is prepared in traditional Chinese and English. In case of any discrepancies between the Chinese and the English versions, the traditional Chinese version shall prevail.



## 1.4 Reporting Scope ●

This report covers the business operation of the Group from 1 January 2022 to 31 December 2022 and gives an overview of the performance of the Group in terms of corporate governance, green operation, customer services, employee development and care for community. This report covers LX Technology Group Limited and its subsidiaries within the scope of consolidated financial statements in the annual report. Unless otherwise stated, the information involved in this report is derived from the documents and statistical reports of the Group, and the currency involved is Renminbi.



## 2 Chairman's Statement

In 2022, China's economy entered a critical phase of transformation and upgrade, which has brought about both opportunities and challenges. In the face of the global economic environment seeking stable growth and adaptable opportunities, we have diligently seized the opportunities and embraced the spirit of "breakthrough" by fostering innovation and adopting pragmatic measures to achieve our goals. Leveraging the digitalized closed-loop device lifecycle management (DLM) service model, we have proactively built a symbiotic and mutually beneficial service ecosystem with small and medium-sized enterprises. This has enabled us to generate tangible value for the sustainable development of society.



Hu Zuoxiong  
Chairman of the Board of LX Technology Group Limited

### Sound Governance in Compliance with Red Lines

As the forerunner of enterprise-focused DLM services in China, we recognize the importance of standardized management and effective risk control mechanisms for sustainable business development. To this end, we have established a compliance management system and consistently enhanced our internal control and risk management mechanisms by making full use of technologies to ensure compliance and facilitate orderly operations.

### Circular Economy and Green Development

We firmly believe that green, environmentally-friendly and low-carbon development is an inevitable trend for the future of business. Aligned with the concept of green development, we are committed to promoting the circular economy. Through our recycling, refurbishment, sales, and device subscription services, we maximize the service life of devices, thereby creating additional carbon reduction value for the society. In addition, we actively fulfill our responsibilities as a corporate citizen by strengthening our green operations and working alongside our employees to create a low-carbon office environment.





## Stringent Product Control and Customer First ●

We place high priority on long-term development, and we are dedicated to providing micro, small and medium-sized enterprises with high-quality products and services. Through continuous innovation and optimization of our product structure, we support the micro, small and medium-sized enterprises to achieve digital transformation with lower costs and higher efficiency. Furthermore, we continuously optimize our customer service system in strict adherence to the service principle of “quick response and efficient resolution”, demonstrating the commitment of LX Technology as a pioneer in the DLM solution industry.

## Value Inheritance and People-orientation ●

We put our values of “creating successful career together” and “contributing to society” into action. We prioritize the physical and mental well-being of our employees, fostering an equal, positive, and efficient working environment that provides personalized career development paths for the employees. For society, we are dedicated to caring for the community. We have actively participated in pandemic prevention and control efforts, advocating for the micro, small and medium-sized enterprises. Through our actions, we strive to demonstrate LX Technology’s contributions to the society.

I am proud of the achievements made by LX Technology in the past year. 2023 will be a year full of hope. Adhering to our development philosophies of innovation, collaboration and sustainability, we will seize the opportunities through innovation while preserving our core values, and continue to work towards our mission of simplifying enterprise operations.





## 3 Statement of the Board

The Group continues to implement the social responsibility concept of digital innovation and circular development, actively promote ESG management work, respond to stakeholders' demands on environmental, social and governance aspects of the Company, and promote the philosophy of sustainable operation. The Group supports the digitalization of thousands of small- and medium-sized enterprises, contributing to the achievement of the dual-carbon objectives of China, and demonstrating the social value of the Group.

In order to achieve sustainable development of the Company and to fulfill our obligations to the environment, society and all stakeholders, the Group has integrated environmental, social and governance issues into our overall corporate strategy and has always taken environmental and social benefits into account as important considerations in our daily operation. The Group has established a special group (“**ESG working group**”) dedicated to our environmental, social and governance work to comprehensively identify, determine and assess the risks and opportunities of the Group in environmental, social and governance aspects, and report to the Board of Directors (**the “Board”**). In terms of protecting the environment and coping with climate change, the Group strives to reduce energy consumption, water consumption, exhaust-gas and greenhouse-gas emissions and waste generation year by year through further strengthening management measures such as energy saving, consumption reduction and making full use of resources, and thereby ultimately achieve higher economic returns with the least possible consumption of resources.

The ESG working group established by the Group is led by the Board while relevant functional and business departments are responsible for the implementation of ESG affairs. The ESG working group is responsible for (1) identifying, determining and assessing the ESG risks and opportunities of the Group as well as ESG issues that are critical to the Group's operations or stakeholders, and reporting to the Board; (2) formulating and establishing ESG policies and procedures to guide the implementation of relevant ESG plans; (3) reviewing the ESG policies and procedures of the Group to ensure their effectiveness and suitability for their purposes; (4) monitoring the implementation of the Group's ESG strategies and plans, setting relevant targets to evaluate the implementation of ESG projects, and developing continuous improvement plans for ESG performance; (5) measuring and evaluating the Group's environmental performance against the ESG targets and reporting to the Board, and making recommendations on necessary actions to improve the performance; (6) ensuring that



sufficient ESG-related training is provided to relevant employees; (7) overseeing the stakeholder engagement and materiality assessment procedures to ensure effective communication with stakeholders while maintaining the Group's reputation.

The Group considers that maintaining close relationships with our stakeholders is critical to our business operations and sustainable development. The Group's stakeholders include investors/shareholders, customers and potential customers, suppliers and partners, employees, government and regulatory authorities, the community and the public. Stakeholders, including customers and shareholders, were surveyed in the form of a questionnaire and the survey showed that stakeholders are most concerned about product quality, followed by business ethics, economic benefits, employees' remuneration and benefits, compliance operation, climate change and environmental friendliness. The Company always considers stakeholders' views as an important factor for sustainable development and incorporates their opinions into our long-term development plan.





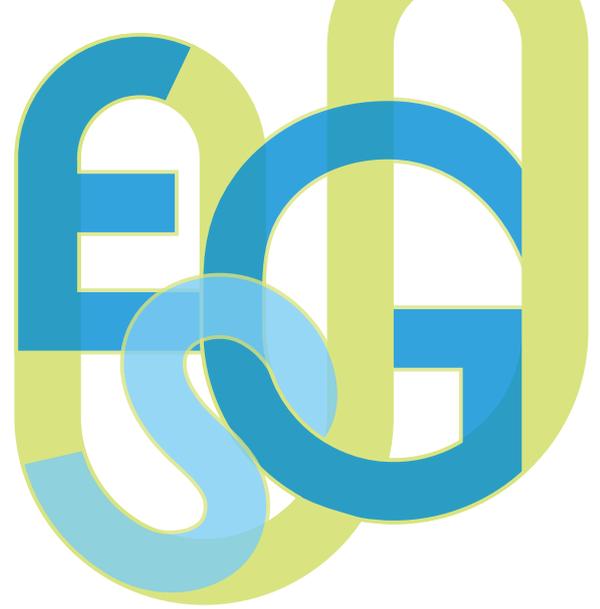
## 4 About LX Technology

### 4.1 Overview of LX Technology

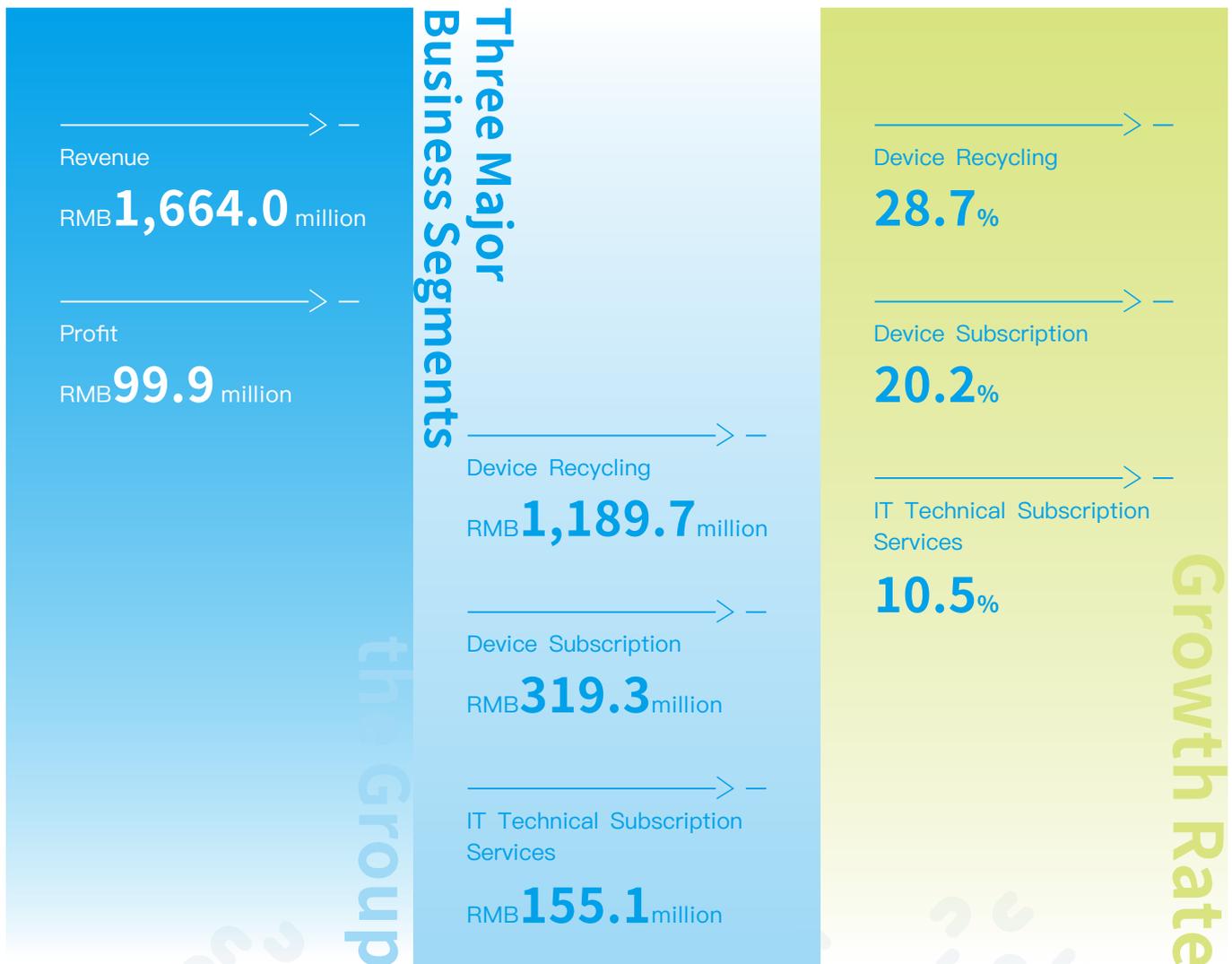
LX Technology Group Limited (“**LX Technology**”), owner of the brand Bear U-Rental and established in 2004 in Shenzhen, principally engages in, among others, the sales of refurbished de-commissioned IT devices to resellers of IT devices, and the provision of device and IT technical subscription services to small-and medium-enterprises (“**SMEs**”) in the People’s Republic of China (“**China**”) as a Device Lifecycle Management (“**DLM**”) solution provider. LX Technology’s service covers the management needs of SMEs across the lifecycle from device procurement, device maintenance, device management to device de-commissioning and recycling, and helping enterprises in cost reduction and efficiency improvement, and transformation to asset-light operation.

