



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

# ESG

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



# 2023

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”) in 2023, prepared based on Appendix C2 (formerly known as 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 2023, the Company has complied with (a) the mandatory disclosure requirements; and (b) 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 2023 to 31 December 2023 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

Chairman of the Board of  
LX Technology Group Limited

Hu Zuoxiong



In 2023, China's economy saw significant improvement towards achieving high-quality development. Focusing on long-term development and embracing the spirit of "breakthrough" through innovation and pragmatic measures, our digitalized closed-loop device lifecycle management (DLM) service model showed exceptional resilience, leading to steady, high quality and efficient growth in our results of operation. 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, achieving year-on-year increases of 86.8%, 52.8%, 63.3% respectively. While pursuing high-quality performance, we deepened the integration of our corporate strategy with ESG principles. Committed to building a symbiotic and mutually beneficial service ecosystem with small- and medium-sized enterprises, we diligently fulfilled our responsibilities and obligations as a corporate citizen.

### Sound Governance in Compliance with ESG Requirement

In the dynamic business landscape, we are convinced that the key to sustainable development and long-term competitiveness is rooted in the establishment of a comprehensive management system and effective risk control mechanism. As the forerunner of enterprise-focused DLM services in China, we are committed to standardized management and risk control. We strive to enhance our expertise and service standards so as to provide reliable services and solutions to our customers.

### Green and Low-carbon Development and Circular Economy

Embracing the business principle of circular economy, we are dedicated to maximizing the service life of devices, reducing resource wastage, and mitigating environmental impact. Through our recycling, refurbishing, sales, and device subscription services, we encourage the efficient reuse of resources, thereby enhancing societal value by carbon emission reduction. Moving forward, our commitment to environmental protection and low-carbon development is unwavering. We will strive to explore and innovate more eco-friendly and sustainable solutions for our customers.

## Quality-orientation with Dedicated Customer Services

As a pioneer in the DLM solution industry, we place high emphasis on the fulfillment of our responsibilities and missions. Through continuous innovation and optimization of our product structure, we support the micro-, small- and medium-sized enterprises to achieve lower costs, higher efficiency, and high-quality development with digital transformation. Furthermore, we continuously optimize our customer service system in strict adherence to the service principle of “quick response and efficient resolution”. We are convinced that delivering meticulous service and forging new value for our customers are fundamental to consolidating our leading position in the industry.

## Value Inheritance and Co-development

Our commitment to the advancement and development of society is unwavering. As a corporate citizen, we aim to fulfill our social responsibilities while pursuing our interests, making contributions to the community. Our endeavours highlight our dedication to societal well-being, showcasing our sense of corporate social responsibility. Adhering to the philosophy of long-term development, we continue to offer outstanding products and services to micro-, small- and medium-sized enterprises in order to support the societal development.

## People-orientation and Employee Care

Our employees are invaluable to us. We are dedicated to creating a work environment that is equitable, supportive and productive. Every employee enjoys a customized career development plan that aligns with our business philosophy of enabling individual potential and fostering growth. Moving forward, we are committed to enhancing our workplace and offering more development opportunities for our employees, thereby generating greater value for the Company and our team.

Our accomplishments and operational excellence are a direct result of our steadfast dedication to the right strategy and continuous investment. In an era characterized by constant changes, LX Technology is embarking on a new chapter. Looking ahead to 2024, we are dedicated to our mission of simplifying enterprise operations. We are focused on achieving the goal of “serving one million enterprises and providing user-friendly devices to ten million employees over the next decade” by leveraging our leading market position, outstanding brand influence and superior operational efficiency. We are unwavering in our pursuit to generate even more societal value!

## 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

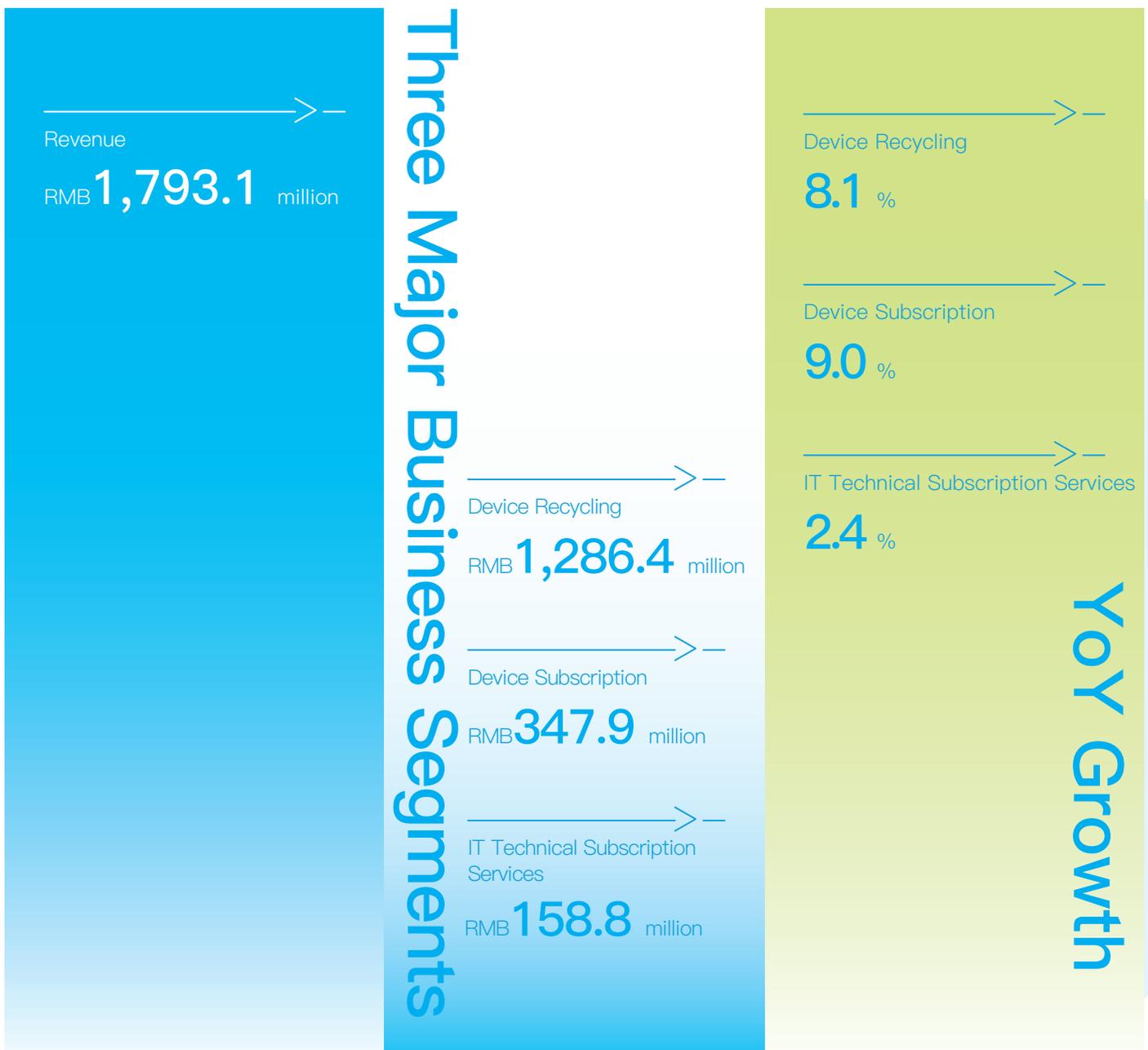
LX Technology Group Limited (“**LX Technology**”), owner of the brand Bear U-Rental and established in 2004 in Shenzhen, principally engages in, among others, the sales of refurbished de-commissioned IT devices to resellers of IT devices, and the provision of device and IT technical subscription services 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 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”. LX Technology strives to empower enterprises to achieve excellence by providing innovative and comprehensive DLM solutions. LX Technology has been awarded 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 the Ministry of Industry and Information Technology of the State Council, making us the only enterprise in the industry to hold “dual certification” which represents the highest level of service capability and quality in the industry.

In the context of economic recovery and growth, businesses are increasingly focusing on cost reduction and efficiency enhancement. The importance of LX Technology’s closed-loop DLM services has become more evident. LX Technology has developed an innovative full-stack DLM service model, assisting small- and medium-sized enterprises in rapidly building IT infrastructure, thereby lowering the barriers to digital transformation for small- and medium-sized enterprises and vigorously promoting the development of the digital economy in China. As LX Technology continues to facilitate high-quality development and support the digital transformation of enterprises, the Group’s growth quality and economies of scale have also continued to improve. This, in turn, contributes positively to the high-quality development of China’s economy.



