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LX Technology Group Limited

凌雄科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2436)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the “**Board**”) of directors (the “**Directors**”) of LX Technology Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2024 (the “**Period**”), together with comparative figures for the corresponding period in 2023. These unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL SUMMARY

The revenue of the Group for the Period was approximately RMB942.6 million (for the six months ended 30 June 2023: approximately RMB822.4 million).

The gross profit of the Group for the Period was approximately RMB92.9 million (for the six months ended 30 June 2023: RMB69.9 million).

The loss and total comprehensive expense for the Period attributable to the owners of the Company was approximately RMB39.8 million (for the six months ended 30 June 2023: approximately RMB42.4 million).

The adjusted EBITDA (a non-IFRS measure) for the Period was approximately RMB140.2 million (for the six months ended 30 June 2023: RMB134.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading device lifecycle management (“**DLM**”) solution provider in the People’s Republic of China (“**China**”). We are committed to delivering high-quality device recycling, device subscription and information technology (“**IT**”) technical subscription services to our customers.

During the Period, we focused on further expanding our market share through substantial investments in our sales and marketing capabilities. These efforts aim to strengthen our brand presence, reach new customers, and drive sustained growth. By enhancing our marketing strategies and expanding our sales force, we are well-positioned to capture additional market opportunities and solidify our leadership in the industry.

As we continue to deepen our market penetration, we recorded a record-breaking half-yearly revenue of approximately RMB942.6 million for the Period, representing an increase of approximately 14.6% as compared to approximately RMB822.4 million for the six months ended 30 June 2023. Both of our device recycling segment and device subscription services segment recorded increase in revenue for the Period as compared to the corresponding period in 2023. We are particularly delighted that our device recycling business achieved a turnaround from gross loss of approximately RMB11.2 million for the six months ended 30 June 2023 to gross gain of approximately RMB7.7 million for the Period. This transformation underscores our commitment to operational excellence and our ability to adapt and thrive in a competitive landscape.

Our Business Model

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

- *Device recycling business.* We purchase de-commissioned IT devices from enterprises for use in our device subscription services after refurbishment or sale through our proprietary quotation platform. We typically target large-scale enterprises as upstream suppliers of de-commissioned IT devices. The device recycling business provides us with a stable source of de-commissioned devices.
- *Device subscription services.* Our device subscription services primarily include selecting IT devices (including brand-new devices and de-commissioned devices after refurbishment) suitable for users, assembling devices, pre-installing device configurations and customising system settings. We offer tailor-made short-term and long-term device subscription services to satisfy our customers' needs for diverse business scenarios.
- *IT technical subscription services.* We offer IT technical subscription services primarily coupled with device subscription services and, to a lesser extent, on a standalone basis, primarily including solving problems in IT devices and keeping devices on the cutting edge of technology through system upgrades. We typically target small and medium enterprises for our subscription services.

Device recycling business

For the Period, the Group's revenue from device recycling business amounted to approximately RMB681.9 million, representing a significant increase of approximately 17.0% as compared to approximately RMB582.6 million for the same period in 2023.

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

	Six months ended 30 June		
	2024	2023	Growth Rate
Number of devices sold (<i>device</i>)	449,029	341,957	31.3%
Number of device recycling customers	1,309	766	70.9%
Average revenue per device recycling customer (<i>RMB</i>)	520,896	760,579	-31.5%
Average sales value (<i>RMB/device</i>)	1,472.3	1,377.4	6.9%

Device subscription business

For the Period, the Group's revenue from device subscription business amounted to approximately RMB183.7 million, representing an increase of approximately 13.0% as compared to approximately RMB162.6 million for the same period in 2023.