Over the past 20 years, LX Technology has always committed to providing high-quality services to customers. LX Technology is received the award of the National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台), and national Specialized and New “Little Giant” Enterprise (國家級專精特新「小巨人」企業) issued by MIIT of the State Council, making us the only enterprise in the industry to hold “dual certification” which represent the highest level of service capability and quality in the industry.





During the reporting period, the Group’s revenue and profit for the year were RMB1,664.0 million and RMB99.9 million, respectively. The three major business segments achieved outstanding performance. The revenues from device recycling, device subscription and IT technical subscription services were RMB1,189.7 million, RMB319.3 million and RMB155.1 million, respectively, representing an increase of 28.7%, 20.2% and 10.5% compared with the corresponding period of last year, respectively.





## 4.2 Corporate Culture

The Group has always recognized the importance of culture and firmly believes that a strong corporate culture can be cultivated through active cultural engagement. A robust corporate culture can promote a sense of cohesion and upward momentum, fostering a culture of consistent and high-quality service to our corporate customers, while creating ongoing social value for the community. Since our inception, the Group has been driven by the mission of “simplifying enterprise operations”, with a steadfast commitment to the core values of “customer-centric service, close and trustworthy collaboration, courage and responsibility, and persistent long-term effort”. Our goal is to establish ourselves as a leading DLM solution provider in China. In our service to corporate customers, the Group adheres to the service tenet of “providing low-cost, high-quality, and highly flexible DLM solutions to enterprises”. We are committed to our goal of “serving one million enterprises and providing user-friendly devices to ten million employees over the next decade”.



### Mission

Simplifying enterprise operations



### Vision

Becoming a leading DLM solution provider in China



### Values

Customer-centric service  
Close and trustworthy collaboration  
Courage and responsibility  
Persistent long-term effort



### Service Tenet

Providing low-cost, high-quality, and highly flexible DLM solutions to enterprises



### Service Goal

Serving one million enterprises and providing user-friendly devices to ten million employees over the next decade





### 4.3 Social Recognition

Over the past decade, the Group has been deeply involved in the DLM solution industry, actively fulfilling its environmental and social responsibilities and earning a reputation as a responsible corporate citizen. Attributable to our leading role of digital and technological achievements in the industry as well as our outstanding service capacities and quality, the Group was certified as a member of the National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台) and a Specialized and New “Little Giant” Enterprise (專精特新「小巨人」企業) by the Ministry of Industry and Information Technology. As of the end of the reporting period, the Group is the only enterprise with “dual certification” in the DLM solution industry of China.



**中华人民共和国工业和信息化部**  
Ministry of Industry and Information Technology of the People's Republic of China



The National SME Public Service Demonstration Platform



Specialized and New “Little Giant” Enterprise





During the reporting period, while achieving rapid business growth, the Group has actively assumed our ESG responsibilities and our social influence and brand value were further enhanced. We have received awards from various media organizations. Details are as follows:

Name of Award	Issuing Time	Issuing Organization
Golden Shovel Award for Industrial Digitalization (產業數字化金鏟獎)	January 2022	www.chanyejiawang.com and Digital Newspaper (《產業家聯合數字化報》)
High Growth Enterprise of the Year (年度高成長企業)	July 2022	Securities Times (《證券時報》)
The Most Popular New Stock Company (最受投資者歡迎新股公司)	December 2022	Zhitongcaijing (智通財經)
Annual Emerging Innovative Enterprise of the 2022 Beautiful Life Award (2022美好生活年度新銳創新企業)	December 2022	Economic Observers (《經濟觀察報》)
Best Corporate Service Brand of the Year (年度最佳企業服務品牌)	December 2022	TMTPOST (鈦媒體)
Most Influential Innovative Enterprise of the year in Enterprise Service (年度企業服務領域最具影響力創新企業)	December 2022	Lieyunwang (獵雲網)
Outstanding Digital Application Innovation Award (傑出數智應用創新獎)	December 2022	JRJ.com (金融界)



The Most Popular New Stock Company  
(最受投資者歡迎新股公司)



Outstanding Digital Application Innovation Award  
(傑出數智應用創新獎)



Annual Emerging Innovative Enterprise of the 2022 Beautiful Life Award  
(2022美好生活年度新銳創新企業)



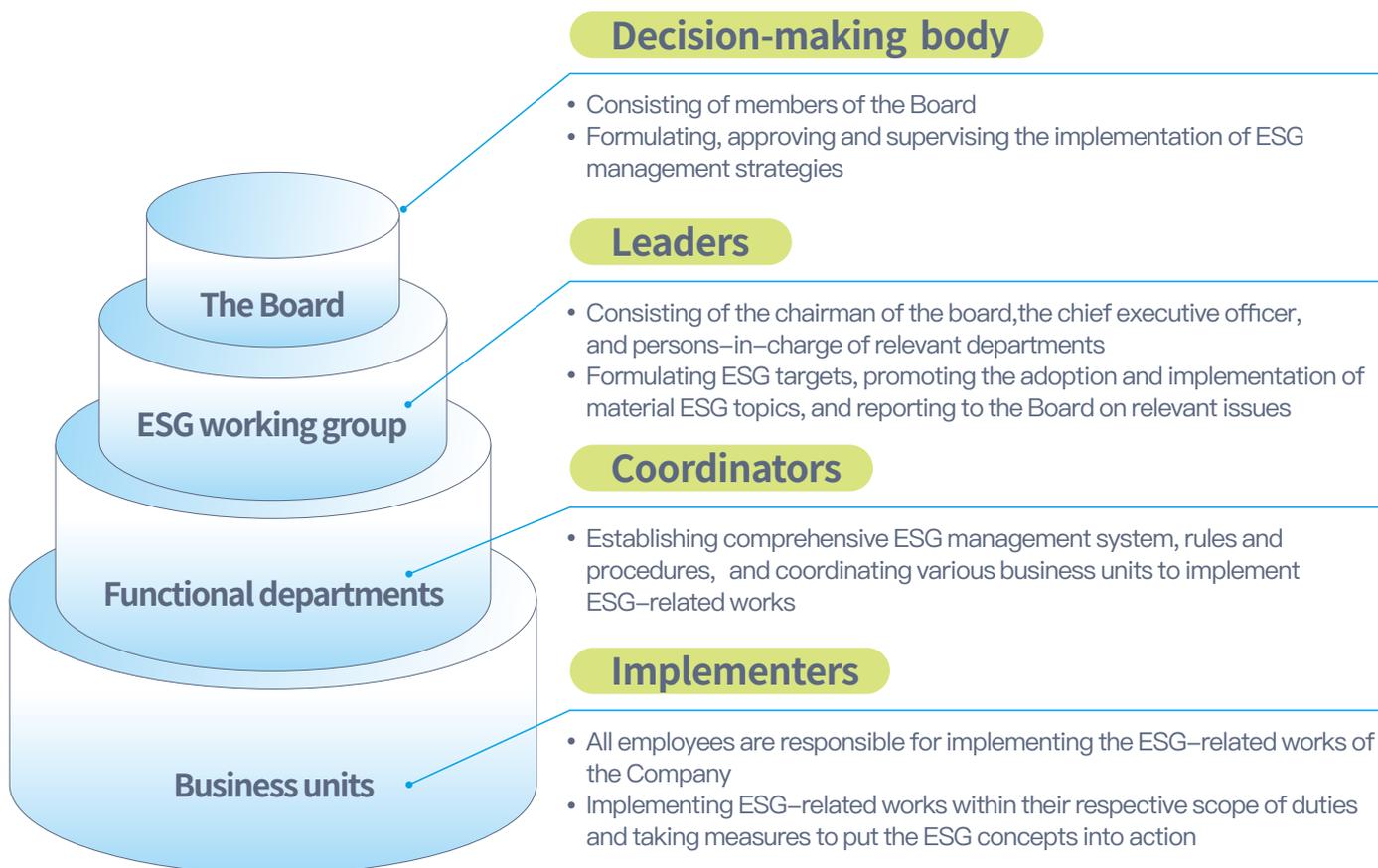
Best Corporate Service Brand of the Year  
(年度最佳企業服務品牌)



## 5 Sound Governance in Compliance with Red Lines

### 5.1 ESG Governance Structure and System

The Group has established an ESG governance system which is overseen by the Board and managed by the ESG working group with the coordination of all functional departments and participation of all employees. During the reporting period, in order to establish more sustainable businesses and bring broader benefits to the society, the Group continuously reviewed the progress of environmental, social and governance issues of the Group according to our purposes and goals.





## 5.2 Communications with Stakeholders

Based on its industry characteristics and business operations, the Group identifies and determines our six major stakeholders, namely the investors/shareholders, customers and potential customers, suppliers and partners, employees, government and regulatory authorities, and communities and the public. The Group actively communicates with the stakeholders in various stages of daily operations, fully listens to their opinions and feedback, and continuously improves the diversified, stable and effective communication channels and feedback mechanisms between the Group and various stakeholders, continuously enhancing risk identification capabilities and strengthening important relationships. The Group communicates with its stakeholders through the following channels.