During the reporting period, the Group’s revenue for the year was RMB1,793.1 million, representing an increase of 7.8% compared with the corresponding period of last year. The three major business segments achieved outstanding performance. The revenue from device recycling business, device subscription services and IT technical subscription services was RMB1,286.4 million, RMB347.9 million and RMB158.8 million, respectively, representing increases of 8.1%, 9.0% and 2.4% 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

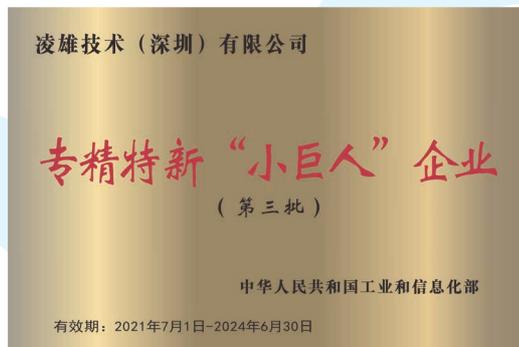
For years, the Group has been focusing on the DLM solution industry and has accumulated over a decade of service experience. The Group has been actively fulfilling its environmental and social responsibilities and building a reputation as a responsible corporate citizen. Attributable to our leading role of digital and technological achievements in the industry as well as our outstanding service capacities and quality, the Group was certified as a National High-tech Enterprise and a Specialized and New “Little Giant” Enterprise (國家級專精特新「小巨人」企業) by the Ministry of Industry and Information Technology of the State Council, and was once again selected 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) by the Ministry of Industry and Information Technology of the State Council in 2023. As of the end of the reporting period, the Group has been the only enterprise with “dual certification” in the DLM solution industry of China. Furthermore, based on an assessment of the overall scale, operational efficiency, social contribution, innovation capability, and level of digitalization, the Group has been selected as one of the 2023 Top 500 Enterprises in Shenzhen (2023深圳500強企業) by Shenzhen Enterprise Confederation and Shenzhen Entrepreneur Association.



**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



2023 Top 500 Enterprises in Shenzhen



“National High-tech Enterprise” Certificate

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
2022 Corporate Social Responsibility Award (2022 年度企業社會責任獎)	January 2023	Nanfang Daily (《南方日報》)
Top 100 Digitalized Enterprises (數字化水平 TOP100 榜單)	September 2023	Shenzhen Enterprise Confederation, Shenzhen Entrepreneur Association (深圳市企業聯合會、深圳市企業家協會)
2023 REAL Company — CSR Company of the Year (2023 REAL Company 年度社會責任公司)	October 2023	Jiemian News (界面新聞)
Most Promising Internet Listed Company (互聯網最具成長上市公司)	November 2023	National Business Daily (《每日經濟新聞》)
2023 ESG Pioneer Listed Company Award (2023 年度 ESG 時代先鋒上市公司獎)	November 2023	The Time Weekly (《時代週報》)
The 8th Golden Tangerine Awards of Time Finance 2023 (2023 第八屆時代金融金桔獎)	November 2023	Guangdong Times Media Group Co., Ltd. (廣東時代傳媒集團)
Most Valuable Social Service Company (最具價值社會服務公司)	December 2023	Zhitong Finance (智通財經)
2023 Outstanding Digital Innovation Enterprise (2023 年度卓越數字創新企業)	December 2023	The Economic Observer (《經濟觀察報》)
Top DaaS Industry Brand “Top 100 Brands” (DaaS 行業主榜品牌 [好品牌 100])	December 2023	Jiemian News (界面新聞)
Best Listed Company for Internal Governance (最佳內部治理上市公司)	December 2023	TMTPost (鈦媒體)
Innovative Value Award of the Year (年度最具創新價值獎)	December 2023	Caillianpress (財聯社)
Outstanding Innovation and Development Leader (傑出創新發展領袖)	December 2023	JRJ.com (金融界)
Excellent PR Team (卓越 PR 團隊)	December 2023	Gelonghui (格隆匯)
Social Responsibilities (S) Pioneer Enterprise Award (社會責任 (S) 先鋒企業獎)	December 2023	Caillianpress (財聯社)



Corporate Social Responsibility Award (企業社會責任獎)



2023 REAL Company — CSR Company of the Year (2023 REAL Company 年度社會責任公司)



Most Promising Internet Listed Company (互聯網最具成長上市公司)



The 8th Golden Tangerine Awards of Time Finance 2023 (2023 第八屆時代金融金桔獎)



Most Valuable Social Service Company (最具價值社會服務公司)



2023 Outstanding Digital Innovation Enterprise (2023 年度卓越數字創新企業)



Top DaaS Industry Brand “Top 100 Brands” (DaaS 行業主榜品牌 [好品牌 100])



Best Listed Company for Internal Governance (最佳內部治理上市公司)



Innovative Value Award of the Year (年度最具創新價值獎)



Outstanding Innovation and Development Leader (傑出創新發展領袖)



Excellent PR Team (卓越 PR 團隊)

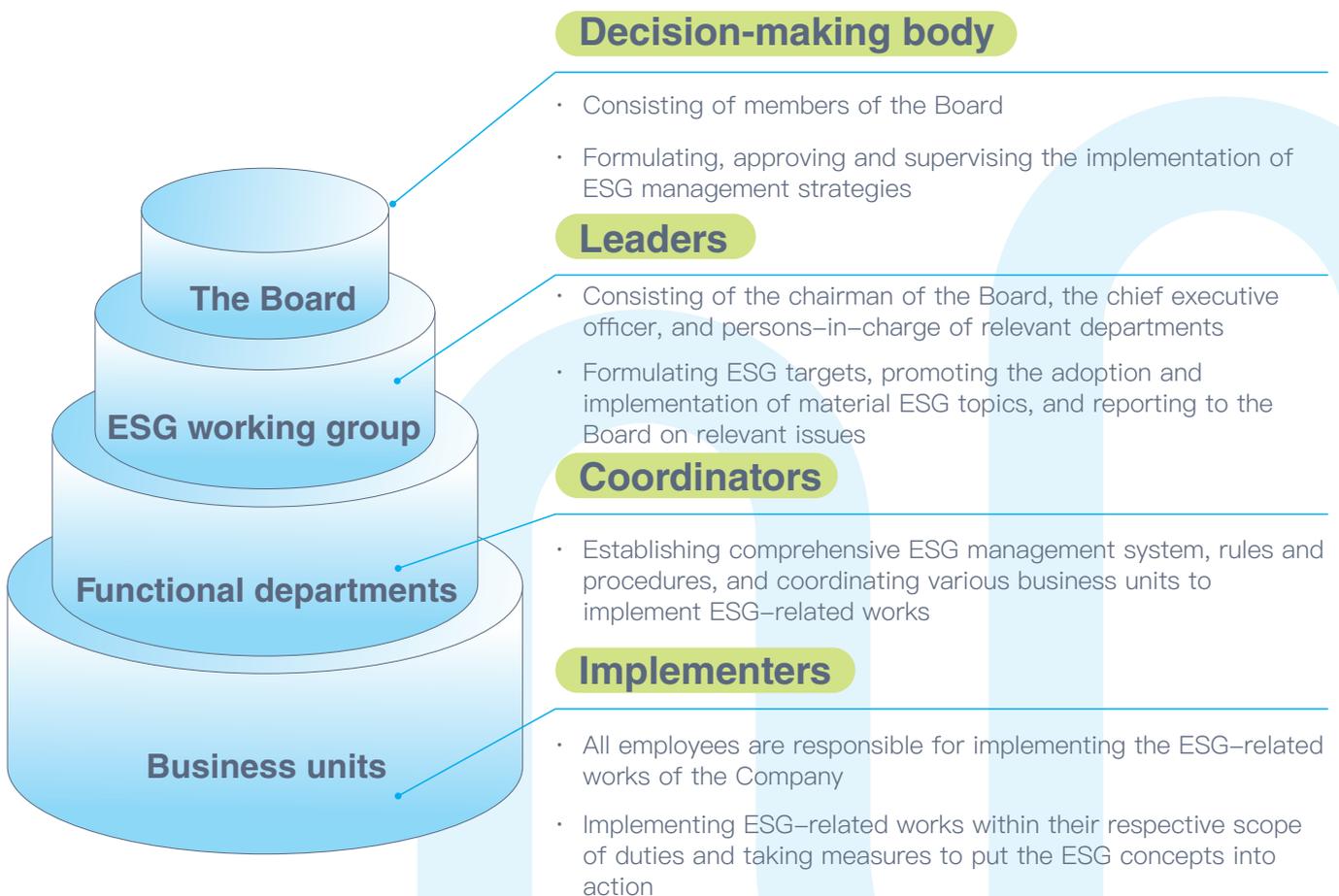


Social Responsibilities (S) Pioneer Enterprise Award (社會責任 (S) 先鋒企業獎)