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

	Six months ended 30 June		Growth Rate
	2024	2023	
Revenue from device subscription services (RMB'000)	183,730	162,561	13.0%
— Brand-new devices	151,551	134,876	12.4%
— Second-hand devices	32,179	27,685	16.2%
Total device subscription volume (<i>device</i>)	3,112,036	2,700,602	15.2%
— Brand-new devices	2,505,320	2,102,924	19.1%
— Second-hand devices	606,716	597,678	1.5%
Total number of devices available for subscription	610,557	533,660	14.4%

IT technical subscription services

For the Period, the Group's revenue from IT technical subscription services amounted to approximately RMB77.0 million, representing a slight decrease of approximately 0.3% as compared to approximately RMB77.2 million for the same period in 2023.

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

	Six months ended 30 June		Growth Rate
	2024 (RMB'000)	2023 (RMB'000)	
Revenue from IT technical subscription services	77,015	77,227	-0.3%
— Long-term subscriptions	58,685	57,332	2.4%
— Short-term subscriptions	18,330	19,895	-7.9%

Future Outlook

As we look to the future, in order to improve our operational efficiency, we will continue to strengthen our sales and marketing capabilities by incorporating enhancements brought by advanced technology. Our initial efforts will concentrate on deepening the integration of artificial intelligence (“AI”) into our core business operations, particularly in front-end business processes and mid-office management. This strategic initiative is designed to systematically manage increasing number of contracts, orders, inquiries, and demands.

The implementation of AI will allow us to streamline these processes, significantly enhancing our ability to respond quickly and accurately. With AI’s advanced data analysis capabilities, we can anticipate and address issues proactively, ensuring that our customers receive the highest level of service. This integration will enable us to handle complex tasks with greater efficiency, allowing our team to focus on more strategic initiatives and personalised customer interactions. Moreover, AI will provide us with a more comprehensive service profile, enabling us to offer tailored solutions that meet the unique needs of each client and deliver more timely services.

With our strengthened sales and marketing capabilities, we expect to provide our customers (especially our small and medium-sized enterprises customers) with an enhanced overall experience, empowering them to reduce costs and improve efficiency. As we continue to evolve and adapt to the changing market landscape, we are confident that our sales and marketing efforts will play a crucial role in our ongoing success and growth.

FINANCIAL REVIEW

Revenue

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

	Six months ended 30 June				Growth Rate %
	2024		2023		
	RMB'000	%	RMB'000	%	
Revenue					
Device recycling income	681,853	72.3	582,603	70.8	17.0
Device subscription services	183,730	19.5	162,561	19.8	13.0
— Long-term device subscription	159,900	17.0	140,274	17.1	14.0
— Short-term device subscription	23,830	2.5	22,287	2.7	7.0
IT technical subscription services	77,015	8.2	77,227	9.4	-0.3
Total	<u>942,598</u>	<u>100</u>	<u>822,391</u>	<u>100.0</u>	14.6

For the Period, the total revenue of the Group was approximately RMB942.6 million (30 June 2023: approximately RMB822.4 million), representing an increase of approximately 14.6% as compared with the same period in 2023, mainly attributable to the increase of sales in both of our device recycling business segment and device subscription services segment.

Device recycling income

The increase in the device recycling income during the Period as compared with the same period in 2023 was mainly due to the increase in number of device sold from 341,957 for the six months ended 30 June 2023 to 449,029 for the Period.

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

	Six months ended 30 June				<i>Growth Rate</i> %
	2024		2023		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
Tablet computers and mobile phones	470,348	69.0	388,593	66.7	21.0
Laptop computers and other IT devices	211,505	31.0	194,010	33.3	9.0
Total	<u>681,853</u>	<u>100</u>	<u>582,603</u>	<u>100.0</u>	17.0

Revenue from device subscription services

The increase in revenue from device subscription services during the Period as compared with the same period in 2023 was mainly due to the increase in total device subscription volume from 2,700,602 for the six months ended 30 June 2023 to 3,112,036 for the Period and the increase in number of device subscription customers from 16,727 for the six months ended 30 June 2023 to 22,726 for the Period.

Revenue from IT technical subscription services

The slight decrease in revenue from IT technical subscription services during the Period as compared with the same period in 2023 was primarily attributable to a slight recession on the business opportunities sought in the IT technical subscription services segment.

