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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2436)

(1) ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023; AND
(2) PROPOSED AMENDMENTS TO
THE MEMORANDUM AND ARTICLES OF ASSOCIATION

(1) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of LX Technology Group Limited (the “**Company**”) hereby announces the annual audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the year ended 31 December 2023 (the “**Year**”), together with comparative figures for the year ended 31 December 2022.

FINANCIAL SUMMARY

Revenue for the Year was approximately RMB1,793.1 million, representing an increase of 7.8% from approximately RMB1,664.0 million for the year ended 31 December 2022.

A net loss of approximately RMB131.03 million for the Year was recorded, as compared to a net profit of approximately RMB99.95 million for the year ended 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, fueled by enduring efforts of our working teams and the boost of our business capabilities in various cities in the People's Republic of China (“PRC”) with large potential customer base, the Group demonstrated resilient financial performance with approximately 7.8% increase in revenue, reaching RMB1,793.1 million. Despite navigating uncertainties in the macroeconomic landscape, including slow recovery from the COVID-19 epidemic and economic downturn, the Company maintained a robust growth in operation performances, showcasing adept operational efficiency. Our rapid business development resulted in increases in the number of customers across all our service lines, namely the device recycling business, the device subscription business and the information technology (“IT”) technical subscription services, reaching 1,980, 26,028 and 24,699, respectively for the Year (2022: 1,060, 17,034 and 15,121, respectively). Operational highlights encompassed the provision of short-term device subscription services to various large-scale competitions, including the 2nd vocational skills competition of the PRC held in Tianjin, the 19th Asian Games held in Hangzhou and the 31st Summer World University Games held in Chengdu. Our growing device recycling business also demonstrated our commitment towards sustainability and environmental protection. During the Year, we were awarded as “An Outstanding Digital Innovative Enterprise of 2023” (2023年度卓越數字創新企業) by The Economic Observer (經濟觀察報) and “Social Responsibility (S) Pioneering Enterprise” (社會責任(S)先鋒企業獎) by Cailian Press (財聯社). Recognizing macroeconomic challenges and fierce industry competition, we remain cautiously optimistic, guided by strategic goals including deepening our market penetration and further expansion of our business footprints. We appreciate the ongoing support of our stakeholders, as we continue to innovate and deliver value in the dynamic landscape of device lifecycle management (“DLM”).

Our Business Model

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

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

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

Device recycling business

For the Year, the Group's revenue from device recycling business amounted to approximately RMB1,286.4 million, representing an increase of approximately 8.1% as compared to approximately RMB1,189.7 million for the same period in 2022.

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

	Year ended 31 December		<i>Growth Rate</i>
	2023	2022	
Number of devices sold (<i>device</i>)	810,559	925,561	-12.4%
Number of device recycling customers	1,980	1,060	86.8%
Average revenue per device recycling customer (<i>RMB</i>)	649,692	1,122,339	-42.1%
Average sales value (<i>RMB/device</i>)	1,179.9	1,185.2	-0.4%

Device subscription business

For the Year, the Group's revenue from device subscription business amounted to approximately RMB347.9 million, representing an increase of approximately 9.0% as compared to approximately RMB319.3 million for the same period in 2022.

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

	Year ended 31 December		Growth Rate
	2023	2022	
Revenue from device subscription services (RMB'000)	347,863	319,254	9.0%
— Brand-new devices	284,440	259,380	9.7%
— Second-hand devices	63,423	59,874	5.9%
Total device subscription volume (<i>device</i>)	5,744,050	4,957,703	15.9%
— Brand-new devices	4,505,008	3,715,865	21.2%
— Second-hand devices	1,239,042	1,241,838	-0.2%
Total number of devices available for subscription	590,564	518,915	13.8%

IT technical subscription services

For the Year, the Group's revenue from IT technical subscription services amounted to approximately RMB158.8 million, representing an increase of approximately 2.4% as compared to approximately RMB155.1 million for the same period in 2022.