# 5 Sound Governance in Compliance with ESG Requirement

## 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

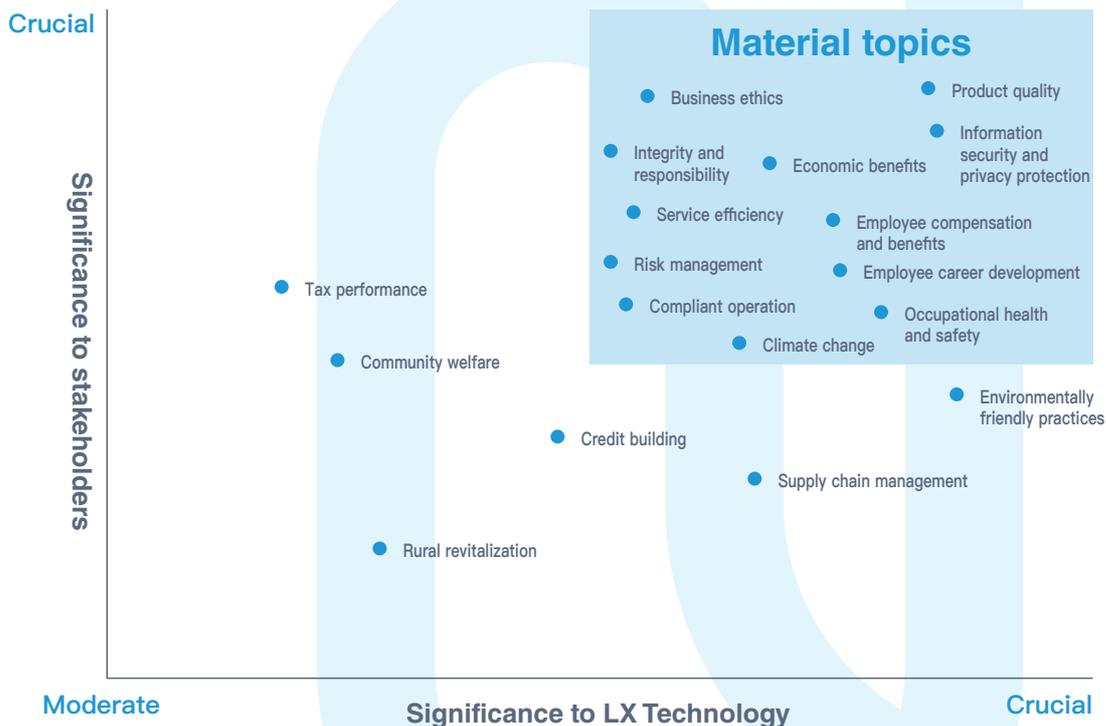
Based on its industry characteristics and business operations, the Group identifies and determines our six major stakeholders, namely the investors/shareholders, customers and potential customers, suppliers and partners, employees, government and regulatory authorities, and communities and the public. 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, constantly 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 and service 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>
Employees	<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>
Government and regulatory authorities	<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>
Community and public	<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 adopted a series of internal risk management and internal control and management measures, 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 further enriched and refined the rules and regulations such as the Long-term Lease Credit Management System (《長租授信管理制度》), the Management Measures for Bad Debts (《壞賬管理辦法》), and the Suspicious Risk Management Measures (《可疑風險管理辦法》) to ensure that risks in actual business operations are controllable and manageable.

### • 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.

In 2023, the Group continued to strengthen and refine its compliance management system, and internal control policies and procedures for the management of idling cash and investment, as well as the use, management and supervision of the proceeds from the initial public offering were established. In addition, the Group formulated the Reporting System of Significant Issues (《重大事項報告制度》), the Management Measures of Discloseable Transactions (《須予公佈的交易管理辦法》), and the Management Measures for Ongoing Obligations (《持續責任管理辦法》) to standardize the identification, reporting, and disclosure of significant matters.

## Case: 21 information disclosure compliance training sessions for all employees



Compliance training for all employees



Compliance training (Shanghai session)

### • Intellectual Property Rights Protection

The Group strictly complied with 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 2023, the Group continued to improve its intellectual property management mechanism and obtained invention patents for “Testing Methods and Related Equipment for Procedural Projects Based on Automated Scripts (基於自動化腳本的流程性項目測試方法和相關設備)” and “A Kind of Supply Chain Intelligent Supervision System and Method Based on Internet-of-Things (一種基於物聯網的供應鏈智能監管系統及方法)” from China National Intellectual Property Administration in September and December 2023, respectively. 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 2023, the Group has obtained 58 software copyright registration certificates. In addition, the Group further enhanced and refined various system certifications in 2023, and obtained 5 legitimate certificates for system accreditation.



Invention patent for “Testing Methods and Related Equipment for Procedural Projects Based on Automated Scripts (基於自動化腳本的流程性項目測試方法和相關設備)”

Invention patent for “A Kind of Supply Chain Intelligent Supervision System and Method Based on Internet-of-Things (一種基於物聯網的供應鏈智能監管系統及方法)”

• 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. For years, 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 ecofriendly 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 2023, the Group has been continuously refining 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. All management personnel have signed the Undertakings on Integrity. 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 anticorruption 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.

The Company also has a whistle-blowing policy under which the human resources department investigates and reports relevant incidents and would be subject to the monitoring of the presidents' office and the oversight of the Audit Committee. The whistle-blowing policy serves the purpose of establishing whistle-blowing procedures for employees and other relevant external parties of the Company, in order to report and escalate any suspicious misconducts. In accordance with the policy, the Group protects all whistle-blowers from any kind of retaliation. All the information provided by the whistle-blowers will be strictly confidential.

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



Honesty and integrity training for employees

# 6 Green and Low-carbon Development and Circular Economy

## 6.1 Development of a Close-looped System

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 complete closed-loop business. The closed-loop business model is designed to address the interconnected consumption needs of users throughout the lifecycle of the equipment, and facilitate value creation for users by offering one-stop support, thus developing a beneficial closed-loop ecosystem that focuses on fulfilling user requirements. 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 2023, the Group refurbished approximately 1.3 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. The Group obtained the certifications of GB/T 39604-2020 social responsibility management system and ISO9001:2015 quality management system in November and December 2023, respectively. By employing mature social responsibility and quality management systems, the Group ensured the high quality of its products and services and actively fulfilled its social responsibilities.



GB/T 39604-2020 social responsibility management system certificate

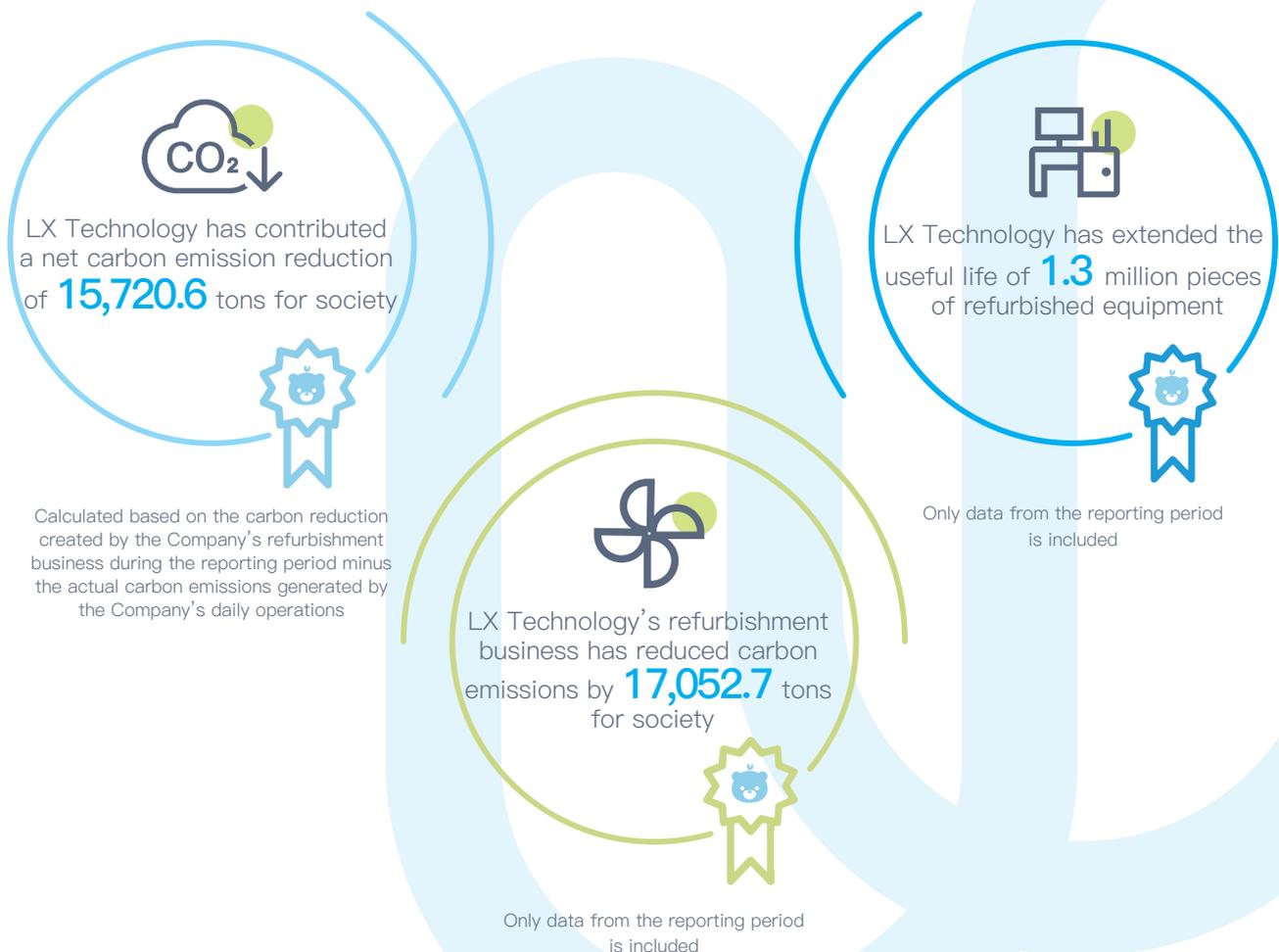


ISO9001:2015 quality management system certificate

## 6.2 Energy Conservation and Emission Reduction

The Group regards the promotion of green development as an essential part of the business development strategies, and focuses on the implementation of green and low-carbon sustainable development mode during the course of operations. For years, the Group has actively followed the requirements of various 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 development into corporate governance, corporate culture, business development, operation management, and continuously provides support to green and low carbon development of the circular economy.

Committed to the achievement of national goals pertaining to “emission peak and carbon neutrality”, the Group has further innovated the 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 15,720.6 tons of carbon emissions during the reporting period. In particular, the carbon emission reduction contributed by the Company’s refurbishment business amounted to 17,052.7 tons, while the actual carbon emission generated by the Company’s daily operations was 1,332.1 tons.