Key Stakeholders	Material Topics	Communication and Response
Investors/ shareholders	<ul style="list-style-type: none"> <li>• The necessity of corporate governance for sustainable operation</li> <li>• Stable economic benefits</li> <li>• Continuous business vitality</li> <li>• Good market reputation and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders' meeting</li> <li>• Investors' conference</li> <li>• Information disclosure</li> <li>• Risk prevention and compliance operation management</li> </ul>
Customers and potential customers	<ul style="list-style-type: none"> <li>• Product quality</li> <li>• Service efficiency and effectiveness</li> <li>• Integrity and responsibility</li> <li>• Information security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Online consultation, complaint, and follow-up</li> <li>• Field visits by sales representatives</li> <li>• Evidence of compliance with confidential disposal regulations</li> </ul>
Suppliers and partners	<ul style="list-style-type: none"> <li>• Supply chain management</li> <li>• Compliance operations</li> <li>• Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Strict control of admission standards and dynamic evaluation</li> <li>• Bidding and tendering activities</li> <li>• Industry cooperation and communication</li> </ul>





Key Stakeholders	Material Topics	Communication and Response
<p><b>Employees</b></p>	<ul style="list-style-type: none"> <li>• Basic rights</li> <li>• Compensation and benefits</li> <li>• Career development</li> <li>• Health and safety</li> <li>• Diversity, equality and inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction survey</li> <li>• Customized promotion channels and salary adjustment policies</li> <li>• Regular performance evaluations and skill enhancement</li> <li>• Internal complaint and reporting channels</li> <li>• Face-to-face communication with superiors or management</li> </ul>
<p><b>Government and regulatory authorities</b></p>	<ul style="list-style-type: none"> <li>• Compliance operation</li> <li>• Tax performance</li> <li>• Risk management</li> <li>• Environmentally friendly practices</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency of business operating information</li> <li>• Risk management system development</li> <li>• Regular recognition of national qualifications</li> <li>• Research and dialogue</li> </ul>
<p><b>Community and Public</b></p>	<ul style="list-style-type: none"> <li>• Community welfare</li> <li>• Rural revitalization</li> <li>• Credit building</li> </ul>	<ul style="list-style-type: none"> <li>• Public welfare enterprise services</li> <li>• Digital rural construction</li> <li>• Carrying out credit system building activities</li> </ul>





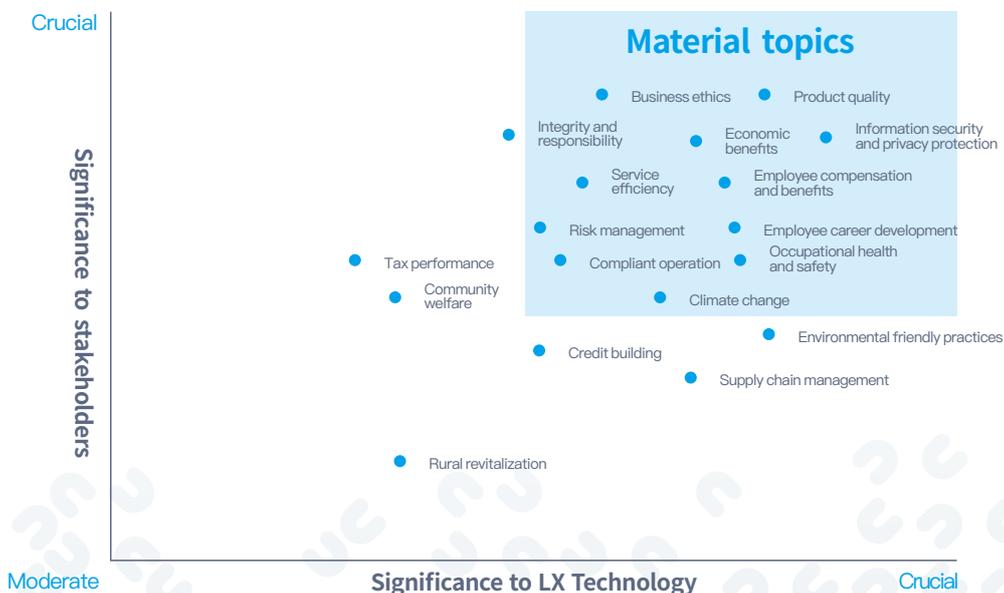
### 5.3 Identification and Analysis of Material Topics

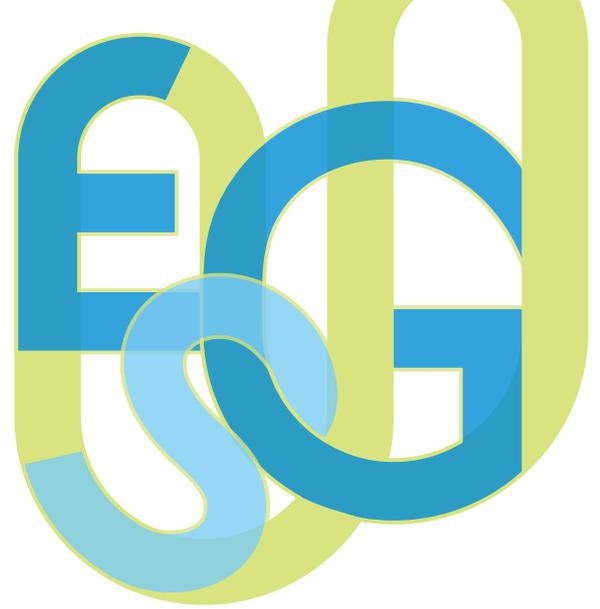
The Group places great importance on identifying and managing ESG topics. During the reporting period, the Company reviewed potential ESG topics based on the latest social and economic changes, and identified them based on the extent of influence of the Company on its stakeholders. Considering the needs and expectations of various stakeholders, the Company evaluated the effectiveness of its ESG work, confirmed and revised the priority order of the key issues on the materiality matrix.

**–Step 1: Identification.** The Company collected ESG-related topics, screened a series of ESG topics closely related to the Company’s business based on their importance to the industry in which the Group operates, and the opinions of various departments within the Company.

**–Step 2: Assessment.** The Company collected key opinions from various stakeholders on each topic, understood the impact of each topic on stakeholders themselves, as well as its importance to the sustainable development of the Group. By reference to the identification of substantial topics by peers and the Group’s management status, the relevance and importance of each topic were evaluated.

**–Step 3: Confirmation.** Based on the results of the stakeholder survey and industry analysis, the Company identified substantial ESG topics, which were confirmed by the ESG management team of the Group to ensure that the evaluation results were consistent with the Company’s business characteristics and development status.





## 5.4 Risk and Compliance Management

### • Risk Management and Internal Control

The Group attaches great importance to enterprise risk management and control. With the Audit Committee taking the lead, the Board is responsible for supervising the maintenance of a sound and effective internal control and risk management system and related policies of the Group. Senior management of the Group is responsible for supervising the daily execution of internal control procedures and measures of subsidiaries and functional departments.

The Group has established an internal risk management and internal control manual, which sets out the operating procedures, internal control procedures and other policies and guidelines. At the same time, comprehensive risk management policies have been adopted and implemented in various aspects of business operations such as IT, financial report, compliance and human resources. Meanwhile, the Group has established rules and regulations such as the Management Measures for Bad Debts (《壞賬管理辦法》), the Suspicious Risk Management Measures (《可疑風險管理辦法》) and the Long-term Lease Credit Management System (《長租授信管理制度》) to ensure that risks in actual business operations are controllable and manageable.

### Case: Risk control for bad debts of subscription business – Management



#### Measures for Bad Debts (《壞賬管理辦法》)

In 2022, the Company revised the Management Measures for Bad Debts (《壞賬管理辦法》) to specify the recognition procedures, handling approaches and accountability methods for bad debts. During the reporting period, the Company continued to organize special trainings for relevant business units and function departments, helping employees to understand the key processes and procedures to handle bad debts. The risk management awareness of employees has been enhanced, which have further optimized the bad debt risk management of the Company.



## • Compliance Management

In order to effectively manage the compliance and legal risks of the Group, the Group has adopted strict internal procedures to ensure that the business operations comply with applicable rules, laws and regulations. According to these procedures, the Group's internal legal department is responsible for reviewing and updating the forms of contracts entered into between the Group and its customers, partners and suppliers. Before the Group enters into any contracts or business arrangements, the legal department shall verify terms of contracts and review all relevant documents related to business operations, including licenses and permits obtained by any contracting party to fulfill its business contract obligations and all necessary due diligence documents.

In addition, the Group's legal department is responsible for obtaining any necessary government pre-approvals or consents within the regulatory deadlines, including preparing and submitting all necessary documents for filing with relevant government departments, to ensure that the Group's business operations comply with legal and regulatory requirements at all times. In terms of actual operations and employee activities, the Group has established an accountability system for employees who violate laws, regulations and internal policies to ensure that compliance management has been implemented in all aspects of business operations.

## • Intellectual Property Rights Protection

The Group strictly complied to the requirements of the laws and regulations, such as the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), to ensure that we do not infringe on the intellectual property rights of others and effectively protect our own legitimate intellectual property rights. In 2022, the Group continued to improve its intellectual property management mechanism and had obtained 3 registered trademarks in Hong Kong. During the reporting period, the Group did not experience any events of infringement of others' intellectual property rights.

All of the Group's core business systems have completed software copyright registration and obtained legal software copyright registration certificates. As of the end of 2022, the Group has obtained 58 software copyright registration certificates.



## • Supply Chain Management

The Group is a company that operates in the DLM solution industry, and our suppliers mainly include IT office devices, information technology and service providers. Potential suppliers for our devices recycling business involve enterprises from various industries that provide recycling devices. The Group strictly complies with laws and regulations such as the Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》) and the Government Tendering and Bidding Law of the People's Republic of China (《中華人民共和國政府招標投標法》), constantly clarifying the management responsibilities of relevant departments for suppliers, regulating supplier procurement management and promoting the construction of a clean supply chain.

Supply chain is the cornerstone of the sustainable development. The Group has been practicing responsible procurement behavior and has developed the Procurement Management System (《採購管理體系》), which specifies the criteria for hiring suppliers, evaluation process and daily management requirements, as well as the standardization of the supply chain management. In addition, the Group strictly monitors and prevents all types of commercial bribes by conducting regular inspections and evaluations of suppliers. All suppliers are required to regularly provide relevant supporting documents to prove that they have not been involved in any corruption and other major illegal records, enabling the Group to strictly monitor and prevent all kinds of commercial bribes, bid-rigging and other non-compliant behaviors.

As our business is leaning towards green rental, the Group has prioritized the procurement of more low-carbon and eco-friendly IT devices, and has imposed stricter requirements in terms of safety, quality, energy saving and emission reduction on suppliers. In addition, the Group prioritizes the procurement of green and eco-friendly water-based paint furniture as well as energy and water-saving appliances.

During the reporting period, the Group did not discover any suppliers causing significant, actual or potential, negative impacts on or violating commercial ethics, environmental protection, labor standards or other regulations.



## • Honesty and integrity

The Group strictly abides by local laws and regulations relating to, among others, bribery, extortion, fraud and money laundering that have a significant impact on the Group, such as Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), Criminal Law of the People's Republic of China (《中華人民共和國刑法》), and Audit Law of the People's Republic of China (《中華人民共和國審計法》). The Group places great importance on anti-bribery and anti-corruption and has implemented specific policies and internal control measures to prevent corruption and bribery. These policies include procedures for identifying potential corruption, implementing relevant anti-corruption procedures and setting out anti-corruption responsibilities for relevant personnel. In 2022, the Group has been continuously completing the internal Anti-bribery and Anti-corruption System. According to the anti-bribery and anti-corruption policies of the Group, the Group strictly prohibits bribery or other improper payments in any of our business operations. This prohibition applies to all business activities. Improper payments prohibited by these policies include bribes, kickbacks, excessive gifts or entertainment, or any other payment made or offered to obtain an undue business advantage.