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

	Year ended 31 December		Growth Rate
	2023 (RMB'000)	2022 (RMB'000)	
Revenue from IT technical subscription services	158,840	155,115	2.4%
— Long-term subscriptions	115,468	111,769	3.3%
— Short-term subscriptions	43,372	43,346	0.1%

Future Outlook

Looking ahead, in response to the evolving DLM industry, we aim to stay at the forefront by further expanding our IT device subscription profile to fully accommodate our customers' needs in different scenarios, investing in cutting-edge IT technical solutions to improve our IT technical services capabilities and embracing emerging trends such as IoT integration and artificial intelligence. Our strategic goals include further market penetration in both core cities and other cities with great potential and broadening our service offerings to meet the evolving needs for IT devices of our customers in different business scenarios. Recognizing the importance of environmental responsibility, we are poised to enhance our device recycling initiatives and promote eco-friendly practices across our operations. As we navigate the uncertainties of the macroeconomic environment, our focus remains on upholding the momentum of expanding our customer base to empower enterprises with cost reduction and improved efficiency, fostering strong cooperation with existing customers and increasing customer stickiness towards our brand and services, harnessing the power of digital transformation, and ensuring the seamless integration of all our business segments to provide our customers an unique one-stop DLM experience. Through these initiatives, we aim to not only adapt to macroeconomic and industry challenges but also to lead the way in shaping the future landscape of DLM.

FINANCIAL REVIEW

Revenue

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

	Year ended 31 December				Growth Rate %
	2023 (Audited)		2022 (Audited)		
Revenue	RMB'000	%	RMB'000	%	
Device recycling income	1,286,390	71.7	1,189,680	71.5	8.1
Device subscription services	347,863	19.4	319,254	19.2	9.0
— Long-term device subscription	292,757	16.3	257,941	15.5	13.5
— Short-term device subscription	55,106	3.1	61,313	3.7	-10.1
IT technical subscription services	158,840	8.9	155,115	9.3	2.4
Total	1,793,093	100.0	1,664,049	100.0	7.8

For the Year, the total revenue of the Group was approximately RMB1,793.1 million (31 December 2022: approximately RMB1,664.0 million), representing an increase of approximately 7.8% as compared with the same period in 2022, mainly attributable to the increase in revenue across all three service lines.

Device recycling income

The increase in the device recycling income business during the Year as compared with the same period in 2022 was mainly due to the increase in sales of laptop computers and other IT devices.

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

	Year ended 31 December				Growth Rate %
	2023		2022		
	(Audited)		(Audited)		
	RMB'000	%	RMB'000	%	
Tablet computers and mobile phones	702,346	54.6	798,316	67.1	-12.0
Laptop computers and other IT devices	584,044	45.4	391,364	32.9	49.2
Total	<u>1,286,390</u>	<u>100.0</u>	<u>1,189,680</u>	<u>100.0</u>	<u>8.1</u>

Revenue from device subscription services

The increase in revenue from device subscription services during the Year as compared with the same period in 2022 was mainly due to (i) the growth in number of long-term device subscription customers from 13,326 for the year ended 31 December 2022 to 21,615 for the Year; and (ii) the increase in total device subscription volume from 4,957,703 devices for the year ended 31 December 2022 to 5,744,050 devices for the Year as more devices were subscribed to satisfy the growing business needs of enterprises.

Revenue from IT technical subscription services

The increase in revenue from IT technical subscription services during the Year as compared with the same period in 2022 was primarily attributable to (i) the increase in average monthly subscription volume under IT technical subscription services from 285,310 devices for the year ended 31 December 2022 to 337,334 devices for the Year; and (ii) the increase in number of customers for IT technical subscription services from 15,121 for the year ended 31 December 2022 to 24,699 for the Year.

Revenue by geographical locations

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

	Year ended 31 December			
	2023		2022	
	(Audited)		(Audited)	
	RMB'000	%	RMB'000	%
Shenzhen	1,485,481	82.9	1,331,509	80.0
Shanghai	98,839	5.5	92,200	5.5
Wuhan	37,533	2.1	81,438	4.9
Beijing	87,438	4.9	81,061	4.9
Guangzhou	47,077	2.6	44,576	2.7
Others ⁽¹⁾	36,725	2.0	33,265	2.0
Total	1,793,093	100.0	1,664,049	100.0

Note:

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

Cost of Sales

Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortization, which primarily include depreciation of equipment for subscription; (iii) staff costs, representing salaries and welfare for our business operation personnel; and (iv) others, mainly representing costs related to short-term device subscription services such as rentals for venue and wages for temporary staff. Our cost of sales was approximately RMB1,645.5 million for the Year (31 December 2022: approximately RMB1,464.8 million), accounting for approximately 91.8% (31 December 2022: approximately 88.0%) of our revenue in the same period. The increase in cost of sales during the Year as compared to the same period in 2022 was mainly attributable to the increase in the cost of inventories sold by approximately RMB140.7 million from approximately RMB1,167.6 million for the year ended 31 December 2022 to approximately RMB1,308.3 million for the Year; and the increase in cost of sales for our device subscription segment by approximately RMB30.2 million from approximately RMB245.5 million for the year ended 31 December 2022 to approximately RMB275.7 million for the Year which was in line with our increase in revenue in our device subscription segment as discussed above.