• **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. In addition, the service life of devices can be effectively extended through refurbishment, lowering the demand for new equipment in business operations and thereby further reducing the social carbon emission. In 2023, our refurbished devices contributed to a carbon emission reduction of 17,052.7 tons.

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



- 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 2023 (set)	Total carbon emission reduction in 2023 (ton)
Laptop computers	14.7	346,895	5,092.2
Desktop computers	27.4	190,701	5,215.9
Mobile phones and tablet computers	6.1	189,012	1,149.0
All-in-one computers	28.8	29,373	846.9
Servers	36.9	14,423	532.6
Printers and photocopiers	35.0	10,362	362.7
Others <sup>2</sup>	6.9	559,157	3,853.4
<b>Total</b>	<b>12.7</b>	<b>1,339,923</b>	<b>17,052.7</b>

1 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

2 Others mainly include switches and routers, etc.

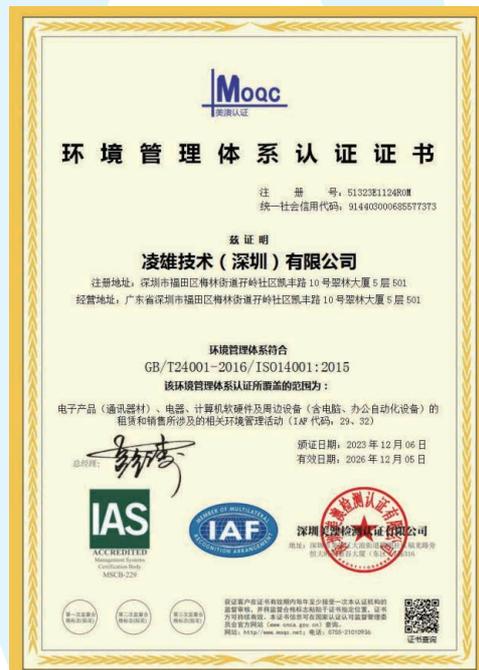
• Green office

The Group is committed to the concept of green office throughout all processes of operation and management. By paying attention to the details of our daily operations and managing the consumption of resources at their source, the Group strives to achieve the target of energy conservation and emission reduction. Energy consumption of the Group’s operation mainly involves electricity and gasoline consumed by our vehicles. In 2023, the carbon emission generated from business operations was 1,332.1 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. The Group has established an organizational structure with defined responsibilities and obligations to meet environmental protection requirements and prevent adverse impacts on the environment. In December 2023, the Group obtained the ISO14001:2015 environmental management system certificate. In addition, Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳凌瑞再生資源有限公司), a subsidiary of the Group, obtained 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 with 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 to actively promote the concept of green office. The Group also encourages our employees to participate in environmental protection training and promotion campaigns, and implements 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.



ISO14001:2015 environmental management system certificate

## 6.3 Response to Climate Change

### Climate change management systems

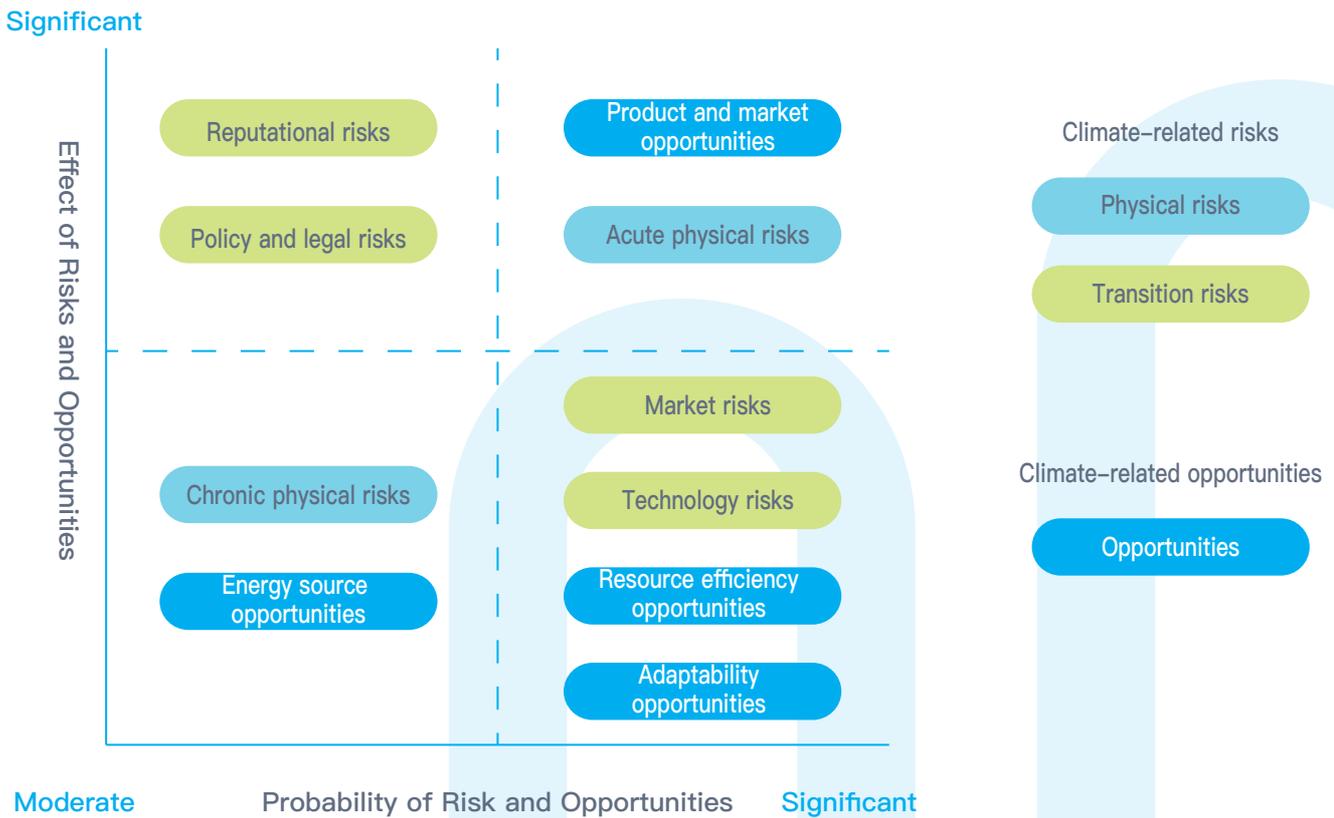
Climate change is closely connected with the development of society and the future of humanity. As important stakeholders in society, enterprises increasingly recognize climate change as a key aspect of their corporate social responsibility. It is essential for enterprises to endeavour to reduce their adverse effects on climate change, contribute positively to society and the environment, and pursue the aim of sustainable development. The Group has placed high importance to climate change and actively taken various long-term measures 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
Governance	<ul style="list-style-type: none"> <li>The Board is responsible for supervising matters related to ESG, including “coping with climate change”</li> <li>The Group established an ESG working group which is responsible for identifying and assessing ESG related risks and opportunities, including climate risk</li> <li>All relevant departments and business units strive to cope with climate change as part of their main duties</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>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</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>The Company identifies its risks and opportunities arising from climate change based on the framework proposed by the TCFD</li> <li>We intend to include risk management on climate change into our existing risk management system</li> </ul>
Metrics and targets	<ul style="list-style-type: none"> <li>The Group intends to monitor, measure, analyze and disclose the performance related to carbon emission on a regular basis</li> <li>We will implement measures for carbon reduction actively, and assess the Company’s management performance in coping with climate change, and formulate improvement plans accordingly</li> </ul>

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

To effectively manage both potential risks and opportunities, the Group has conducted an identification of the risks and opportunities associated with climate change. We have assessed and analyzed their likelihood and degree of impact on our business by taking into account various factors affecting business 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>	<ol style="list-style-type: none"> <li>1. We maintain active communication with stakeholders through timely information disclosure and collaboration in order to identify effective measures for addressing the climate issues;</li> <li>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;</li> <li>3. We take climate change and geological factors into account when making decisions related to site selection and investments.</li> </ol>
	<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><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>	

• 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>Reputational risk</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 ↑</p> <p>Revenue ↓</p> <p>Value of assets ↓</p>	<ol style="list-style-type: none"> <li>1. We maintain active communication with stakeholders through timely information disclosure and collaboration in order to identify effective measures for addressing the climate issues;</li> <li>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;</li> <li>3. We take climate change and geological factors into account when making decisions related to site selection and investments.</li> </ol>
	<p>Acute physical risks</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 ↑</p> <p>Revenue ↓</p> <p>Value of assets ↓</p>	
	<p>Chronic physical Risks</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 ↑</p> <p>Value of assets ↓</p>	



• 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 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>	<ol style="list-style-type: none"> <li>1. We continue to optimize the closed-loop operation mode of our products and services, and recommend customers to choose the lifecycle management solutions;</li> <li>2. We have developed comprehensive service solutions that are environmentally friendly and embrace the concepts of circular economy and emission reduction;</li> <li>3. We prioritize the selection of low energy consumption products in our procurement process.</li> </ol>
	<p><b>Resource efficiency</b></p> <p>Operating costs of the Company will be reduced by improving the utilization efficiency of resources including energy and water resources.</p>	<p>Operating costs ↓</p>	
	<p><b>Energy sources</b></p> <p>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.</p>	<p>Operating costs ↓</p>	
	<p><b>Adaptability</b></p> <p>Through the implementation of energy-efficient measures and by selecting environmentally friendly suppliers and partners, the Company can enhance its adaptability to climate change.</p>	<p>Operating costs ↓</p>	



• 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 2023 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.