Revenue by geographical locations

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

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Shenzhen	781,815	82.9	662,658	80.6
Shanghai	54,335	5.8	30,389	3.7
Wuhan	20,149	2.1	48,411	5.9
Beijing	45,115	4.8	42,300	5.1
Guangzhou	22,154	2.4	23,061	2.8
Others ⁽¹⁾	19,030	2.0	15,572	1.9
Total	<u>942,598</u>	<u>100.0</u>	<u>822,391</u>	<u>100.0</u>

Note:

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

Cost of Sales

Our cost of sales consists primarily of (i) costs of inventories sold; (ii) depreciation and amortisation, which primarily include depreciation of equipment for subscription; (iii) staff costs, representing salaries and welfare for our business operation personnel; and (iv) others, mainly representing costs related to short-term device subscription services such as rentals for venue and wages for temporary staff. Our cost of sales was approximately RMB849.7 million for the Period (30 June 2023: approximately RMB752.5 million). The increase in cost of sales during the Period as compared to the same period in 2023 was in line with the increase in our revenue and was mainly attributable to the increase in cost of inventory sold from approximately RMB591.5 million for the six months ended 30 June 2023 to approximately RMB662.0 million for the Period.

Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2024		2023	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross (loss)/profit <i>RMB'000</i>	Gross profit margin %
Device recycling income	7,677	1.1	(11,179)	(1.9)
Device subscription services	39,746	21.6	29,298	18.0
IT technical subscription services	45,457	59.0	51,788	67.1
Total	92,880	9.9	69,907	8.5

Our gross profit represents our revenue less our cost of sales. For the Period, our gross profit was approximately RMB92.9 million, representing a substantial increase of approximately 32.9% as compared with approximately RMB69.9 million for the same period in 2023 as we put extra effort in promoting our DLM solutions. The gross profit margin of the Group increased from approximately 8.5% for the six months ended 30 June 2023 to approximately 9.9% for the Period.

Device recycling business

We recorded gross profit of approximately RMB7.7 million for the Period as compared to gross loss of approximately RMB11.2 million for the corresponding period in 2023 in our device recycling business. Our gross profit margin of device recycling business was approximately 1.1% for the Period as compared to gross loss margin of approximately 1.9% for the six months ended 30 June 2023, primarily attributable to the increase in the average sales value of the device sold from approximately RMB1,377 for the six months ended 30 June 2023 to approximately RMB1,472 for the Period.

Device subscription services

The gross profit of device subscription services increased from approximately RMB29.3 million for the six months ended 30 June 2023 to approximately RMB39.7 million for the Period, primarily attributable to the increase in revenue of our device subscription services as discussed above which outpaced the increase in our cost of services in the device subscription services. Our gross profit margin of device subscription services increase from approximately 18.0% for the six months ended 30 June 2023 to approximately 21.6%

for the Period. The average monthly utilisation rates of our major types of devices for subscription increased from approximately 85.6% for the six months ended 30 June 2023 to approximately 86.5% for the Period.

IT technical subscription services

The gross profit of IT device subscription services decreased from approximately RMB51.8 million for the six months ended 30 June 2023 to approximately RMB45.5 million for the Period. Our gross profit margin of IT technical subscription services decreased from approximately 67.1% for the six months ended 30 June 2023 to approximately 59.0% for the Period, primarily attributable to the slight decrease in revenue of our IT technical subscription services.

Other Income

Other income increased by approximately 57.7% from approximately RMB8.6 million for the six months ended 30 June 2023 to approximately RMB13.6 million for the Period as we received government subsidies of approximately RMB10.1 million.

Distribution and selling expenses

The distribution and selling expenses increased by approximately 48.2% from approximately RMB52.2 million for the six months ended 30 June 2023 to approximately RMB77.3 million for the Period, as we expanded our sales and marketing team and launched more aggressive and comprehensive marketing campaigns. Our distribution and selling expenses as a percentage of revenue increased from approximately 6.3% for the six months ended 30 June 2023 to approximately 8.2% for the Period.