Gross Profit and Gross Profit Margin

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

	Year ended 31 December			
	2023		2022	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Device recycling income	(27,947)	-2.2	15,225	1.3
Device subscription services	72,124	20.7	73,725	23.1
IT technical subscription services	103,453	65.1	110,325	71.1
Total	147,630	8.2	199,275	12.0

Our gross profit represents our revenue less our cost of sales. For the Year, our gross profit was approximately RMB147.6 million, representing a decrease of approximately 25.9% as compared with approximately RMB199.3 million for the same period in 2022 as the increase in cost of sales for the Year outpaced the increase in revenue for the Year. The gross profit margin of the Group decreased from approximately 12.0% for the year ended 31 December 2022 to approximately 8.2% for the Year.

Device recycling income

The gross profit of device recycling business decreased from approximately RMB15.2 million for the year ended 31 December 2022 to gross loss of approximately RMB27.9 million for the Year. Our gross profit margin of device recycling business decreased from approximately 1.3% for the year ended 31 December 2022 to a gross loss margin of approximately 2.2% for the Year, primarily attributable to the increase in the cost of inventories sold during the Year as discussed above.

Device subscription services

The gross profit of device subscription services decreased from approximately RMB73.7 million for the year ended 31 December 2022 to approximately RMB72.1 million for the Year, mainly attributable to the increase in the number of devices available for subscription for the Year which led to the increase in depreciation and amortisation costs for the Year. Our gross profit margin of device subscription services decreased from approximately 23.1% for the year ended 31 December 2022 to approximately 20.7% for the Year. The average monthly utilization rates of our major types of devices for subscription increased from approximately 85.3% for the year ended 31 December 2022 to approximately 87.9% for the Year.

IT technical subscription services

The gross profit of IT technical subscription services decreased from approximately RMB110.3 million for the year ended 31 December 2022 to approximately RMB103.5 million for the Year. Our gross profit margin of IT technical subscription services decreased from approximately 71.1% for the year ended 31 December 2022 to approximately 65.1% for the Year, primarily attributable to (i) the decrease in average monthly subscription price per device under IT technical subscription services from RMB45.3 for the year ended 31 December 2022 to RMB39.2 for the Year; and (ii) the increase in staff cost by approximately RMB2.1 million due to the increment of salary level of our technical staff as an incentive for them to address customers' demand in a more responsive manner.

Other Income

Other income remained stable at approximately RMB18.6 million for the Year and the year ended 31 December 2022.

Distribution and selling expenses

The distribution and selling expenses increased by approximately 2.2% from approximately RMB125.7 million for the year ended 31 December 2022 to approximately RMB128.4 million for the Year, primarily attributable to the increase in marketing and promotion expenses from RMB6.1 million for the year ended 31 December 2022 to RMB8.2 million for the Year as we engaged in more marketing activities post COVID-19. Our distribution and selling expenses as a percentage of revenue decreased from approximately 7.6% for the year ended 31 December 2022 to approximately 7.2% for the Year.

Administrative Expenses

The administrative expenses increased by approximately 18.1% from approximately RMB86.8 million for the year ended 31 December 2022 to approximately RMB102.5 million for the Year, primarily due to (i) the increase in professional fees of approximately RMB11.5 million incurred during the Year; and (ii) the increase in accruals of staff salaries and welfare of approximately RMB3.3 million. Our administrative expenses as a percentage of revenue increased from approximately 5.2% for the year ended 31 December 2022 to approximately 5.7% for the Year.