**Greenhouse gas emissions per unit area**

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 2023, which is no more than 0.04 tons of carbon dioxide equivalent/square meter per year.

**Electricity consumption per unit area**

The electricity consumption per unit area in 2025 will be controlled at a performance level of not exceeding that of the benchmark year of 2023, which is no more than 52.90kWh/square meter per year.

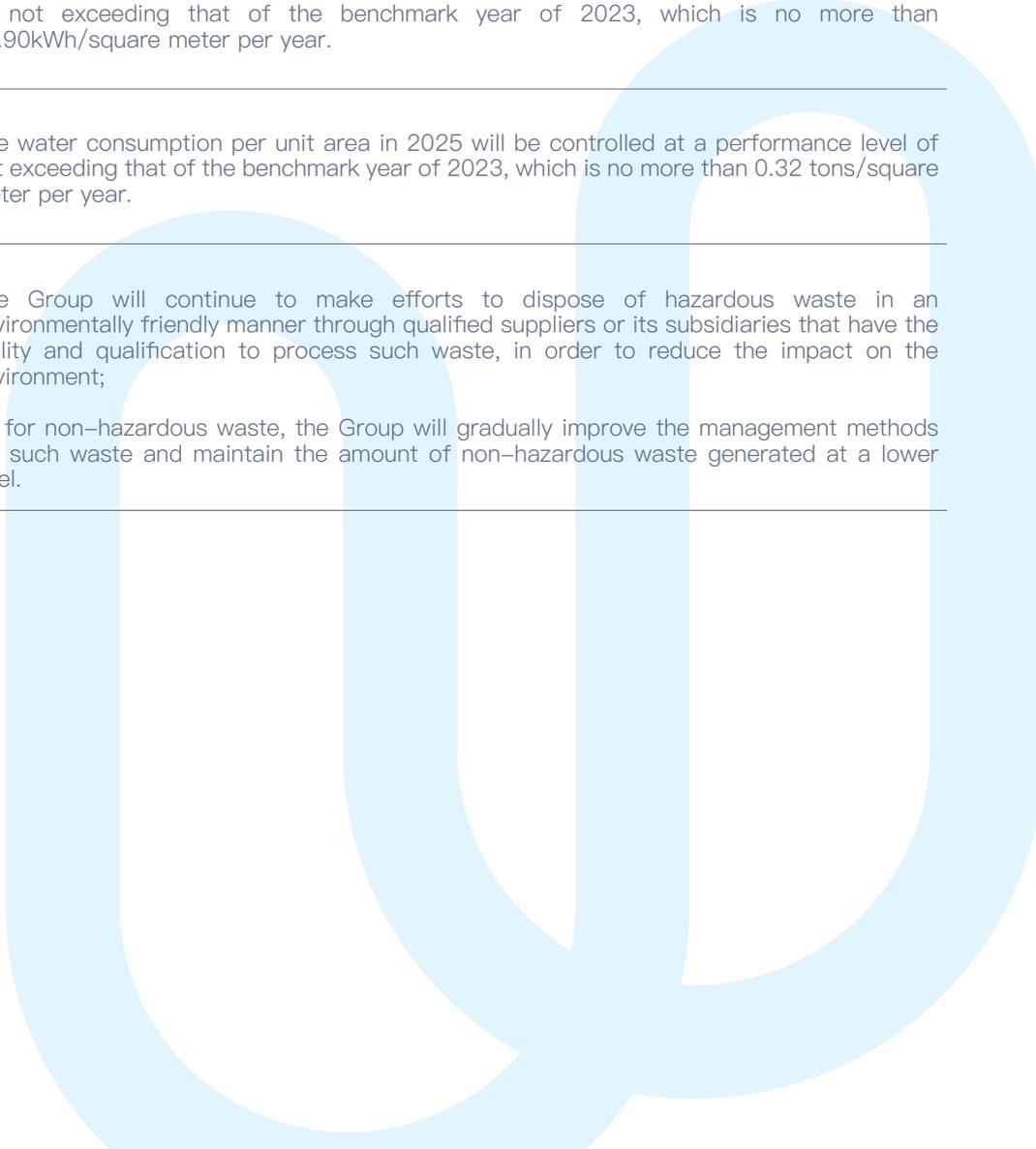
**Water consumption per unit area**

The water consumption per unit area in 2025 will be controlled at a performance level of not exceeding that of the benchmark year of 2023, which is no more than 0.32 tons/square meter per year.

**Waste management**

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;

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.





• Energy conservation and emission reduction measures of LX Technology

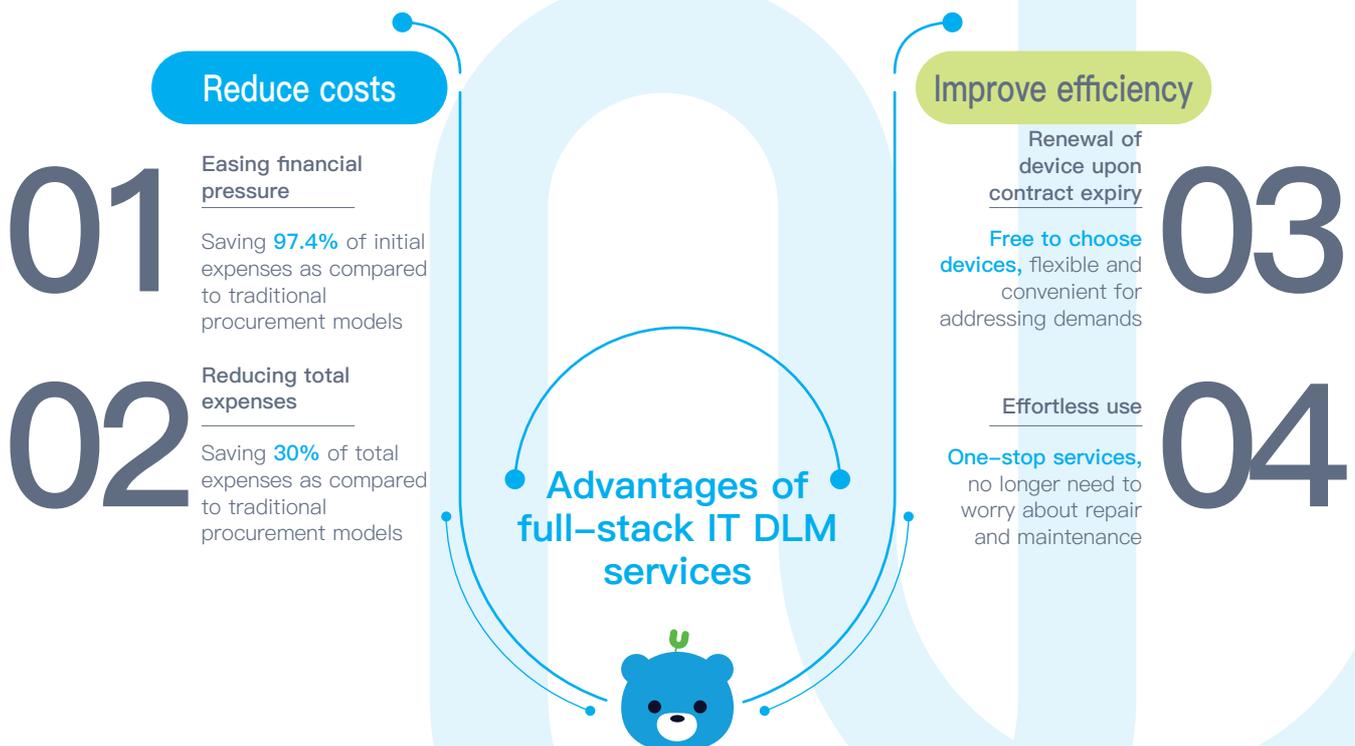
Major aspects	Measures
Greenhouse gas emission	<ul style="list-style-type: none"> <li>· Gradually increase the proportion of new energy official vehicles, regularly check and repair official vehicles, and reduce the energy consumption per kilometer of vehicles;</li> <li>· Specify the principle of using 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>
Waste management	<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 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>
Energy management	<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>
Water resource management	<ul style="list-style-type: none"> <li>· Water source is municipal water, and there is no problem in obtaining water source;</li> <li>· Equipped with water-saving equipment to reduce water consumption from the source;</li> <li>· Regular inspections and timely repairs in case of water running, leakage and dripping;</li> <li>· Water-saving labels are posted to areas with water taps to encourage employees to save water;</li> <li>· Cultivate water-saving awareness among employees and promote the implementation of the water saving action.</li> </ul>

# 7 Quality-orientation with Dedicated Customer Services

## 7.1 Facilitating High-quality Development

The Group fully supports the strategic plans of the CPC Central Committee and the State Council on “developing new productive forces and solidly promoting quality development”. With a focus on our business condition and in response to pain points of the digitalized transformation and needs for quality development of small- and medium-sized enterprises, the Group continues to enrich its DLM business model and introduce innovative products and services, which help enterprises lower their operating costs and improve working capital to promote the quality 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 business 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 DLM 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 quality development.