Administrative Expenses

The administrative expenses decreased by approximately 4.5% from approximately RMB49.3 million for the six months ended 30 June 2023 to approximately RMB47.1 million for the Period, primarily due to the decrease in share-based payment and the absence of one-off professional fees for the Period. Our administrative expenses as a percentage of revenue decreased from approximately 6.0% for the six months ended 30 June 2023 to approximately 5.0% for the Period.

Research and Development Expenses

The research and development expenses increased by approximately 14.2% from approximately RMB12.7 million for the six months ended 30 June 2023 to approximately RMB14.5 million for the Period, primarily due to the expenses in relation to the research and development of AI. Our research and development expenses as a percentage of revenue remained stable at approximately 1.5% for the six months ended 30 June 2023 and for the Period.

Finance Costs

The finance costs increased by approximately 19.0% from approximately RMB19.8 million for the six months ended 30 June 2023 to approximately RMB23.6 million for the Period, as we secured more borrowings for the Period in order to cope with the growth of our businesses.

Income Tax Credit

For the Period, we recorded income tax credit of approximately RMB3.5 million as compared to income tax credit of approximately RMB0.7 million for the six months ended 30 June 2023.

Loss and Total Comprehensive Expense Attributable to the Owners of the Company for the Period

We recorded a reduction in loss and total comprehensive expense attributable to the owners of the Company to approximately RMB39.8 million for the Period as compared to approximately RMB42.4 million for the six months ended 30 June 2023, primarily due to the increase in revenue and gross profit as discussed above and partially offset by the increase in distribution and selling expenses.

Adjusted Loss

The adjusted loss (a non-International Financial Reporting Standard (“IFRS”) measure) for the Period was approximately RMB22.3 million as compared to the adjusted loss of approximately RMB11.4 million for the six months ended 30 June 2023.

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

The adjusted EBITDA (a non-IFRS measure) for the Period increased by approximately 4.5% from approximately RMB134.1 million for the six months ended 30 June 2023 to approximately RMB140.2 million for the Period.

Non-IFRS Measures

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

We define adjusted loss as loss plus share-based payment expenses, foreign exchange changes and other one-off professional fees. We define adjusted EBITDA as loss plus finance costs, interest income, income tax credit/(expenses), depreciation of property, plant and equipment and right-of-use of assets, amortisation of intangible assets, share-based payment expenses, foreign exchange changes and other one-off professional fees.

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Reconciliation of loss for the period and adjusted loss (a non-IFRS measure)		
Loss for the period	(40,583)	(42,359)
Non-IFRS measure:		
Adjusted profit		
Add:		
Share-based payments expenses	18,332	35,721
Foreign exchange gain	(53)	(8,382)
One-off professional fees	—	3,655
	<hr/>	<hr/>
Non-IFRS measure:		
Adjusted loss	<u>(22,304)</u>	<u>(11,365)</u>
Reconciliation of loss for the period and adjusted EBITDA (a non-IFRS measure)		
Loss for the period	(40,583)	(42,359)
Add:		
Income tax credit	(3,539)	(743)
Finance costs	23,613	19,840
Interest income	(333)	(2,325)
Depreciation of property, plant and equipment and right-of-use assets	138,389	128,739
Amortisation of intangible assets	4,333	—
Non-IFRS measure:		
EBITDA	121,880	103,152
Add:		
Share-based payment expenses	18,332	35,721
Foreign exchange gain	(53)	(8,382)
One-off professional fees	—	3,655
	<hr/>	<hr/>
Non-IFRS measure:		
Adjusted EBITDA	<u>140,159</u>	<u>134,146</u>

Current Assets

As at 30 June 2024, the current assets of the Group were approximately RMB915.5 million, representing an increase of approximately 13.2% as compared with approximately RMB808.7 million as at 31 December 2023. As at 30 June 2024, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.2 times (31 December 2023: approximately 1.3 times).