Research and Development Expenses

The research and development expenses decreased by approximately 7.3% from approximately RMB27.5 million for the year ended 31 December 2022 to approximately RMB25.5 million for the Year, primarily due to the decrease in the share-based payments expense by approximately RMB2.6 million from approximately RMB7.7 million for the year ended 31 December 2022 to approximately RMB5.2 million for the Year in connection with our employee incentive plans. Our research and development expenses as a percentage of revenue decreased from approximately 1.7% for the year ended 31 December 2022 to approximately 1.4% for the Year.

Finance Costs

The finance costs decreased by approximately 1.4% from approximately RMB42.4 million for the year ended 31 December 2022 to approximately RMB41.8 million for the Year as we optimised our borrowings structure to increase the ratio of bank borrowings which charge lower interest rates.

Income Tax (Expense)/Credit

For the Year, we recorded income tax expense of approximately RMB2.5 million as compared to income tax credit of approximately RMB4.3 million for the year ended 31 December 2022.

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

A net loss of approximately RMB131.03 million for the Year was recorded, as compared to a net profit of approximately RMB99.95 million for the year ended 31 December 2022. The net loss was mainly attributable to (i) the absence of the fair value gain of financial liabilities at fair value through profit or loss (“FVTPL”) for the Year (2022: RMB197.68 million); and (ii) the increase in administrative expenses as discussed above.

Adjusted (Loss)/Profit

The adjusted loss (a non-International Financial Reporting Standard (“IFRS”) measure) for the Year was approximately RMB67.4 million, as compared to the adjusted profit of approximately RMB10.9 million for the year ended 31 December 2022.

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

The adjusted EBITDA (a non-IFRS measure) for the Year decreased by approximately 15.5% from approximately RMB285.1 million for the year ended 31 December 2022 to approximately RMB241.0 million for the Year.

Non-IFRS Measures

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

We define adjusted loss/profit as loss/profit plus listing expenses, (gain)/loss of financial liabilities at FVTPL, share-based payment expenses, exchange losses and one-off professional fees relating to the resumption of the trading of the shares of the Company (the “**Share(s)**”). We define adjusted EBITDA as loss/profit plus finance cost, interest income, income tax expenses, depreciation of property, plant and equipment and right-of-use of assets, listing expenses, (gain)/loss of financial liabilities at FVTPL, share-based payment expenses, exchange losses and one-off professional fees relating to the resumption of the trading of the Shares. The fair value change of financial liabilities at FVTPL recorded for the year ended 31 December 2022 represents fair value changes in relation to series of investments in LX Technology (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company, the conversion of such investments into the preferred shares of the Company prior to the listing (the “**Listing**”) of the Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as part of the reorganisation and the conversion from preferred shares of the Company to the Shares upon Listing. Share-based payments expense of approximately RMB60.6 million for the Year (2022: approximately RMB71.2 million) comprised expenses recognized under distribution and selling expenses, administrative expenses and research and development expenses in the amounts of approximately RMB17.8 million, RMB37.6 million and RMB5.2 million, respectively (2022: approximately RMB22.4 million, RMB41.1 million and RMB7.7 million, respectively).

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Reconciliation of (loss)/profit for the year and adjusted (loss)/profit (a non-IFRS measure)		
(Loss)/profit for the year	(131,032)	99,948
Non-IFRS measure:		
Adjusted profit		
Add:		
Listing expenses	—	31,735
Fair value change of financial liabilities at FVTPL	—	(197,680)
Share-based payments expense	60,529	71,150
Exchange (gain)/loss	(3,644)	5,784
One-off professional fees	6,718	—
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Non-IFRS measure:		
Adjusted (loss)/profit	<u>(67,429)</u>	<u>10,937</u>
Reconciliation of (loss)/profit for the year and adjusted EBITDA (a non-IFRS measure)		
(Loss)/profit for the year	(131,032)	99,948
Add:		
Income tax expense/(credit)	2,486	(4,250)
Finance costs	41,833	42,425
Bank interest income	(6,086)	(750)
Depreciation of property, plant and equipment and right-of-use assets	270,164	236,700
Non-IFRS measure:		
EBITDA	177,365	374,073
Add:		
Listing expenses	—	31,735
Fair value change of financial liabilities at FVTPL	—	(197,680)
Share-based payments expense	60,529	71,150
Exchange (gain)/loss	(3,644)	5,784
One-off professional fees	6,718	—
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Non-IFRS measure:		
Adjusted EBITDA	<u>240,968</u>	<u>285,062</u>

Current Assets

As at 31 December 2023, the current assets of the Group were approximately RMB808.7 million, representing an increase of approximately 11.2% as compared with approximately RMB727.1 million as at 31 December 2022. As at 31 December 2023, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.3 times (31 December 2022: approximately 1.2 times).