Meanwhile, the Group continues to carry out integrity education and strengthens employees' awareness of anti-bribery and anti-corruption through regular meetings on the topic of self-reflection. During major festivals and holidays when corruption easily occurs, the Group seizes the opportunities to issue timely reminders to supervise and urge employees to adhere to self-discipline. Furthermore, the Group provides its employees with sufficient communication channels and encourages them to actively seek guidance on implementing our anti-corruption policies. The Group regularly conducts anti-corruption compliance checks and reviews for employees and senior personnel.

The Group also developed a code of conduct for employees' behaviors, which includes internal rules and guidelines on basic working rules, professional ethics, confidentiality, negligence, anti-bribery and anti-corruption. The Group also provided regular training and resources for employees to explain the guidance provided in the employees' code of conduct. The Group has stated contact details for reporting bribery and corruption in its website and service contracts.

For other risk and compliance management measures taken by the Group, please refer to the annual report of the Company.



Special meeting of the Group for self-inspection and self-correction



## 6 Circular Economy and Green Development

### 6.1 Close-looped business

As a pioneer and leader in the provision of DLM business model for enterprises in China, the Group has first developed the innovative DLM business model that encompasses device recycling business, device subscription services and IT technical subscription services, providing one-stop DLM services for medium, small and micro-sized enterprises from the acquisition to disposal of devices, thereby forming a closed-loop business. The Group adheres to the concept of circular economy throughout its business development. Through the environmentally responsible disposal and recycling of devices, the service life of devices can be extended effectively upon refurbishment and the devices are reused for sales or device subscription services. The utilization rate of equipment is enhanced accordingly. In 2022, the Group refurbished approximately 1.45 million sets of devices.

The Group has formulated a set of completed quality assurance process and recall procedures for device subscription service to ensure the product quality and protect customers' rights. The quality assurance process principally includes the examination of device appearance and usage performance and the component testing to ensure that devices meet the required quality standards. The recall procedures are initiated in the event of a defect or safety issue, which mainly comprise the identification of affected devices, return and repairing of faulty devices, and the implementation of corrective actions to prevent similar issues from occurring in the future.





## 6.2 Energy conservation and emission reduction

The Group regards the implementation of green and low-carbon sustainable development mode as an essential part of the operation strategy. The Group actively follows policy documents including the Notice of the Action Plan for Achieving Carbon Peak by 2030 (《2030年前碳達峰行動方案的通知》), Comprehensive Work Plan on Energy Conservation and Emission Reduction during the Period of the 14th Five-Year Plan (《“十四五”節能減排綜合方案工作》) and Opinions of the CPC Central Committee and the State Council on Fully and Accurately Implementing the New Development Concept and Striving for Carbon Peak and Carbon Neutrality (《中共中央國務院關於完整準備全面貫徹新發展理念做好碳達峰碳中和工作的意見》). The Group integrates the concept of green and low-carbon development into corporate governance, corporate culture, business development, operation management, and continuously provides support to green transformation of economic and social development.

Committed to the achievement of national goals pertaining to “emission peak and carbon neutrality”, the Group has developed an innovative DLM business model, contributing significantly to the reduction of carbon emissions for the society. This business model has proven highly effective in reducing social carbon emissions, with the Group contributing to a net reduction of 16,822.3 tons of carbon emissions during the reporting period. In particular, the carbon emission reduction contributed by the Company’s refurbishment business amounted to 17,855.6 tons, while the actual carbon emission generated by the Company’s daily operations was 1,033.3 tons.



LX Technology has contributed a net carbon emission reduction of **16,822.3** tons for society



Calculated based on the carbon reduction created by the Company’s refurbishment business during the reporting period minus the actual carbon emissions generated by the Company’s daily operations



LX Technology has extended the useful life of **1.45** million pieces of refurbished equipment



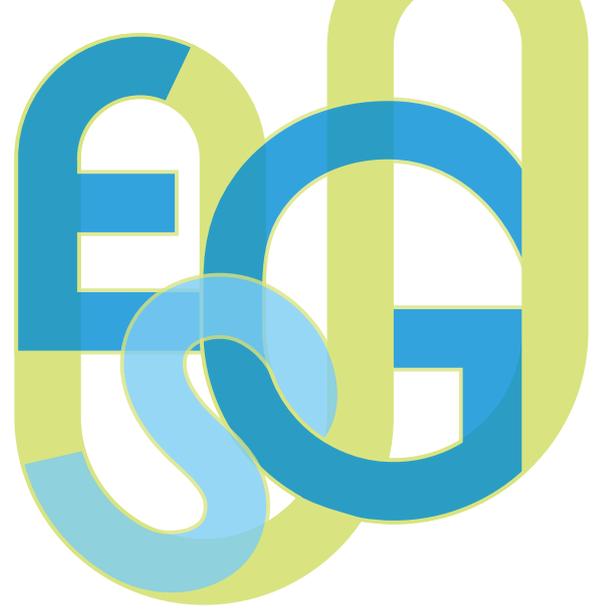
Only data from the reporting period is included



LX Technology’s refurbishment business has reduced carbon emissions by **17,855.6** tons for society



Only data from the reporting period is included



### • Social emission reduction

Compared to the traditional way of one-time procurement, the Group's DLM business model has demonstrated its ability to effectively reduce the average annual carbon emissions per unit of device. The service life of devices refurbished by us have been effectively extended. In 2022, our refurbished devices contributed to a carbon emission reduction of 17,855.6 tons.

• Carbon footprint of new devices = carbon emissions from device production + carbon emissions during transportation



• Annual average carbon emission reduction from refurbished devices = annual average carbon emissions from new devices – (annual average carbon emissions from refurbished devices + carbon emissions during refurbishment processes of devices)



Category of major devices	Carbon emission reduction per unit over the lifecycle <sup>1</sup> (kg)	Number of refurbished devices in 2022 (set)	Total carbon emission reduction in 2022 (ton)
Laptop computers	14.7	430,860	6,324.8
Desktop computers	27.4	160,303	4,384.5
Mobile phones and tablet computers	6.1	287,782	1,749.4
All-in-one computers	28.8	9,429	271.9
Printers and photocopiers	35.0	7,522	263.3
Servers	36.9	32,900	1,214.8
Others <sup>2</sup>	6.9	529,201	3,647.0
<b>Total</b>	<b>12.2</b>	<b>1,457,997</b>	<b>17,855.6</b>

<sup>1</sup> Carbon emission reduction per unit over the lifecycle = (Annual average carbon emission per unit of new device — annual average carbon emission per unit of refurbished device) × average useful life of refurbished device

<sup>2</sup> Others mainly include switches and routers, etc.



• Green office

The Group is committed to the concept of green office throughout all processes of operation and management, and strives to achieve the target of energy conservation and emission reduction from the source. Energy consumption of the Group’s operation mainly involves electricity and gasoline consumed by our vehicles. In 2022, the carbon emission generated from business operations was 1,033.3 tons.

The Group’s use of resource mainly involves water sourced from municipal supplies. The Group has no difficulty in sourcing water. Our emissions mainly consist of greenhouse gases, as well as non-hazardous waste such as office and kitchen waste. During the reporting period, the Group did not generate any hazardous waste. The Group continued to optimize the disposal methods of hazardous wastes, and collaborated with professional disposal enterprises with qualifications for recycling of renewable resources to ensure that hazardous wastes, such as electronic waste generated from our operations were disposed of in an environmentally friendly manner, minimizing the impact on the environment. In addition, Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳凌瑞再生资源有限公司), a subsidiary of the Group, obtained the ISO-9001-2015 quality management certificate and the license for the procurement, recycling, testing, resale and data elimination of old computers, servers, mobile devices and electronic accessories, enabling the Group to promote the concepts of green and circular economy.

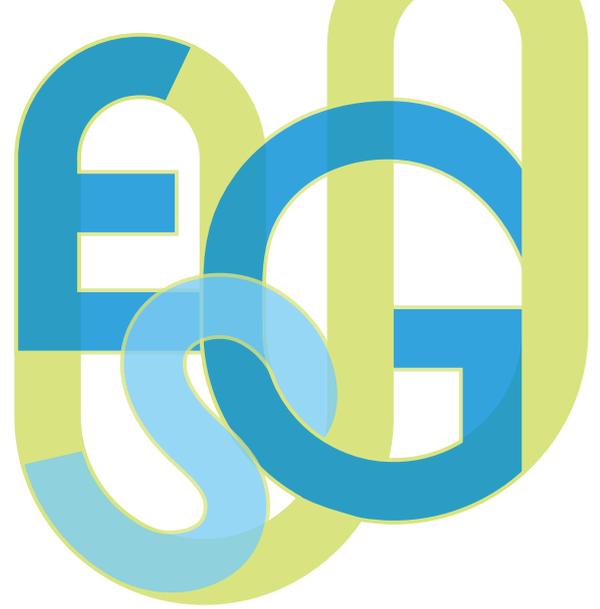
In accordance with China’s strategy of achieving “emission peak and carbon neutrality”, the Group strictly complies to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) and other relevant laws and regulations on environmental protection, and actively promotes the concept of green office by encouraging the employees to participate in environmental protection training and promotion campaigns, and implementing various measures for energy and water saving and discharge management with an aim to reduce energy and resource consumption and control emissions.

During the reporting period, the Group found no confirmed environmental violations with a significant impact on the Group.



ISO-9001-2015 quality management certificate of Shenzhen Lingrui Recycling Resources Co., Ltd.