## 7.2 Provision of Superior Services

During the reporting period, the Group focuses on providing customers with one-stop services across all key stages in the entire lifecycle of devices, covering onsite installation upon initial device subscription, maintenance and repair and device management of devices during usage, and on-site collection upon expiration of device subscription. The Group insists on providing excellent customer services, especially in the aspects of service quality and response speed. During the reporting period, the Group had no material complaints relating to any product or services. Regarding the handling of customer complaints, the Group adopts a proactive attitude and strives to respond quickly to every customer's issue within 30 minutes and respond to customers at an efficient speed within two hours upon confirmation of the issue, with an aim to solve the customers' issues in the shortest possible time. At the same time, the Group is committed to assigning professionals to follow up with the customers within 3 to 5 working days to evaluate their satisfaction. In cases where the customers are not satisfied, the complaint will be immediately escalated to relevant departments for further actions, with an aim to ensure that each customer ultimately receives a satisfactory solution.

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 DLM service network across China, and continues to expand the scale and scope of our services. The Group provides services in 382 cities and 2,800 districts and counties with 4,178<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. In September 2023, the Group established LX Meibang Technology (Shanghai) Co., Ltd. in Shanghai and officially put it into operation. It has actively contributed to the creation of a high-level industrial cluster in Jing'an District, Shanghai, and laid a solid foundation for the Group's expansion in Eastern China, which facilitated the convenient sharing of digitalized DLM services and further enhanced customer service capabilities with nationwide coverage and regional deepening.

In addition, as an industry-leading technology company, the Group has actively kept abreast of new technologies and introduced AI technologies to improve customer service efficiency. The automated AI customer service system that operates around the clock can provide customers with quick responses at any time, allowing customers to get the support they need faster. The AI customer service system can generate a large amount of data for analyzing customer needs, trends and feedback, helping the Group to continuously follow up on customer needs and improve service efficiency. Through the joint support of SOP design, offline layout and online technologies, the Group has always been committed to ensuring quality customer experience and has been recognized by authoritative institutions. In November 2023, the Group was awarded the "After-sales Service Certification Certificate (Five-Star)" certified by Guangdong Zhongren United Certification Co., Ltd.

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

3 Some certified engineers are third-party engineers certified by the Group.

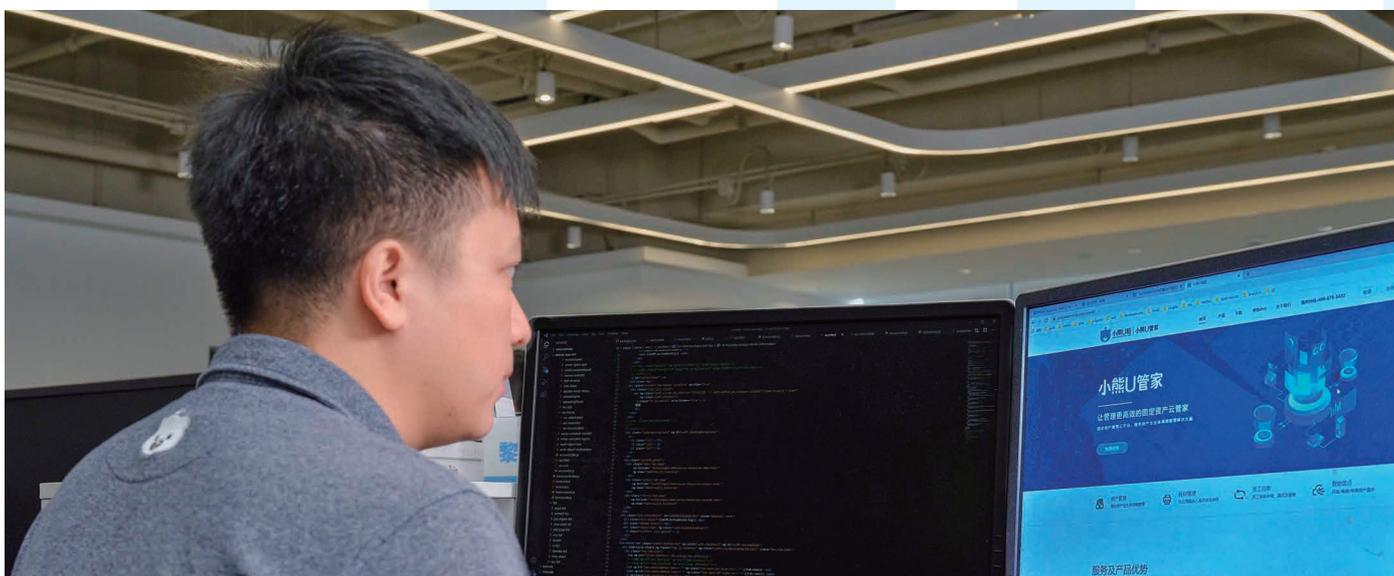
## 7.3 Strengthening Digital Development

For a long time, the Group has continuously promoted 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. The Group strives to drive the digitalization and intelligent development of its operational management with a focus on improving the efficiency of our business operations and customer services.

For example, the Group independently developed a digitalized supply chain management system that can digitize the entire process of selecting, purchasing, delivering and warehousing of IT devices, thereby tracking and estimating the original value, depreciation and residual values of IT devices in real time. For another example, with the digitalized warehousing system independently developed by the Group, we can formulate marketing and promotion strategies, help business customers in selection of devices, and match inventory levels with the real-time needs of business customers.

To enhance the efficiency and quality of customer services, the Group has continuously improved its risk control and credit system to capture the lifecycle data of customers and services during business operation. This can facilitate us to offer subscription quota with lower deposit or deposit-free subscription quota based on the comprehensive and automatic risk evaluation of the enterprises through multiple factors. In addition, The Group gathers information on the operations of its customers through visits and follow-up calls conducted by employees, aiding in the Group's risk assessment processes. These approaches can enhance 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.



LX Technology continues to strengthen its digitalization and further improves its operation and service efficiency

# 8 Value Inheritance and Co-development

## 8.1 Facilitating Industry Development

The Group upholds a professional attitude and a high sense of social responsibility, and has always been committed to promoting industry standardization and quality development. As a pioneer in the DLM solutions industry in China, the Group has assisted many companies to reduce operating costs and improve operating efficiency over the past two decades, continued to cultivate the market with professional services, and accumulated extensive industry experience and technical expertise. The development of industry standardization requires the joint efforts of every service provider. To this end, the Group proactively assumes the responsibility of an industry leader, makes unremitting efforts, absorbs the essence of professionals, experts and industries, adheres to principles and continuously introduces innovative initiatives. The Group continues to contribute to the standardization construction and quality development of the DLM solution industry in China.

### Case 1: The establishment of the first domestic enterprise-level DaaS industry research institute, LX Research Institute

On 18 May 2023, the DaaS industry's first forward-looking industry research institute, LX Research Institute, was officially launched. LX Research Institute, established by LX Technology, was the first enterprise-level DaaS industry research institute in China. Targeting on the domestic DaaS industry, it regularly releases various DaaS industry analysis reports and research forecasts by fully integrating resources from all sectors, covering device recycling services, device subscription services, IT technical subscription services, device management SaaS and other market segments, aiming to provide an important reference for many professional investment institutions, media, governments and customers to understand, observe, research and analyze the DaaS market in China.

Upon its establishment, relying on LX Technology's diversified DaaS products, extensive service cases and huge database, LX Research Institute has focused on the hot topics and cutting-edge issues in the development process of the DaaS industry, and established an open and cooperative research platform to gather suggestions from various sectors, conduct in-depth special researches, share quality research results and promote a healthy and orderly development of the DaaS industry in China. As of the end of 2023, LX Research Institute has released various industry research reports, providing rich data and in-depth industry perspectives on the development status and future opportunities of the domestic DaaS industry.



Opening ceremony of LX Research Institute



Market Demand Insight Report on China's DaaS Industry released in July 2023



Research Report on Development Opportunities of China's DaaS Industry in 2023-2024 released in October 2023



## Case 2: The first rental festival in the DaaS industry

On 18 May 2023, in order to better support the digital transformation and upgrading of small- and medium-sized enterprises, as well as reduce costs and increase efficiency, Bear U-Rental, a brand of the Group, cooperated with Tencent, JD.com and Intel to jointly organize the 518 Rental Festival with the theme of “Excellent Quality Helps Enterprises Grow”. The Rental Festival invited a number of industry leaders to have in-depth discussions, focusing on the market trends of the leasing industry, the pain points and difficulties of modernization transformation and upgrading, in-depth analysis of the discovery and application of the value of full life cycle management solutions under the green economy, and the exploration of new trends in the asset-light transformation of enterprises.



## Case 3: Release of the Report on Corporate Office Computer Leasing Standardization Development

On 21 December 2023, at the China Industrial Science and Technology Finance Cooperation Forum, the Group’s brand Bear U-Rent, China Center for Information Industry Development (“CCID”) and China Association of Small and Medium Enterprises jointly released the Report on Corporate Office Computer Leasing Standardization Development (the “Report”). The Report was the first standardized development report on the domestic office computer leasing industry and played an important guiding role in the standardized and healthy development of the industry.