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

Our property, plant and equipment and right-of-use assets of the Group primarily consist of leased properties, equipment for subscription, office equipment, motor vehicles and lease improvement. The property, plant and equipment and right-of-use assets decreased from approximately RMB802.9 million as of 31 December 2022 to approximately RMB795.6 million as of 31 December 2023 as we disposed certain older models of IT devices.

Inventories

Our inventories primarily consist of (i) de-commissioned IT devices such as laptops, monitors, tablet computers acquired via and held for sale under our device recycling business; and (ii) device components and accessories. The inventories increased from approximately RMB76.6 million as of 31 December 2022 to approximately RMB79.0 million as of 31 December 2023, mainly due to the increase in demand in disposal of de-commissioned IT devices from upstream suppliers close to the end of the Year.

Trade and Lease Receivables

Our trade and lease receivables represent receivables from customers for (i) operating lease relating to device subscription services; and (ii) contracts with customers relating to device recycling business and IT technical subscription services. The trade and bill receivables increased from approximately RMB64.9 million as at 31 December 2022 to approximately RMB106.0 million as at 31 December 2023, primarily due to the increase in revenue during the Year generated from the increasing amount of subscriptions and sales from all service lines, which was in line with our business expansion.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments increased from approximately RMB117.3 million as at 31 December 2022 to approximately RMB156.6 million as at 31 December 2023, primarily due to the increase in deposits paid for purchase of IT devices during the Year.

Trade Payables

Trade payables represent procurements payable to suppliers for the purchase of IT devices. As at 31 December 2023, trade payables amounted to approximately RMB147.8 million, representing an increase of approximately RMB22.7 million as compared with approximately RMB125.1 million as at 31 December 2022 as we benefited from more favourable trade policies tailored by our upstream suppliers.

Other Payables and Accruals

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

As at 31 December 2023, other payables and accruals amounted to approximately RMB72.3 million, representing an increase of approximately RMB11.6 million as compared with approximately RMB60.6 million as at 31 December 2022, primarily due to the increase in accrued staff costs and retirement benefit scheme contribution to approximately RMB41.2 million for the Year (2022: RMB23.6 million).

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are principally funded by cash generated from operations, net proceeds from the Global Offering (as defined in the prospectus of the Company dated 14 November 2022 (the “**Prospectus**”)) and other debt financings.

Bank Balances and Cash

Our bank balance and cash consist of bank balances and cash and restricted deposits. Our bank balance and cash amounted to approximately RMB416.6 million as of 31 December 2023 (31 December 2022: approximately RMB183.8 million). The increase in bank balance and cash were mainly due to the Redemptions (as defined below). As at 31 December 2023, the Group’s cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank and Other Borrowings

As of 31 December 2023, we had bank borrowings with a carrying amount of approximately RMB455.0 million (as at 31 December 2022: approximately RMB329.3 million) and other borrowings of approximately RMB237.2 million (as at 31 December 2022: approximately RMB221.6 million), such borrowings comprise (i) approximately RMB620.9 million (as at 31 December 2022: approximately RMB436.2 million) of unsecured and guaranteed bank and other borrowings; and (ii) approximately RMB71.3 million (as at 31 December 2022: approximately RMB114.8 million) of secured and guaranteed bank and other borrowings.

All of our bank and other borrowings were subject to fixed interest rate. For the Year, the effective interest rates of the Group's borrowings ranged from 3.2% to 9.8% per annum (31 December 2022: 4.0% to 11.8% per annum). Our borrowings were all denominated in Renminbi and carried borrowing terms ranging from one year to three years.

Gearing Ratio

The calculation of gearing ratio is based on total debt for the year divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio as at 31 December 2023 was 93.6% (as at 31 December 2022: 68.2%).

Significant Investments Held, Material Acquisitions and Disposals

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

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

We did not have any material contingent liabilities as of 31 December 2023.

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at 31 December 2023, the Group had 1,143 full-time employees (as at 31 December 2022: 761 full-time employees). The increase in our number of employees were mainly due to the expansion of our sales and marketing team close to the end of the Year. We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. For the Year, the remunerations for our employees, but excluding the Directors' remunerations, were approximately RMB192.1 million (for the year ended 31 December 2022: approximately RMB191.5 million).