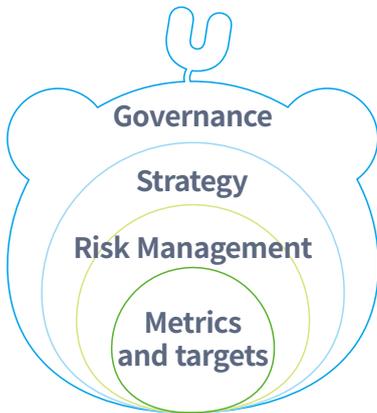




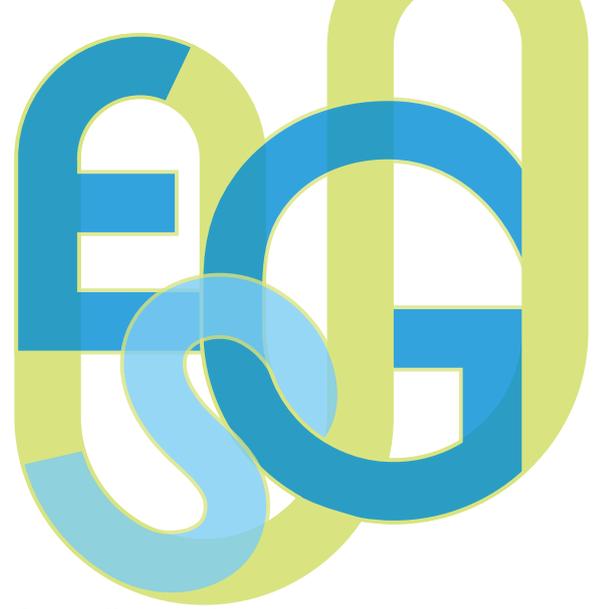
## 6.3 Climate change

### Climate change management systems

The Group has placed high importance to climate change and taken various measures actively to reduce carbon emission and protect the environment. In order to cope with the climate change, the Company has established a series of climate change management systems. Details are as follows:



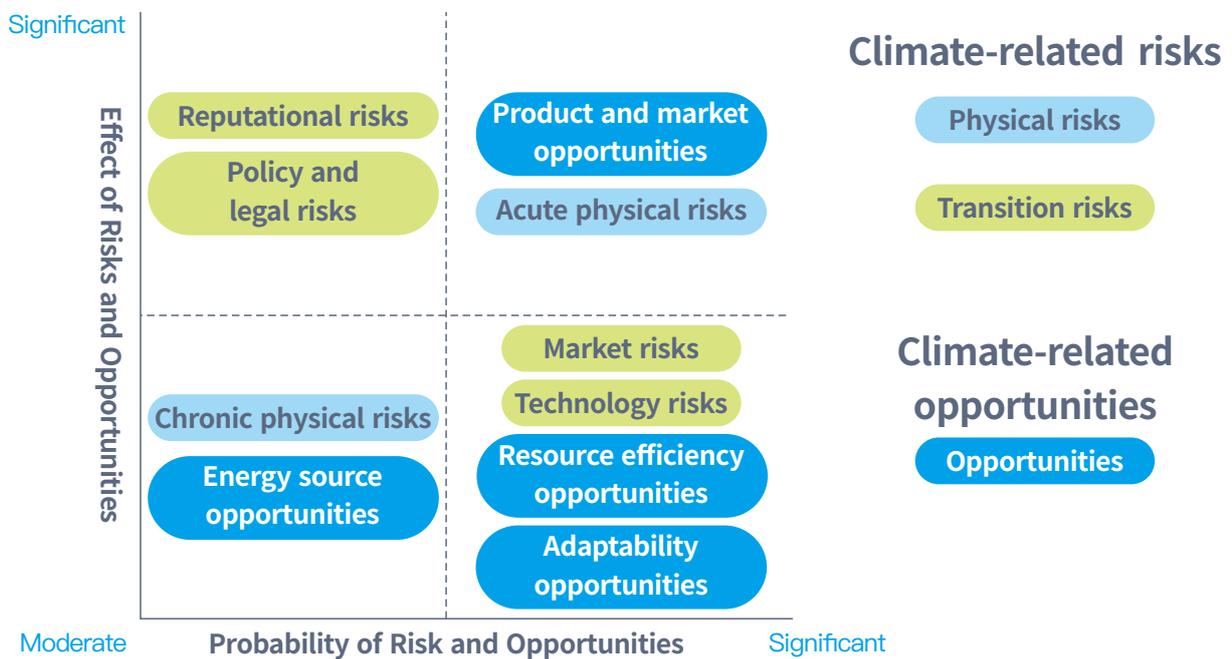
Level	Actions
<b>Governance</b>	The Board is responsible for supervising matters related to ESG, including “coping with climate change”. The Group established an ESG working group which is responsible for identifying and assessing ESG related risks and opportunities, including climate risk. All relevant departments and business units strive to cope with climate change as part of their main duties.
<b>Strategy</b>	Fully aware of the possible material effects of climate change on its operation, the Company conducts comprehensive assessment on the potential impact of risks and opportunities arising from climate change on our financial position. We are committed to mitigating risks and seizing opportunities through low-carbon operation and boosting the development of closed-loop business via the DLM business model.
<b>Risk Management</b>	The Company identifies its risks and opportunities arising from climate change based on the framework proposed by the TCFD. We also intend to include risk management on climate change into our existing risk management system.
<b>Metrics and targets</b>	The Group intends to monitor, measure, analyze and disclose the performance related to carbon emission on a regular basis. We will implement measures for carbon reduction actively, and formulate and release the target of carbon neutrality by 2023. The progress towards achieving our targets will be disclosed annually in the ESG report to assess the Company’s management performance in coping with climate change, and formulate improvement plans accordingly.



**Identifying and addressing the risks and opportunities arising from climate change**

The Group is fully aware of the substantial impact that climate change could have on our financial position. To effectively manage both potential risks and opportunities, the Group has conducted identification, assessment and analysis of the risks and opportunities associated with climate change in order to identify those that are pertinent to our business and operations. This helps us to control risks and seize the opportunities more effectively.

**Matrix of Climate-change-related Risks and Opportunities**



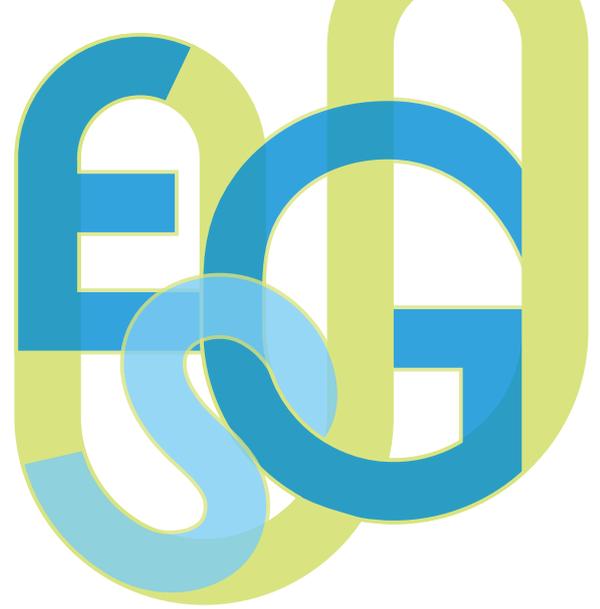
## Analysis of climate change-related risks and opportunities and corresponding mitigation measures

Types of climate-related risk/opportunity	Description of the risk/opportunity	Potential financial impact	Mitigation measures
Climate-related risks	<p><b>Policy and legal risks</b></p> <p>As the government continues to tighten environmental regulations and introduces policies related to climate change disclosure, customers in carbon-intensive industries may experience increased operating costs. This, in turn, could result in higher credit risk or penalties if these customers are unable to comply with the regulatory requirements. Such outcomes could lead to an inability to fulfill contractual obligations, thus potentially affecting the revenue of the Company.</p>	<p>Operating costs ↑ Revenue ↓ Value of assets ↓</p>	<p>1. We maintain active communication with stakeholders through timely information disclosure and collaboration in order to identify effective measures for addressing the climate issues;</p>
	<p><b>Market risk</b></p> <p>In light of the “dual carbon” goals, it is expected that market consumption behaviors that are associated with high energy consumption and emissions will continue to decline. Some customers may face market risks due to changes in consumer behavior, including increased raw material costs, higher marketing and advertising expenses, and reduced market demand. These risks could ultimately result in an inability to fulfill contractual obligations, which could, in turn, adversely impact the Company’s revenue.</p>	<p>Operating costs ↑ Revenue ↓ Value of assets ↓</p>	<p>2. We have put in place emergency plans against extreme weather conditions where customers are provided with technical assistance solutions to ensure the normal operation of their devices during emergencies. We also conduct timely inspections and repairs to mitigate the risk of asset losses;</p>
	<p><b>Technology risk</b></p> <p>The development and promotion of energy-saving device and technologies is driving a growing trend towards the replacement of traditional energy sources and device with high-energy consumption. It may result in higher operating costs for customers and increase their overall business risks. In addition, the Company may experience higher operating costs for the device operations as we transition towards low-energy-consuming device and apply energy-saving and emission reduction technologies.</p>	<p>Operating costs ↑ Revenue ↓ Value of assets ↓</p>	<p>3. We take climate change and geological factors into account when making decisions related to site selection and investments.</p>

Types of climate-related risk/opportunity	Description of the risk/opportunity	Potential financial impact	Mitigation measures
Climate-related risks	<p><b>Reputational risk</b></p> <p>As the “dual carbon” goals continue to shape the expectations of stakeholders, the Company is expected to take significant and effective management actions to address climate change. Failure to respond effectively or adopt appropriate measures, such as providing green device products and services, may have adverse effects on our reputation.</p>	<p>Operating costs ↑ Revenue ↓ Value of assets ↓</p>	
	<p><b>Acute physical risks</b></p> <p>In light of the increasing frequency of extreme weather events, our customers may experience disruptions to their normal operations due to natural disasters, which may adversely impact their ability to fulfill contractual obligations. In addition, the assets of the Company may be subject to losses due to force majeure events, such as rainstorms and typhoons, which could lead to the risk of asset loss in serious case. The warehousing, logistics and technical services of the Company may also be disrupted, resulting in economic loss.</p>	<p>Operating costs ↑ Revenue ↓ Value of assets ↓</p>	
	<p><b>Chronic physical risks</b></p> <p>The sustained extreme high temperature caused by climate change may result in reduced efficiency in the warehousing, logistics supply and technical services, which could affect the customer experience.</p>	<p>Operating costs ↑ Value of assets ↓</p>	
Climate-related opportunities	<p><b>Products and markets</b></p> <p>As the low-carbon economy transformation continues to gain momentum, the shared, circular, and green product models are expected to remain in high demand. This shift will present revenue growth opportunities for the Company, particularly among customers that prioritize low-carbon operations.</p>	<p>Revenue ↑ Value of assets ↑</p>	<p>1. We continue to optimize the closed-loop operation mode of our products and services, and recommend customers to choose the lifecycle management solutions;</p>

Types of climate-related risk/opportunity		Description of the risk/opportunity	Potential financial impact	Mitigation measures
Climate-related opportunities	<b>Resource efficiency</b>	Operating costs of the Company will be reduced by improving the utilization efficiency of resources including energy and water resources.	Operating costs ↓	2. We have developed comprehensive service solutions that are environmentally friendly and embrace the concepts of circular economy and emission reduction; 3. We prioritize the selection of low energy consumption products in our procurement process.
	<b>Energy sources</b>	Attributable to the innovation and wide application of green technologies, the cost of low-carbon and renewable energy continues to decrease. By increasing the use of low-carbon and renewable energy in operations, the operating costs can be reduced.	Operating costs ↓	
	<b>Adaptability</b>	Through the implementation of energy-efficient measures and by selecting environmentally friendly suppliers and partners, the Company can enhance its adaptability to climate change.	Operating costs ↓	





• **ESG targets of LX Technology**

Based on its business situation, the Group has set ESG targets in four areas, namely greenhouse gas emissions, waste management, energy management and water resource management, with 2022 as the benchmark year. LX Technology will continue to improve the implementation of these targets, regularly track the progress of target achievement, and strive to achieve these targets by 2025.