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

Our property, plant and equipment and right-of-use assets of the Group primarily consist of leased properties, equipment for subscription, office equipment, motor vehicles and lease improvement. The property, plant and equipment and right-of-use assets decreased from approximately RMB795.6 million as at 31 December 2023 to approximately RMB763.1 million as at 30 June 2024, primarily attributable to the deduction from depreciation charges of our devices.

Inventories

Our inventories primarily consist of (i) de-commissioned IT devices such as laptops, monitors, tablet computers acquired via and held for sale under our device recycling business; and (ii) device components and accessories. The inventories increased from approximately RMB79.0 million as at 31 December 2023 to approximately RMB101.2 million as at 30 June 2024, mainly due to the increase in demand in disposal of decommissioned IT devices from upstream suppliers close to the end of the Period.

Trade and Lease Receivables

Our trade and lease receivables represent receivables from customers for (i) operating lease relating to device subscription services; and (ii) contracts with customers relating to device recycling business and IT technical subscription services. The trade and lease receivables decreased from approximately RMB106.0 million as at 31 December 2023 to approximately RMB98.8 million as at 30 June 2024, mainly due to the reduction in credit extended to our customers and we have enhanced our risk management processes.

Other Receivables, Deposits and Prepayments

Our other receivables, deposits and prepayments increased from approximately RMB156.6 million as at 31 December 2023 to approximately RMB169.6 million as at 30 June 2024, primarily due to an increase in prepayments made for purchase of IT devices close to the end of the Period and such purchases were completed after the Period.

Trade Payables

Trade payables represent procurements payable to suppliers for the purchase of IT devices. As at 30 June 2024, trade payables amounted to approximately RMB107.6 million, representing a decrease of approximately RMB40.2 million as compared with approximately RMB147.8 million as at 31 December 2023, primarily attributable to as we settled our trade payables in a timely manner.

Other Payables and Accruals

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

As at 30 June 2024, other payables and accruals amounted to approximately RMB57.8 million, representing a decrease of approximately RMB14.5 million as compared with approximately RMB72.3 million as at 31 December 2023 as we settled our payables and accruals in a timely manner.

LIQUIDITY AND CAPITAL RESOURCES

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

Bank Balances and Cash

Our bank balance and cash consist of our bank balances and cash and restricted deposits. Our bank balance and cash amounted to approximately RMB477.8 million as at 30 June 2024 (31 December 2023: approximately RMB416.6 million). The increase in bank balance and cash were mainly attributable to the increase in cash generated from our business operations. As at 30 June 2024, the Group’s cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank and Other Borrowings

As at 30 June 2024, we had bank borrowings with a carrying amount of approximately RMB574.2 million (as at 31 December 2023: approximately RMB455.0 million) and other borrowings of approximately RMB265.3 million (as at 31 December 2023: approximately RMB237.2 million), such borrowings comprise (i) approximately RMB776.1 million (as at 31 December 2023: approximately RMB620.9 million) of unsecured and guaranteed bank and other borrowings; and (ii) approximately RMB63.4 million (as at 31 December 2023: approximately RMB71.3 million) of secured and guaranteed bank and other borrowings.

All of our bank and other borrowings were subject to fixed interest rate. For the Period, the effective interest rates of the Group's borrowings ranged from 3.2% to 9.4% per annum (as at 31 December 2023: 4.0% to 11.8% per annum). Our borrowings were all denominated in Renminbi and carried borrowing terms ranging from one year to three years.

Gearing Ratio

The calculation of gearing ratio is based on total debt for the Period divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio as at 30 June 2024 was 117.0% (as at 31 December 2023: 93.6%).

Significant Investments Held, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

We did not have any material contingent liabilities as at 30 June 2024.

Foreign Exchange Risk

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

Employees and Remuneration Policy

As at 30 June 2024, the Group had 1,052 full-time employees (as at 31 December 2023: 1,143 full-time employees). We recognise the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. For the Period, the remuneration for our employees, but excluding the Directors' remunerations, were approximately RMB93.8 million (for the six months ended 30 June 2023: approximately RMB93.9 million).