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

In recognition of the contributions of our employees and to incentivise them to further promote our development, the Group also adopted the LX Brothers Employee Incentive Plan and the Beauty Bear Employee Incentive Plan. For details, please refer to the annual report of the Company for the year ended 31 December 2022 dated 31 July 2023.

EVENTS AFTER THE REPORTING PERIOD

On 12 January 2024, an aggregate of 3,251,389 awarded Shares were granted to 245 awardees pursuant to the restricted share award scheme under the Beauty Bear Employee Incentive Plan adopted by the Company. For details, please refer to the announcement of the Company dated 12 January 2024.

Save as disclosed above, no other event has taken place subsequent to 31 December 2023 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of the Shareholders. The Group has adopted the code provisions in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in force during the Year (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) as its own code of corporate governance during the Year.

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

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

Pursuant to code provision D.1.2 of the Corporate Governance Code, the management should provide all members of the Board with monthly updates to enable the Directors, jointly and severally, discharge their duties. However, due to an inadvertent oversight, the management had not provided such monthly update. Since June 2023, the management has promptly arranged the circulation of monthly updates to the Directors in accordance to code provision D.1.2 of the Corporate Governance Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a combined code (the “**Code**”) of conduct for securities transactions by the Directors which comprises a comprehensive “Code of Conduct for Securities Transactions by Directors” and the model code for securities transactions by directors of listed issuers as set out in Appendix 10 to the Listing Rules in force during the Year (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

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

FINAL DIVIDEND

The Board has resolved not to recommend the distribution of final dividend for the Year (2022: nil).

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

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

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This announcement is published on the respective websites of the Company (www.bearrental.com) and the Stock Exchange (<http://www.hkexnews.hk>). The 2023 annual report will be despatched to the Shareholders and will be made available on the respective websites of the Company and the Stock Exchange as and when appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	3	1,793,093	1,664,049
Cost of sales		<u>(1,645,463)</u>	<u>(1,464,774)</u>
GROSS PROFIT		147,630	199,275
Other income	4	18,546	18,606
Other gains and losses	5	10,671	(4,014)
Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”)		—	197,680
Impairment losses under expected credit loss model, net of reversal		(7,168)	(1,716)
Distribution and selling expenses		(128,437)	(125,709)
Administrative expenses		(102,462)	(86,771)
Research and development expenses		(25,493)	(27,493)
Finance costs	6	(41,833)	(42,425)
Listing expenses		—	(31,735)
(LOSS)/PROFIT BEFORE TAX	7	(128,546)	95,698
Income tax (expense)/credit	8	(2,486)	4,250
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		<u>(131,032)</u>	<u>99,948</u>
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(131,268)	99,948
Non-controlling interests		236	—
		<u>(131,032)</u>	<u>99,948</u>
TOTAL COMPREHENSIVE (EXPENSE)/INCOME			
Owners of the Company		(131,268)	99,948
Non-controlling interests		236	—
		<u>(131,032)</u>	<u>99,948</u>
(LOSS)/EARNINGS PER SHARE	10		
— Basic (RMB)		<u>(0.43)</u>	<u>0.72</u>
— Diluted (RMB)		<u>(0.43)</u>	<u>(0.38)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment and right-of-use assets		795,648	802,861
Goodwill		21,204	—
Intangible assets		26,000	—
Deposits paid for acquisition of property, plant and equipment		440	244
Other receivables, deposits and prepayments		4,024	4,676
Restricted deposits		14,966	12,818
Deferred tax assets		10,079	13,186
Total non-current assets		872,361	833,785
Current assets			
Inventories		78,990	76,630
Trade and lease receivables	<i>11</i>	105,978	64,879
Other receivables, deposits and prepayments		152,577	112,604
Tax recoverable		—	1,159
Financial assets at FVTPL		69,569	300,811
Restricted deposits		10,963	14,719
Cash and cash equivalents		390,658	156,274
Total current assets		808,735	727,076
Current liabilities			
Trade payables, other payables and accruals	<i>12</i>	220,121	185,763
Tax liabilities		64	19
Borrowings		413,805	406,358
Lease liabilities		9,672	6,424
Contract liabilities		1,511	425
Total current liabilities		645,173	598,989
Net current assets		163,562	128,087