<p><b>Greenhouse gas emissions per unit area</b></p>	<p>The greenhouse gas emission per unit area in 2025 will be controlled at a performance level of not exceeding that of the benchmark year of 2022, which is no more than 0.03 tons of carbon dioxide equivalent/square meter per year.</p>
<p><b>Electricity consumption per unit area</b></p>	<p>The electricity consumption per unit area in 2025 will be controlled at a performance level of not exceeding that of the benchmark year of 2022, which is no more than 36.33 kWh/square meter per year.</p>
<p><b>Water consumption per unit area</b></p>	<p>The water consumption per unit area in 2025 will be controlled at a performance level of not exceeding that of the benchmark year of 2022, which is no more than 0.84 tons /square meter per year.</p>
<p><b>Waste management</b></p>	<p>The Group will continue to make efforts to dispose of hazardous waste in an environmentally friendly manner through qualified suppliers or its subsidiaries that have the ability and qualification to process such waste, in order to reduce the impact on the environment;</p> <p>As for non-hazardous waste, the Group will gradually improve the management methods for such waste and maintain the amount of non-hazardous waste generated at a lower level.</p>





• Energy conservation and emission reduction measures of LX Technology

Major aspects	Measures
<p><b>Greenhouse gas emission</b></p>	<ul style="list-style-type: none"> <li>• Gradually increase the proportion of new energy official vehicles, regularly check and repair official vehicles, and reduce the energy consumption per kilometer of vehicles;</li> <li>• Specify the principle of using official vehicles and reduce the use of official vehicles;</li> <li>• Encourage employees to use video and teleconferencing systems for communication with customers, meetings, interviews and other scenarios to reduce greenhouse gas emissions caused by commuting;</li> <li>• Encourage employees to use public transportation and reduce personal car usage;</li> <li>• Promote low-carbon operation concepts to employees to achieve the goal of low-carbon office.</li> </ul>
<p><b>Waste management</b></p>	<ul style="list-style-type: none"> <li>• Harmless disposal of hazardous waste through suppliers or our subsidiaries with capabilities and qualifications of hazardous waste disposal to minimize the impact on environment;</li> <li>• Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳凌瑞再生資源有限公司), a subsidiary of the Group, has obtained the ISO-9001-2015 quality management certificate and the license for the procurement, recycling, testing, resale and data elimination of old computers, servers, mobile devices and electronic accessories;</li> <li>• Actively advocate the green office model and paperless office through ways including but not limited to using electronic means to publish internal notices and plans of the Company and setting the printers to the default mode of black and white double-sided printing;</li> <li>• Standardize the allocation of waste sorting facilities, and set up dry and wet separation trash cans, recycling bins and hazardous waste containers in front of the elevators and in the garbage room.</li> </ul>
<p><b>Energy management</b></p>	<ul style="list-style-type: none"> <li>• Prioritize the purchase of energy-saving lighting systems, energy-saving refrigerators and other energy-saving appliances;</li> <li>• Adopt centralized air-conditioning system, which can only be turned on after reaching a certain temperature in summer and winter;</li> <li>• Implement strict power consumption management and require employees to turn off various electrical appliances when off duty;</li> <li>• Establish an inspection mechanism for power usage, and turn off unnecessary lights, projectors, televisions and other electrical equipment in time to avoid ineffective operation of electrical appliances.</li> </ul>



**Major aspects**



**Measures**

**Water resource management**

- Water source is municipal water, and there is no problem in obtaining water source;
- Equipped with water-saving equipment to reduce water consumption from the source;
- Regular inspections and timely repairs in case of water running, leakage and dripping;
- Water-saving labels are posted to areas with water taps to encourage employees to save water;
- Cultivate water-saving awareness among employees and promote the implementation of the water saving action.





# 7 Stringent Product Control and Customer First

## 7.1 Facilitating development

In light of the implementation of mass entrepreneurship and innovation policies by the State Council, the Group fully supports the strategic plans of the CPC Central Committee and the State Council aiming at promoting the healthy development and digitalization of small and medium-sized enterprises. With a focus on our business condition and in response to the needs of small and medium-sized enterprises for sustainable development, the Group provides device lifecycle management business model that helps enterprises lower their operating costs and increase cash flow to promote the sustainable development of small and medium-sized enterprises. Moreover, the “rent and return” model of the Group enables customers to adjust the number of devices subscribed based on their business development needs, thereby managing devices flexibly and reducing liquidity pressure. Based on our actual operational experience, the Group can help our customers save 97.4% of their initial investment and reduce their total costs by 30% over three years when compared to the traditional procurement models. At the same time, customers no longer need to dispose of the outdated devices and bear the maintenance costs. Instead, they can continue to use the devices by renewing the contract when it expires to meet their needs.

The Group provides device lifecycle management services that include device subscription services, IT technical subscription services, device management SaaS and device recycling business. These services comprehensively tackle the pain points of Chinese enterprise customers in IT device management, such as the financial pressure for one-time purchase of IT devices, slow technical support responses, insufficient flexibility in IT device management and low utilization rates of IT devices, supporting them to reduce costs, enhance efficiency and achieve high-quality development.

### Advantages of full-stack IT device lifecycle management services





## 7.2 Efficiency improvement

The Group offers customers one-stop services across the lifecycle of devices, covering all stages from onsite installation upon initial device subscription, maintenance and repair and device management of devices during usage to on-site collection upon expiration of device subscription. The Group insists on providing excellent customer service quality and response speed. During the reporting period, the Group had no material complaints relating to any product or services. In handling customer complaints, the Group is committed to responding to every customer within 30 minutes, providing a response to the customer within 2 hours upon confirmation of the issue, and resolving the issue within 3 business days. After resolution, designated personnel will follow up with the customer within 3 to 5 days to evaluate their satisfaction. In cases where the issue is not resolved or the customer is not satisfied, the complaint will be escalated to the relevant department for further action, with the aim of ensuring every customer is satisfied.

Headquartered in Shenzhen, the Group has nine branches in Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Nanjing, Xiamen, and Hangzhou and has developed a self-operated warehousing model. Moreover, the Group puts efforts in the development of a device lifecycle management service network across China, and continues to expand the scale and scope of our services. The Group provides services in 372 cities and 3,008 districts and counties with 1,147<sup>3</sup> nationally certified engineers, who can respond within 30 minutes and provide on-site service within 4 hours in central urban areas of Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chengdu, Nanjing, Xiamen, and Hangzhou. For other cities, we can achieve a 30-minute response time and provide on-site service within 8 hours. In the future, the Group plans to set up additional branches to expand its business to lower-tier markets and provide services for more enterprises.

The Group has strictly adhered to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and regulatory requirements in terms of product and service offerings as well as advertising and marketing. The Group has continuously improved its brand marketing and promotional management mechanism to ensure that customers can understand its business and service characteristics, and to safeguard customers' legal rights and interests.



**LX Technology has a professional and responsible customer service team**

<sup>3</sup> Some certified engineers are third party engineers certified by the Group.



### 7.3 Technology empowerment ●●

The Group continues to promote digitalization. Based on our business development as well as the internal operation and management, we have developed an information management system platform that covers all operational processes, including procurement, supply chain logistics, product optimization, device management, sales channel management, customer risk control and credit, customer information security management and financial management. This platform aims to drive the digitalization and intelligent development of the Group's operational management with focus on improving the efficiency of our business operations and customer services.

In order to enhance the efficiency and quality of customer services, the Group continuously improves its risk control and credit system in order to capture the lifecycle data of customers and services during business operation. This can facilitate us to offer deposit-free subscription quota based on the comprehensive and automatic risk evaluation of the enterprises through multiple factors, thereby enhancing the user experience while reducing business risk of the Group.

The Group has strictly adhered to laws and regulations such as the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》). With the development of its risk management information system, the Group has comprehensively protected the security of customer information and continuously improved the mechanism for information confidentiality management.





### Examples for system development of the Group in 2022

Name of system	Major functions
<p><b>LX Procurement Management System</b></p>	<p>The system can check purchase requests, send purchase orders, and view purchase orders. It standardizes the daily work of the purchasers to improve their efficiency, and records the information during the procurement of devices. The system can provide basis and assistance for subsequent payment to the suppliers, and it can access warranty information promptly in case of any issues with the devices.</p>
<p><b>Bear Customer Risk Control Management Information Verification Processing System</b></p>	<p>The system can automatically create instructions for assessment of new customers, and instructions for regular assessment of existing customers based on the rules. It supports manual creation and synchronization of assessment instructions from work orders of external systems, and assigns assessment orders to corresponding personnel or departments based on the rules automatically or manually. It can also synchronize the assessment information with external third-party systems which shall complete the assessment and provide the results.</p>
<p><b>Bear Supply Chain Logistics Management System</b></p>	<p>The system can create application for logistics orders, send logistics orders to logistics providers selected based on the rules automatically. By using the system, we can also access logistics details and routing information on a real-time basis.</p>
<p><b>Bear Chain of Risk Evidence Intelligence Management System</b></p>	<p>The system facilitates payment to enterprises based on certified credit contracts of customers, and filing of all orders, invoices, and logistics and other transaction records to eSign (e簽寶) to create an evidence chain. The system supports the download of proof of evidence and certification in batches, and the record of export is saved for inspection.</p>
<p><b>Bear Speedy Repair Reporting Intelligence Management System</b></p>	<p>The system provides a user-friendly and efficient portal for device repair and maintenance services. The primary functional modules include My Account(個人中心); Service List (服務單清表); Address Book (我的地址簿); Repair Appointment (預約維修); My Device (我的設備); and Repair Records (歷史報修記錄).</p>





## 8 Value Inheritance and People-orientation

### 8.1 Creating Career Jointly

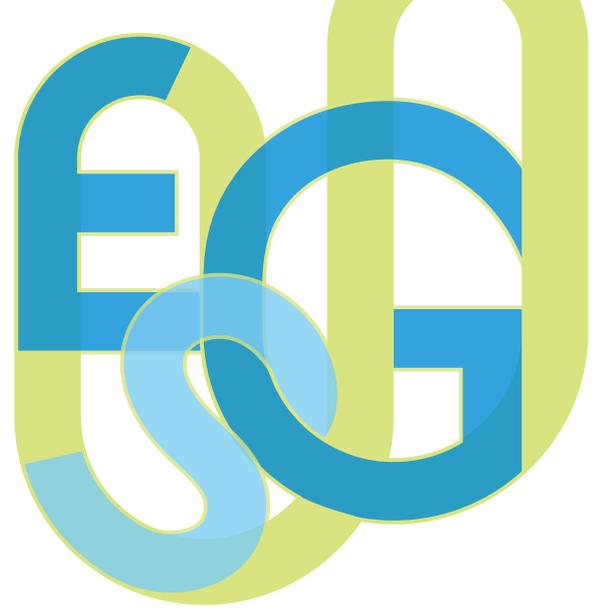
The Group is dedicated to working together with our employees, fostering a sense of unity and collaboration, and promoting a positive, optimistic, upward, and healthy corporate culture. We encourage and inspire our employees to work collaboratively with the Company to pursue a better and happier life, while jointly creating a career.