Relying on the professional research, integration and analysis capabilities of CCID, as well as based on Bear U-Rental’s nearly two decades of industry exploration and accumulation, the Report systematically summarized the standardization development of each service aspect in the entire process of the corporate office computer leasing industry from the perspectives of service chain, product chain and ESG, and provided a clear standardization development direction and standardization system examples, which was a rare reference blueprint for standardized services in the corporate office device leasing industry. In addition to promoting the standardization, systematization and regulation of the industry, the Report also assisted more small- and medium-sized enterprises achieve cost reduction, efficiency improvement and quality development by demonstrating systematic and standardized service processes.



The release of the Report on Corporate Office Computer Leasing Standardization Development



The Report on Corporate Office Computer Leasing Standardization Development

## Case 4: The Chairman of the Group took the initiative to share quality development experience

In 2023, Mr. Hu Zuoxiong, the Chairman of the Board of Directors of LX Technology, was invited to attend various industry events and took the initiative to share with entrepreneurs the industry exploration and corporate management experience accumulated by Bear U-Rental in its nearly two decades of development. He concluded that five major measures: persisting in taking root in the industry; conducting vertical iteration; designing customer-oriented products and services; firmly promoting digitalized transformation; and implementing wise capitalization strategies, enabled the Group to achieve quality development that is beneficial to society and the quality growth of the entire industry.



In August 2023, Mr. Hu Zuoxiong, the Chairman of the Board of Directors of LX Technology, taught at the Black Horse Big Course Enterprise Training Camp (黑馬大課企業訓練營) and shared the quality development experience of LX Technology

In October 2023, Mr. Hu Zuoxiong, the Chairman of the Board of Directors of LX Technology, shared his experience at the Quality Development Conference of Specialized and New Enterprises in Futian District

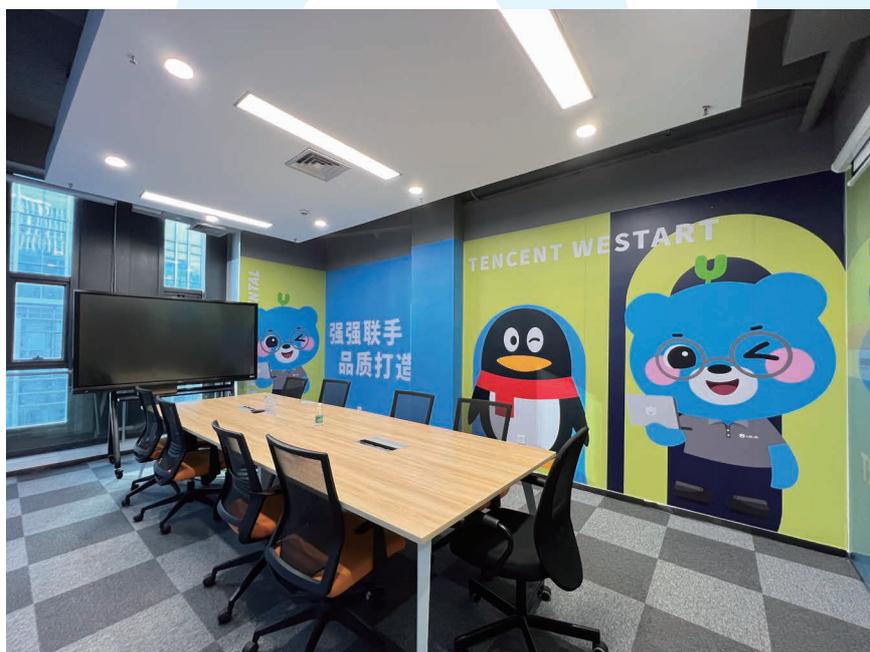


## 8.2 Cooperation for Mutual Benefits

The Group has long been committed to empowering various enterprises and activities with its efficient DLM services, and sincerely cooperated with all parties to achieve win-win development. In 2023, the Group provided full-stack DLM services for various events and exhibitions, providing reliable guarantee for their smooth operation. In addition, the Group has established close cooperative relationships with various enterprises, media and local governments. While creating a more stable and sustainable development environment, the Group has actively fulfilled its social responsibilities and provided important device support to small- and medium-sized enterprises to meet the needs of social development. By establishing win-win cooperative relationships with all parties, the Company not only promotes the expansion of its own business, but also makes positive contributions to the virtuous cycle of the entire industry chain and regional development.

### Case 1: Cooperating with Tencent WeStart to create the first multi-functional smart space for cloud conference

In February 2023, the first multi-functional smart space for cloud conference jointly launched by Bear U-Rental, a brand of LX Technology, and Tencent WeStart (Shenzhen) was officially opened to the public in Shenzhen. Both parties adopted an asset-light service model and offline scenario-based creation methods to provide enterprises with an excellent cloud conference experience. The offline implementation of the multi-functional smart space for cloud conference marked the offline scenario-based exploration of Bear U-Rental and Tencent WeStart in the field of conference services. This approach aimed to allow more enterprises to experience the convenience and economic benefits of the asset-light cloud conference plan and Bear U-Rental DaaS service through the asset-light and immersive deployment of physical conference rooms. In the future, Bear U-Rental and Tencent WeStart will cooperate with more partners to further expand their diversified offline service scenarios based on corporate office needs and help more companies realize their office visions easily.





## Case 2: Fully supporting the smooth organization of the Canton Fair

On 15 April 2023, the 133rd China Import and Export Fair (“Canton Fair”) was inaugurated at the Canton Fair Complex. As the computer leasing service provider of the Canton Fair, Bear U–Rental, a brand of LX Technology, actively responded to the green exhibition concept of the Canton Fair with its innovative DaaS service model. With the DaaS service model, the Company provided personalized and short-term leasing solutions for more than 1,000 computers for the Canton Fair Complex and surrounding hotels. While formulating an emergency plan for the use of devices in advance, the Company established a support team of nearly 100 technicians, who were on strict duty, providing 7\*12 hours of full coverage to ensure the smooth operation of the Canton Fair. This successful cooperation not only highlighted the professional strength of Bear U–Rental, but also provided strong support for the smooth convening of the Canton Fair.



On 15 April 2023, the Company provided full-stack DaaS solutions for nearly 200 service points of the Canton Fair to support its green exhibition

## Case 3: Helping the 2nd Vocational Skills Competition of China to be successfully held

From 16 to 19 September 2023, the 2nd Vocational Skills Competition of the People’s Republic of China was organized in Tianjin. This competition was currently the highest-level, most diverse, most ambitious, most outstanding and most influential comprehensive national vocational skills competition in China. As the event partner of the competition, Bear U–Rental, a brand of LX Technology, provided comprehensive DLM solutions, including device supply, network layout, software pre-installation, technical support and other services. Bear U–Rental equipped 49 events with nearly 10,000 IT devices, covering more than ten types of devices such as computers, printers, televisions, large conference screens and tablets, and established a professional technical service team to assist throughout the entire process to ensure the smooth progress of the event. This cooperation not only demonstrated the comprehensive strength of Bear U–Rental, but also played a key role in the skills competition, ensuring the complete success of the competition.



Helping the 2nd Vocational Skills Competition of China to be successfully held

## Case 4: Supporting the 2nd National Industrial and Information Technology Skills Competition

In November 2023, the finals of the 2nd National Industrial and Information Technology Skills Competition were successfully held in Shaoxing, Zhejiang Province. This competition closely focused on automotive chip development and application, industrial big data algorithms, industrial Internet security, 5G+ virtual reality development and other fields. It was highly professional with precise requirements for equipment configuration, high demand and strict standards for on-site network construction. As the exclusive IT device leasing service provider for the competition, Bear U-Rental, a brand of LX Technology, immediately established a special service team and held several meetings with the organizing committee to tailor one-stop comprehensive IT solutions based on the characteristics of the event and equipment needs. The solution included multi-category device leasing, network construction, on-site technical and other services, providing strong support for the success of the competition.



Supporting the 2nd National Industrial and Information Technology Skills Competition

## Case 5: Winning the 2023 “Fixed Asset Investment Contribution Award” in Futian District, Shenzhen

In January 2024, LX Technology won the 2023 “Fixed Asset Investment Contribution Award” in Futian District, Shenzhen. This award was issued by the Science and Technology Innovation Bureau in Futian District to reward companies that had made outstanding contributions in fixed asset investment. Through its excellent fixed asset investment performance, LX Technology ranked at the forefront of Futian District, Shenzhen, and had made positive contributions to the quality economic development in Futian District in 2023. This honor proved LX Technology’s outstanding efforts and contributions in promoting regional economic prosperity.



Winning the 2023 Fixed Asset Investment Contribution Award in Futian District

## Case 6: Holding a media appreciation meeting, “Thank U, Media”, in Beijing

On 22 December 2023, LX Technology successfully held a media exchange meeting with the theme of “Thank U, Media” in Beijing. More than 10 media were invited to participate, including the Economic Observer, China Daily and China Economic Net, and had discussions and exchanges with the management of LX Technology.

At the exchange meeting, Mr. Hu Zuoxiong, the Chairman of the Board of Directors of LX Technology, expressed his heartfelt thanks to the media who had always cared about and supported LX Technology, and briefly introduced the remarkable results achieved by LX Technology in recent years in terms of market cultivation, cost reduction and efficiency improvement. The participating media actively raised questions and interacted with the management, receiving detailed answers. Looking forward, LX Technology will continue to maintain a sincere and open attitude, sustain good cooperative relations with all media, and jointly facilitate the promotion of DaaS solutions and the continuous progress of the industry.



On 22 December 2023, Bear U–Rental held a media exchange meeting in Beijing to introduce the basic information about the development of the Company in 2023 to the media and answered questions raised by the media in detail with a sincere and open attitude.