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets less current liabilities	1,035,923	961,872
Non-current liabilities		
Borrowings	278,409	144,556
Lease liabilities	8,409	6,495
Deferred tax liabilities	9,296	3,509
Total non-current liabilities	296,114	154,560
NET ASSETS	739,809	807,312
Capital and reserves		
Share capital	3,158	3,158
Reserves	733,415	804,154
	736,573	807,312
Non-controlling interests	3,236	—
TOTAL EQUITY	739,809	807,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO IFRSs

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

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

3. SEGMENT INFORMATION AND REVENUE

Segment Information

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

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

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

Year ended 31 December 2023

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

Year ended 31 December 2022

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

Geographical information

The Group operates within one geographical segment during the years ended 31 December 2023 and 2022 because all of its revenue is generated in the PRC based on location of goods delivered and services rendered and all of its non-current assets are located in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	N/A*	188,537
Customer B	<u>405,054</u>	<u>N/A*</u>

Note: Revenue from customers A and B are both derived from device recycling business. During the years ended 31 December 2023 and 2022, no other customers contributed over 10% of the total revenue of the Group.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

Revenue

(i) Disaggregation of revenue from contracts with customers

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Type of goods or services		
Device recycling income	1,286,390	1,189,680
IT technical subscription services	158,840	155,115
Short-term device subscription	<u>55,106</u>	<u>61,313</u>
Total	<u>1,500,336</u>	<u>1,406,108</u>
Timing of revenue recognition		
At a point in time	1,286,390	1,189,680
Over time	<u>213,946</u>	<u>216,428</u>
	<u>1,500,336</u>	<u>1,406,108</u>

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

	2023	2022
	RMB'000	RMB'000
Device recycling income	1,286,390	1,189,680
Device subscription services	213,946	216,428
Revenue from contracts with customers	1,500,336	1,406,108
Lease income from device subscription services (note 3(iv))	292,757	257,941
Total revenue	1,793,093	1,664,049

(ii) Performance obligations for contracts with customers

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

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

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

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

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

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

At 31 December 2023

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

At 31 December 2022

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

- (iv) The revenue from long-term device subscription of equipment to the customers with fixed subscription payments for year ended 31 December 2023 amounted to RMB292,757,000 (2022: RMB257,941,000) which represent revenue arising from operating leases under IFRS 16. Subscription deposits are waived as long as the customers met the required credit information and passed the Group's internal risk assessment.

Undiscounted lease payments receivable on leases are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within one year	288,003	226,099
In the second year	59,296	70,046
In the third year	24,485	33,239
	<u>371,784</u>	<u>329,384</u>

4. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income	6,086	750
Government subsidies (<i>note</i>)	5,270	10,309
Compensation income from customers	7,190	7,547
	<u>18,546</u>	<u>18,606</u>

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

5. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividend income	4,887	—
Gain on disposal of property, plant and equipment	235	1,555
Gain on termination of lease	651	—
Gain on disposal of financial assets at FVTPL	112	—
Foreign exchange gains/(losses)	3,644	(5,784)
Fair value change of financial assets at FVTPL	1,142	215
	<u>10,671</u>	<u>(4,014)</u>

6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on borrowings	40,880	41,315
Interest expenses on lease liabilities	953	1,110
	<u>41,833</u>	<u>42,425</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Directors' emoluments	13,046	16,420
Other staff costs:		
Salaries, allowances and other benefits in kind	135,314	125,451
Retirement benefit scheme contributions	6,869	8,695
Equity-settled share-based payments expense	49,955	57,374
	<u>192,138</u>	<u>191,520</u>
Auditors' remuneration		
— Audit service	2,000	4,080
— Non-audit services	730	125
Depreciation of property, plant and equipment and right-of-use assets	270,164	236,700
Gain on disposal of property, plant and equipment	(235)	(1,555)
Write-down of inventories	3,072	57
Cost of inventories recognized as an expense	<u>1,250,918</u>	<u>1,131,344</u>

8. INCOME TAX EXPENSE/(CREDIT)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax — the PRC		
Charge for the year	92	17
Over-provision in prior years	—	(71)
Deferred tax	2,394	(4,196)
	<u>2,486</u>	<u>(4,250)</u>

9. DIVIDEND

No dividend was declared or paid by the Company since its incorporation in respect of the years ended 31 December 2023 and 2022, nor any dividend been proposed since the end of the reporting period.