In strict compliance with the laws and regulations including the Company Law of the People's Republic of China (《中華人民共和國公司法》), Labour Law of the People's Republic of China (《中華人民共和國勞動法》), and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Group has formulated a set of fair, just, and transparent human resource policies and systems to strictly regulate the management of recruitment, remuneration and dismissal of employees. The Group conducts thorough review of the valid identity information of new employees and prohibits the employment of child labour. During the reporting period, the Group was not aware of any violations related to the employment of child labour or forced labour. Meanwhile, the Group strictly adheres to eight-hour-day working system and provides rest days in order to protect employees' rights.

Furthermore, the Group upholds a market-oriented selection and recruitment mechanism and promotes employee diversity while eliminating discrimination based on factors such as gender, ethnicity, nationality, religious beliefs, family background, and disability. We provide equal employment and career development opportunities for employees of different genders, races, and beliefs, taking into account their gender, culture, experience and professional backgrounds to achieve a harmonious and diversified workforce. We continuously strive to enhance workplace inclusivity and promote the sustainable development of the Company.

In compliance with relevant laws and regulations of China, the Group has formulated a remuneration and welfare system based on the principles of "market- and post-based salary, pay raise for excellence and pay secrecy", and continuously improves the pay raise mechanism and enriches the types of welfare benefits.

In terms of performance-linked compensation, the Group provides incentives to employees based on their individual performance and the results of the Company. To ensure a fair and just performance evaluation that accurately reflects the performance of employees, the Group has adopted comprehensive evaluation methods, including departmental self-report, employee self-assessment, and departmental evaluation to evaluate performance of employees. Following the evaluation, we provide feedback to employees regarding their performance. Moreover, the Group adopts the LX Brothers Employee Incentive Plan and the Beauty Bear Employee Incentive Plan. Both plans are equity incentive plans that rewards the employees' contribution to the growth and success of the Group, and at the same time encourage eligible participants to contribute to the Group for the long-term benefit of the Company.



In respect of welfare, the Group offers a range of welfare and benefits to employees that meet their practical needs. In addition to complying with the statutory welfare requirements of China, we also offer additional benefits such as paid leave and various types of ceremonial benefits.



### Case: A variety of team building activities



Bear Rental Day  
(小熊U租品牌日活动)



2022 LX Technology's Mid-Autumn Festival Cultural Campaign (凌雄科技2022中秋文化活動)





## 8.2 Growing together

### Employee health and safety

The health and safety of our employees are the foundation for their growth, development and overall well-being. The Group places high importance on the physical and mental health and safety of our employees, and continuously optimizes employee supplementary insurance schemes. In 2022, the Group built an insurance system for employee health and safety, including group accident insurance, supplementary group medical insurance for accident expenses and group medical insurance with fixed payment for hospitalization. In the future, the Group will further optimize and improve the employee insurance system to provide employees with a healthier and safer working environment. Furthermore, the Group has established various sports associations/ clubs, organized a variety of healthy activities, and held various health seminars to enrich our internal health culture and encourage employees to participate in various types of sports. We aim to enhance the physical fitness of our employees, enrich their lives, and support their healthy living.

The Group is dedicated to creating a safe and healthy working environment. In compliance with the regulations of the public security and fire departments, and in line with our safety management requirements, we have strengthened the daily security and fire safety management and implemented various safety precautions to protect the personal and property safety of our employees.

During the reporting period, the Group was not aware of any violations related to employee occupational health and safety.



### Case: Hiking activity themed “Exploring the beauty of nature step by step”

(步步為營, 探尋自然之美)





## • Employee training and development

Adhering to the belief that “employees are the most valuable assets of a company”, the Group places high value on employee development, and has implemented comprehensive and tailored training and promotion systems for employees across various positions and grades. We are committed to continuously standardizing and innovating the training management system, with the aim to aligning the career development of employees with the Group’s business development. In terms of employee training, the Group focuses on the cultivation of comprehensive qualities and humanistic literacy of employees in addition to the development in skills. Through diversified training methods, employees can continuously improve their skills in the workplace and better adapt to the development and changes of the Group.

In 2022, the Group introduced “Voyage S (遠航S)”, “First Voyage (首航)” and “Trial Voyage (試航)” programs in addition to the existing “Navigator (領航)” and “Voyage G (遠航G)” programs, providing customized training for employees at different levels. Moreover, in anticipation of pandemic control measures easing, the Group actively explored new models that combine online and offline management training and provided support for lecturers in different cities, forming a strong team that covers Shenzhen, Beijing, Shanghai, Wuhan and Guangzhou. Moving forward, the Group will continue to standardize the employee training management system with more refined operation, promoting the career development of employees in a scientific and systematic approach.

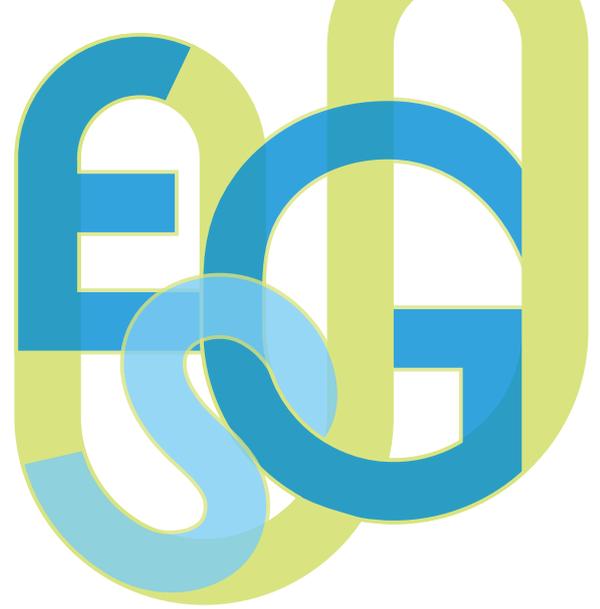


“Voyage S (遠航S)”  
series - training program for management elites



“First Voyage (首航)”  
series – training for enhancing team collaboration and communication skills





## 8.3 Contributing to community

The Group is dedicated to achieving mutual growth with enterprises, society, and the environment through sound internal management and business operation. As part of our commitment to the public, we strive to make a positive impact on the community by conveying goodwill and assisting those in need. We aim to contribute to making the community a better place by providing harmony and positivity.

During the reporting period, employees of the Group participated in charity activities for a total of 288 hours.



### Case: Supporting enterprises to maintain normal operation during the pandemic

During the first half of 2022, LX Technology, an DLM solution provider, demonstrated its commitment to supporting businesses in their fight against the pandemic, despite the continuous tightening of pandemic policies in multiple regions across China, particularly in Shenzhen where many businesses were suspended. With the assistance of over 100 short-term subscription service personnel working around the clock to allocate devices, we delivered nearly 60,000 devices in the first quarter, with thousands of devices delivered in as little as two hours. This effort has assisted thousands of companies in their work-from-home efforts.





## Case: Ensuring the smooth organization of major examinations during the pandemic

Since 2022, LX Technology has provided services for various examinations including the Junior Accounting Title Examination and the Certified Public Accountant Examination, making positive contributions to tens of thousands of candidates in realizing their dreams. In particular, the 2022 National Accounting Professional and Technical Qualification Examination (Intermediate Level) (the “National Intermediate Accounting Examination”) was successfully held in Shenzhen from 3 September 2022 to 5 September 2022. As a major service provider for the National Intermediate Accounting Examination and with the strong support from the Shenzhen Finance Bureau, LX Technology provided a comprehensive examination solution for a total of 447 examination venues in 15 centers across 7 districts



in Shenzhen, including setup of examination rooms, device subscription for the exams, network deployment, exam management, and auxiliary facilities, within 3 days before the start of the exam. Nearly 30,000 computer devices were allocated to ensure the smooth organization of the exam.





## Case: Digital infrastructure construction in Da' an Town, Lufeng

In November 2022, LX Technology actively cooperated with Tencent, the Shenzhen branch of China Unicom and other units to donate equipment to the local government of Da'an Town, Lufeng City, Guangdong Province. Through providing technical service personnel, one-on-one assistance and other forms of services, the Group has strengthened the local digital infrastructure, accelerated the development of digital rural areas in Da'an Town and contributed to rural revitalization.

**Certificate for honourable enterprise supporting the digital infrastructure construction in Da' an Town, Lufeng**



## Case: Advocating for micro, small and medium-sized enterprises



On 2 February 2023, the symposium for discussion of micro, small and medium-sized enterprises, individual businesses and industry associations was convened by Meng Fanli, the party secretary of Shenzhen. Hu Zuoxiong(胡祚雄), the Chairman of the Board of LX Technology was invited to participate in the symposium, where he presented his views and recommendations for supporting the development of micro, small and medium-sized enterprises and individual businesses and maximizing the role of industry associations.

“2023 holds significant importance for the high-quality development of China’s economy, and micro, small and medium-sized enterprises are poised to play a pivotal role. To achieve high-quality development, the micro, small and medium-sized enterprises must focus on cost reduction, efficiency improvement, and digitalization. To this end, DLM solution providers in China, represented by LX Technology, are expected to play a critical role,” said Hu Zuoxiong.



## Case: Jointly building the national enterprise credit system

On 17 March 2023, the implementation of the national standard, GB/T 23794–2023 Enterprise Credit Evaluation Index (《GB/T 23794–2023 企业信用评价指标》), co-prepared by LX Technology, officially commenced. As a company that upholds the concept of integrity management, LX Technology deeply understands that enterprise credit is the cornerstone of its survival and development, and enterprise credit evaluation is an important guarantee for market transactions. Therefore, the Group believes that participating in the compilation of the national standard, the “Enterprise Credit Evaluation Index”, is the responsibility of the Company and contribution to consumers and the market.

During the preparation of the “Enterprise Credit Evaluation Index”, LX Technology has fully utilized its professional knowledge and experience to provide strong support for the preparation of the standard. In the future, LX Technology will remain committed to the development of enterprise credit. It will also actively participate in various enterprise credit evaluation activities and contribute to the steady development of the market economy.

The screenshot shows the website interface for the National Public Service Platform for Standards Information (SAC). The main header includes the SAC logo and the text '国家标准信息公共服务平台' (National public service platform for standards information). A navigation bar contains links for '首页', '国家标准', '行业标准', '地方标准', '团体标准', '企业标准', '国际标准', '国外标准', '示范试点', and '技术委员会'. The main content area is titled '企业信用评价指标' (Indicator for enterprise credit evaluation) and includes a sub-header 'Indicator for enterprise credit evaluation'. Below this, there are tags for '国家标准', '推荐性', and '现行'. The text describes the standard's origin and the participating units and drafters.