## 8.3 Contributing to Community and Charity

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. By actively carrying out public welfare activities, we strive to contribute to making the community a better place with harmony and positivity.

During the reporting period, employees of the Group participated in charity activities for a total of 320 hours.

### Case 1: Co-organizing the “Carbon Reduction Life” party building public welfare innovation activity

On 2 April 2023, the “Carbon Reduction Life” party building public welfare innovation activity, hosted by the Party Committee of the Shenzhen Business Service Industry Association and co-organized by LX Technology and other parties, was held in Pingshan District, Shenzhen. At the event, the relevant person in charge of LX Technology conducted a briefing on low-carbon concepts and practical knowledge related to electronic products, and shared the carbon reduction measures implemented by the Company.



“Carbon Reduction Life” party building public welfare innovation activity

### Case 2: “One-on-one” pairing to support veterans in Shenzhen

On 18 March 2023, the Shenzhen Municipal Care Office, the Veterans Affairs Bureau and the Project Care Foundation jointly launched a veterans care activity, “Caring for Veterans Shenzhen in Action 2023”, and released the 2023 Tribute to Shenzhen Pioneer Care Action series plan. Among them, in the 2023 Care for Veterans “One-on-One” Assistance Plan, six party branches including the party branch of LX Technology (Shenzhen) Co., Ltd., a subsidiary of LX Technology, paired up with five veteran families and provided assistance for them.



“One-on-one” pairing to support veterans in Shenzhen

# 9 People-orientation and Employee Care

## 9.1 Career Development

The Group is dedicated to working together with our employees, fostering a sense of unity and collaboration, and promoting a positive, optimistic, aspirational 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》), the 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.

The Group strives to establish a market-oriented selection and recruitment mechanism and adopt an employee diversity approach 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.

While complying 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 reward 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 U-Rental outdoor team building activities



Bear U-Rental Mid-Autumn Festival cultural activity



Bear U-Rental Programmer Day creative painting activity

## 9.2 Personal Development

### • Employee health and safety

The health and safety of our employees are the foundation for their growth, development and overall well-being. The Group rigorously complies with pertinent laws and regulations, including the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》) and the Regulations on Work-related Injury Insurance (《工傷保險條例》). The Group places high importance on the physical and mental health and safety of our employees, and continuously optimizes employee supplementary insurance schemes. In 2023, the Group continued to refine its 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.

In addition to being committed to providing a safe and healthy work environment, the Group has actively enriched the content of health culture within the Company. We established various sports associations/clubs, organized a variety of healthy activities, and held various health seminars to 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: Bear U-Rental running team's morning jogging activity



Bear U-Rental running team's morning jogging activity

## · 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, 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, the Group helps employees continuously improve their skills in the workplace and better adapt to the development and changes of the Group.

In 2023, the Group further implemented the “Commander Plan” throughout the year. The Group opened channels for cadre training, evaluation, practical experience and promotion, and reserved a management talent candidate pool for the existing business teams to ensure that responsible and competent management cadres can be selected in a timely manner if expansion is needed. This employee training program is designed to accelerate the standardized, orderly and effective expansion of the working force. In the future, the Group will adhere to the concept of people-oriented and common development, further standardize its employee training management system and refine its operations, promote the career development of employees in a scientific and systematic approach, drive the improvement of team strength through employee development, and allow employees and the Company to grow together.



2023 LX Technology “Commander Plan” employee training camp

# 10 Key Quantitative Performance Tables

## Key Performance Indicators for Environment

Indicator	Unit	2023
Total greenhouse gas emission (scope 1 and scope 2)	Tons of CO <sub>2</sub> equivalent	1,332.08
Greenhouse gas emission per person	Tons of CO <sub>2</sub> equivalent/person	1.17
Greenhouse gas emission per unit area	Tons of CO <sub>2</sub> equivalent/square meter	0.04
Total electricity consumption <sup>4</sup>	kWh	1,656,985.27
Electricity consumption per person	kWh/person	1,449.68
Electricity consumption per unit area	kWh/square meter	52.90
Total water consumption <sup>5</sup>	Tons	9,930.30
Water consumption per person	Tons/person	8.69
Water consumption per unit area	Tons/square meter	0.32
Diesel consumption of business vehicle	Litre	13,763.72
Gas consumption of business vehicle	Litre	57,715.53
Hazardous waste <sup>6</sup>	Piece	0
Non-hazardous waste — office paper	Tons	3.06
Total amount of packaging materials used for products	Tons	105.00

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

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

6 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	2023
Total number of employees <sup>7</sup>	Person	1,143
<b>By gender</b>		
Male	Person	843
Female	Person	300
<b>By education</b>		
University or above	Person	316
Junior college	Person	596
Below junior college level	Person	231
<b>By employment category</b>		
Full-time	Person	1,143
Part-time	Person	2
<b>By age</b>		
30 or below	Person	662
31–40	Person	427
41 or above	Person	54
<b>By geographical region</b>		
Shenzhen	Person	302
Wuhan	Person	179
Guangzhou	Person	80
Shanghai	Person	129
Beijing	Person	136
Nanjing	Person	15
Hangzhou	Person	29
Chengdu	Person	41
Xiamen	Person	14
Others	Person	218

<sup>7</sup> Total number of employees represents the total number of full-time employees. The number of part-time employees is not accounted in other indicators except for “By employment category”

Indicator	Unit	2023
Employee turnover rate <sup>8</sup>	%	69.03%
<b>By gender</b>		
Male	%	75.33%
Female	%	51.33%
<b>By age</b>		
30 or below	%	91.09%
31–40	%	41.45%
41 or above	%	16.67%
<b>By geographical region</b>		
Shenzhen	%	30.13%
Wuhan	%	31.28%
Guangzhou	%	50.00%
Shanghai	%	59.69%
Beijing	%	55.88%
Nanjing	%	33.33%
Hangzhou	%	89.66%
Chengdu	%	70.73%
Xiamen	%	85.71%
Others	%	172.94%

<sup>8</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	2021	2022	2023
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	2023
Total number of employees trained	Person	898
Percentage of employees trained <sup>9</sup>	%	78.57%
<b>By gender</b>		
Male	%	73.94%
Female	%	26.06%
<b>By employee category</b>		
Senior management	%	0.56%
Middle management	%	7.24%
Ordinary employee	%	92.20%
Average training hours completed per employee <sup>10</sup>	Hours	7.47
<b>By gender</b>		
Male	Hours	7.47
Female	Hours	7.45
<b>By employee category</b>		
Senior management	Hours	10.32
Middle management	Hours	9.29
Ordinary employee	Hours	7.33

<sup>9</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>10</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	2023
Number of suppliers	Entity	648
By geographical region		
Eastern China	Entity	237
Southern China	Entity	199
Central China	Entity	34
Northern China	Entity	138
Northwestern region	Entity	7
Southwestern region	Entity	33
Northeastern region	Entity	0

## Performance Indicators for Customer Service and Product Responsibility

Indicator	Unit	2023
Product recall rate due to health and safety reasons	%	0
Number of product and service complaints <sup>11</sup>	Cases	145

## Performance Indicators for Anti-Corruption

Indicator	Unit	2023
Number of corruption lawsuits filed and concluded against the Company and its employees	Cases	0

<sup>11</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

# 11 Report Standard Index

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
<b>Major 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
KPI A1.1	The types of emissions and respective emissions data.	10 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).	10 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).	10 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).	10 Key Quantitative Performance Tables
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	6.3 Response to 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
<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
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).	10 Key Quantitative Performance Tables
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	10 Key Quantitative Performance Tables
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6.3 Response to Climate Change — ESG targets of LX Technology
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
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	10 Key Quantitative Performance Tables

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure A3	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	6.2 Energy Conservation and Emission Reduction
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
<b>Aspect A4: Climate Change</b>		
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 Response to 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 Response to Climate Change
<b>Major Aspect B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
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.	9.1 Career Development
KPI B1.1	Total workforce by gender, employee category (full-time or part-time), age group and geographical region.	10 Key Quantitative Performance Tables
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	10 Key Quantitative Performance Tables
<b>Aspect B2: Health and Safety</b>		
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.	9.2 Personal Development
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	10 Key Quantitative Performance Tables
KPI B2.2	Lost days due to work injury.	10 Key Quantitative Performance Tables
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	9.2 Personal Development

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
<b>Aspect B3: Development and Training</b>		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	9.2 Personal Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	10 Key Quantitative Performance Tables
KPI B3.2	The average training hours completed per employee by gender and employee category.	10 Key Quantitative Performance Tables
<b>Aspect B4: Labour Standards</b>		
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.	9.1 Career Development
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	9.1 Career Development
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	9.1 Career Development
<b>Operation Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
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.	10 Key Quantitative Performance Tables
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

Aspects, General Disclosure and KPIs	Description	Disclosure section(s)
<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 Provision of Superior Services 7.3 Strengthening Digital Development 5.4 Risk and Compliance Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	10 Key Quantitative Performance Tables
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	10 Key Quantitative Performance Tables 7.2 Provision of Superior Services
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 Development of a Close-looped System
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7.3 Strengthening Digital Development
<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.	10 Key Quantitative Performance Tables
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 and Charity
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8.3 Contributing to Community and Charity
KPI B8.2	Resources contributed to the focus area (e.g. monetary cost or time).	8.3 Contributing to Community and Charity



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