10. (LOSS)/EARNINGS PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss)/earnings for the year attributable to owners of the Company for the purpose of basic (loss)/earnings per shares	(131,268)	99,948
Effect of dilutive potential loss in respect of financial liabilities at FVTPL	—	(197,680)
	<u> </u>	<u> </u>
Loss for the year attributable to owners of the Company for the purposes of diluted loss per share	<u><u>(131,268)</u></u>	<u><u>(97,732)</u></u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	305,378,399	139,034,560
Effect of dilutive potential ordinary shares:		
— Financial liabilities at FVTPL	—	119,012,046
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>305,378,399</u></u>	<u><u>258,046,606</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share has been determined on the assumption that the Group Reorganization and the Capitalization Issue had been effected since 1 January 2021, and without taking into account of shares held by LX Brothers Technology Limited and Beauty Bear Technology Limited for employee incentive platforms of the Group.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares for the year ended 31 December 2022 and does not assume the exercise of the Company's share options and share award since their assumed exercise would result in decrease in loss per share.

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

11. TRADE AND LEASE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and lease receivables		
— third parties	111,086	67,459
— related parties	7,630	4,750
	<u>118,716</u>	<u>72,209</u>
Less: allowance for expected credit losses	(12,738)	(7,330)
	<u><u>105,978</u></u>	<u><u>64,879</u></u>

As at 1 January 2022, trade and lease receivables amounted to RMB53,440,000.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	87,645	49,784
More than 3 months but within 6 months	10,093	7,738
More than 6 months but within 1 year	6,177	4,940
Over 1 year	2,063	2,417
	<u><u>105,978</u></u>	<u><u>64,879</u></u>

As at 31 December 2023, included in the Group's trade and lease receivables balance are debtors with aggregate carrying amount of RMB22,365,000 (2022: RMB20,029,000) which are past due. Out of the past due balances, RMB13,085,000 (2022: RMB9,258,000) has been past due over 90 days and is not considered as in default due to the history of cooperation and the sound collection history of the debtors.

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	147,840	125,123
Other payables and accruals		
Accrued staff costs and retirement benefit scheme contributions	41,187	23,594
Advance from leasing customers under device subscription service	17,659	17,087
Other tax payables	2,322	2,154
Secured and other deposits received	6,853	4,946
Accrued expenses	4,260	5,714
Accrued listing and issue costs	—	6,249
Others	—	896
	<u>72,281</u>	<u>60,640</u>
	<u>220,121</u>	<u>185,763</u>
Represented by:		
— third parties	219,539	183,318
— related parties (<i>note</i>)	582	2,445
	<u>220,121</u>	<u>185,763</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 6 months	113,363	88,185
6–12 months	23,871	22,104
Over 1 year	10,606	14,834
	<u>147,840</u>	<u>125,123</u>

(2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to put forward to the Shareholders for approval at the forthcoming annual general meeting of the Company (the “**AGM**”) a special resolution to amend the second amended and restated memorandum and articles of association of the Company (the “**Existing Memorandum and Articles of Association**”) and to adopt the third amended and restated memorandum and articles of association (the “**New Memorandum and Articles of Association**”) in substitution for, and to the exclusion of, the Existing Memorandum and Articles of Association.

The proposed amendments to the Existing Memorandum and Articles of Association (the “**Proposed Amendments**”) are for the purposes of, among others, (i) updating and bringing the Existing Memorandum and Articles of Association in line with the latest regulatory requirements pursuant to the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023 and the relevant amendments to the Listing Rules of which came into effect on 31 December 2023 which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders; (ii) allowing general meetings to be held physically and/or electronically; (iii) allowing the Directors to fill the causal vacancy of the office of the auditor of the Company; and (iv) other miscellaneous and housekeeping amendments to update or clarify the provisions of the Existing Memorandum and Articles of Association.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole. The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the prevailing Existing Memorandum and Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the New Memorandum and Articles of Association will be published on the websites of the Stock Exchange and the Company. A circular containing, among other things, further information on the Proposed Amendments together with a notice of the AGM, will be despatched to the Shareholders in due course.

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

Hong Kong, 22 March 2024

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