国家标准《企业信用评价指标》由TC470（全国社会信用标准化技术委员会）归口，主管部门为国家标准化管理委员会。

主要起草单位 中国标准化研究院、中大信用管理有限公司、易信（厦门）信用服务技术有限公司、湖南九九智能环保股份有限公司、凌雄技术（深圳）有限公司、周六福珠宝股份有限公司、国铭铸管股份有限公司、浙江启越纸品有限公司、厦门国信信用大数据创新研究院、昆山市农业农村局阳澄湖大闸蟹产业研究院、昆山征信管理有限公司、中国计量大学、广东方向陶瓷有限公司、浙江东南网架股份有限公司、中国经济信息社有限公司、华夏认证中心有限公司、北京信息科技大学、深圳市信用促进会、唐山国芯晶源电子有限公司、深圳市企业信用管理协会、中国企业改革与发展研究会、唐山万士和电子有限公司、克州鑫源建筑安装有限责任公司、盐城市产品质量监督检验所、中国电子科技网络信息安全有限公司、佛山市顺德区质量技术监督标准与编码所、烟台长虹塑料制品有限公司、江苏新蝶数字科技有限公司。

主要起草人 周莉、林竹盛、赵素华、曾光辉、陈京鹭、孟翠竹、胡祚雄、赵燕、江洲、李向华、鲜涛、任黎华、刘黎明、李伟柱、陈进东、龚平、付殿东、田红、王虎子、李湧范、张玉湖、徐文明、刘丽燕、孙曼红、徐建民、王丽娟、李伟、胡雄、严义君、张健、王海丹、高一然、肖晓宇、李华、刘栋栋、聂大成、由迎春、江浩、周到。



## Case: Earth Day

On 22 April 2022, in honour of the 53rd anniversary of the “Earth Day”, LX Technology collaborated with a number of renowned brands and organisations to launch the “Save the Green Planet (守護綠色星球)” public welfare campaign. The campaign aimed to promote green and environmental protection concepts and encourage the public to adopt green and low-carbon methods to reduce carbon emission and preserve our planet. As a member of the National SME Public Service Demonstration Platform, LX Technology collaborated with other service brands including Shenzhen HTI, Lenovo Capital & Incubator Group, HP, Tencent Meeting, China Post and China Unicom to launch the “Save the Green Planet (守護綠色星球)” campaign, with the theme of “Go Green Now (即刻出發 量綠而行)” in celebration of the 53rd anniversary of the Earth Day. Through online check-ins, interactive games with prizes and other activities, we promoted environmental protection and green concepts, encouraging the public to share their green and low-carbon lifestyle and take practical actions to save our green planet.



## 9 Key Quantitative Performance Tables

### Key Performance Indicators for Environment

Indicator	Unit	2022
Total greenhouse gas emission (scope 1 and scope 2)	Tons of CO <sub>2</sub> equivalent	1,033.32
Greenhouse gas emission per person	Tons of CO <sub>2</sub> equivalent/person	1.36
Greenhouse gas emission per unit area	Tons of CO <sub>2</sub> equivalent/square meter	0.03
Total electricity consumption <sup>4</sup>	kWh	1,147,530.08
Electricity consumption per person	kWh/person	1,507.92
Electricity consumption per unit area	kWh/square meter	36.33
Total water consumption <sup>5</sup>	Tons	26,394.50
Water consumption per person	Tons/person	34.68
Water consumption per unit area	Tons/square meter	0.84
Diesel consumption of business vehicle	Litre	6,052.00
Gas consumption of business vehicle	Litre	86,275.57
Hazardous waste <sup>6</sup>	Unit	0
Non-hazardous waste — office paper	Tons	2.66
Total amount of packaging materials used for products	Tons	111.00

<sup>4</sup> The statistics on total electricity consumption and density are based on the data of LX Technology and all of its subsidiary companies

<sup>5</sup> The statistics on total water consumption and density are based on the data of LX Technology and all of its subsidiary companies

<sup>6</sup> All the hazardous waste of the Group is mainly waste electronic components, which are all treated in a harmless manner by a collaborating company and Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳凌瑞再生資源有限公司), a subsidiary of the Group, with qualification for recycling renewable resources. Therefore, the emission of hazardous waste is 0

## Performance Indicators for Employment

Indicator	Unit	2022
<b>Total number of employees</b>	<b>Person</b>	<b>761</b>
<b>By gender</b>		
Male	Person	543
Female	Person	218
<b>By education</b>		
University or above	Person	237
Junior college	Person	351
Below junior college level	Person	173
<b>By employment category</b>		
Full-time	Person	761
Part-time	Person	0
<b>By age</b>		
25 or below	Person	127
26–30	Person	305
31–35	Person	229
36–40	Person	77
41 or above	Person	23
<b>By geographical region</b>		
Shenzhen	Person	272
Wuhan	Person	131
Guangzhou	Person	70
Shanghai	Person	82
Beijing	Person	128
Nanjing	Person	11
Hangzhou	Person	18
Chengdu	Person	35
Xiamen	Person	10
Others	Person	4

Indicator	Unit	2022
<b>Employee turnover rate<sup>7</sup></b>	%	<b>37.71%</b>
<b>By gender</b>		
Male	%	38.86%
Female	%	34.86%
<b>By age</b>		
25 or below	%	55.91%
26–30	%	43.28%
31–35	%	30.13%
36–40	%	12.99%
41 or above	%	21.74%
<b>By geographical region</b>		
Shenzhen	%	34.93%
Wuhan	%	16.03%
Guangzhou	%	35.71%
Shanghai	%	46.34%
Beijing	%	59.38%
Nanjing	%	36.36%
Hangzhou	%	66.67%
Chengdu	%	37.14%
Xiamen	%	30.00%
Others	%	0

<sup>7</sup> Employee turnover rate by category = number of employees who left during the year in that category / total number of employees in that category at the end of the year



## Performance Indicators for Occupational Health and Safety

Indicator	Unit	2020	2021	2022
Lost days due to work injury	Person	0	0	0
Number of work-related fatalities	Person	0	0	0

## Performance Indicators for Employee Training

Indicator	Unit	2022
<b>Total number of employees trained</b>	<b>Person</b>	<b>761</b>
<b>Percentage of employees trained<sup>8</sup></b>	<b>%</b>	<b>100%</b>
<b>By gender</b>		
Male	%	71.35%
Female	%	28.65%
<b>By employee category</b>		
Senior management	%	0.66%
Middle management	%	15.5%
Ordinary employee	%	83.84%
<b>Average training hours completed per employee<sup>9</sup></b>	<b>Hours</b>	<b>10.24</b>
<b>By gender</b>		
Male	Hours	10.25
Female	Hours	10.21
<b>By employee category</b>		
Senior management	Hours	10.30
Middle management	Hours	19.50
Ordinary employee	Hours	8.93

<sup>8</sup> According to “How to prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs” (March 2020) issued by the Hong Kong Stock Exchange, the calculation method for the percentage of employees trained in each category is: the percentage of employees trained in each category = the number of employees trained in that category / the total number of employees trained

<sup>9</sup> The average training hours completed per employee in each category = the total number of training hours completed by employees in that category / the number of employees in that category

### Performance Indicators for Suppliers

Indicator	Unit	2022
<b>Number of suppliers</b>	<b>Entity</b>	<b>562</b>
<b>By geographical region</b>		
Eastern China	Entity	130
Southern China	Entity	256
Central China	Entity	52
Northern China	Entity	92
Northwestern region	Entity	3
Southwestern region	Entity	27
Northeastern region	Entity	2

### Performance Indicators for Customer Service and Product Responsibility

Indicator	Unit	2022
Product recall rate due to health and safety reasons	%	0
Number of product and service complaints <sup>10</sup>	Cases	284

### Performance Indicators for Anti-Corruption

Indicator	Unit	2022
Number of corruption lawsuits filed and concluded against the Company and its employees	Cases	0

<sup>10</sup> The statistics for the number of product and service complaints are based on the number of incidents where customers express dissatisfaction and cancel equipment subscription services

# 10 Report Standard Index

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
<b>Aspect A: Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure A1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6.2 Energy conservation and emission reduction – Green office
KPI A1.1	The types of emissions and respective emissions data.	9 Key quantitative performance tables
KPI A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9 Key quantitative performance tables
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9 Key quantitative performance tables
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	9 Key quantitative performance tables
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.3 Climate change – ESG targets of LX Technology
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6.2 Energy conservation and emission reduction – Green office
<b>Aspect A2: Use of Resources</b>		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	6.2 Energy conservation and emission reduction – Green office
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	9 Key quantitative performance tables
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	9 Key quantitative performance tables
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.3 Climate change – ESG targets of LX Technology

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6.2 Energy conservation and emission reduction – Green office
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	9 Key quantitative performance tables

### Aspect A3: The Environment and Natural Resources

General Disclosure A3	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	6.2 Energy conservation and emission reduction – Green office
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.2 Energy conservation and emission reduction – Green office

### Aspect A4: Climate Change

General Disclosure A4	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.3 Climate change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.3 Climate change

## Aspect B: Social

### Employment and Labour Practices

#### Aspect B1: Employment

General Disclosure B1	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	8.1 Creating career jointly
KPI B1.1	Total workforce by gender, employee category (full-time or part-time), age group and geographical region.	9 Key quantitative performance tables
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	9 Key quantitative performance tables

#### Aspect B2: Health and Safety



Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
General Disclosure B2	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	8.2 Growing together
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	9 Key quantitative performance tables
KPI B2.2	Lost days due to work injury.	9 Key quantitative performance tables
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	8.2 Growing together

### Aspect B3: Development and Training

General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8.2 Growing together
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	9 Key quantitative performance tables
KPI B3.2	The average training hours completed per employee by gender and employee category.	9 Key quantitative performance tables

### Aspect B4: Labour Standards

General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	8.1 Creating career jointly
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	8.1 Creating career jointly
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	8.1 Creating career jointly

### Operation Practices

### Aspect B5: Supply Chain Management

General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	5.4 Risk and compliance management
KPI B5.1	Number of suppliers by geographical region.	9 Key quantitative performance tables

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.4 Risk and compliance management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.4 Risk and compliance management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.4 Risk and compliance management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure B6	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	7.2 Efficiency improvement 7.3 Technology empowerment 5.4 Risk and compliance management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	9 Key quantitative performance tables
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	9 Key quantitative performance tables 7.2 Efficiency improvement
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4 Risk and compliance management
KPI B6.4	Description of quality assurance process and recall procedures.	6.1 Close-looped business
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7.3 Technology empowerment
<b>Aspect B7: Anti-corruption</b>		
General Disclosure B7	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	5.4 Risk and compliance management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	9 Key quantitative performance tables

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.4 Risk and compliance management
KPI B7.3	Description of anti-corruption training provided to directors and staff.	5.4 Risk and compliance management
<b>Community</b>		
<b>Aspect B8: Community Investment</b>		
General Disclosure B8	Policies on community engagement to understand the needs of communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8.3 Contributing to community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8.3 Contributing to community
KPI B8.2	Resources contributed to the focus area (e.g. monetary cost or time).	8.3 Contributing to community





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