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

In recognition of the contributions of our employees and to incentivise them to further promote our development, the Group also adopted LX Brothers Employee Incentive Plan and Beauty Bear Employee Incentive Plan. For details, please refer to section headed "D. Employee Incentive Plans" in Appendix IV to the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

No event has taken place subsequent to 30 June 2024 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of the Shareholders. The Group has adopted the code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance.

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a combined code (the “**Code**”) of conduct for securities transactions by the Directors which comprises a comprehensive “Code of Conduct for Securities Transactions by Directors” and the model code for securities transactions by directors of listed issuers as set out in Appendix C3 to the Listing Rules.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) during the Period. As at 30 June 2024, the Company did not hold any treasury shares.

REVIEW OF INTERIM RESULTS

The Company established the Audit Committee in compliance with the Corporate Governance Code. The Audit Committee reviewed the unaudited consolidated interim financial statements for the Period, and discussed with the management of the Company the accounting principles and practices adopted by the Group.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
REVENUE	4	942,598	822,391
Cost of sales		<u>(849,718)</u>	<u>(752,484)</u>
GROSS PROFIT		92,880	69,907
Other income	5	13,574	8,607
Other gains and losses		16,946	15,922
Impairment losses under expected credit loss model, net of reversal		(5,028)	(3,541)
Distribution and selling expenses		(77,277)	(52,156)
Administrative expenses		(47,079)	(49,287)
Research and development expenses		(14,525)	(12,714)
Finance costs	6	<u>(23,613)</u>	<u>(19,840)</u>
LOSS BEFORE TAX	7	(44,122)	(43,102)
Income tax credit	8	<u>3,539</u>	<u>743</u>
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(40,583)</u>	<u>(42,359)</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(39,792)	(42,359)
Non-controlling interests		<u>(791)</u>	<u>—</u>
		<u>(40,583)</u>	<u>(42,359)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(39,792)	(42,359)
Non-controlling interests		<u>(791)</u>	<u>—</u>
		<u>(40,583)</u>	<u>(42,359)</u>
LOSS PER SHARE	10		
— Basic (RMB)		<u>(0.13)</u>	<u>(0.14)</u>
— Diluted (RMB)		<u>(0.13)</u>	<u>(0.14)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment and right-of-use assets		763,058	795,648
Goodwill		21,204	21,204
Intangible assets		21,667	26,000
Deposits paid for acquisition of property, plant and equipment and intangible assets		3,633	440
Other receivables, deposits and prepayments		4,672	4,024
Restricted deposits		11,764	14,966
Deferred tax assets		12,186	10,079
Total non-current assets		838,184	872,361
Current assets			
Inventories		101,193	78,990
Trade and lease receivables	<i>11</i>	98,797	105,978
Other receivables, deposits and prepayments		164,904	152,577
Financial assets at FVTPL		84,578	69,569
Restricted deposits		9,555	10,963
Cash and cash equivalents		456,436	390,658
Total current assets		915,463	808,735
Current liabilities			
Trade payables, other payables and accruals	<i>12</i>	165,420	220,121
Tax liabilities		—	64
Borrowings		575,074	413,805
Lease liabilities		9,337	9,672
Contract liabilities		3,612	1,511
Total current liabilities		753,443	645,173

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Net current assets	<u>162,020</u>	<u>163,562</u>
Total assets less current liabilities	<u>1,000,204</u>	<u>1,035,923</u>
Non-current liabilities		
Borrowings	264,436	278,409
Lease liabilities	10,310	8,409
Deferred tax liabilities	<u>7,873</u>	<u>9,296</u>
Total non-current liabilities	<u>282,619</u>	<u>296,114</u>
NET ASSETS	<u><u>717,585</u></u>	<u><u>739,809</u></u>
Capital and reserves		
Share capital	3,158	3,158
Reserves	<u>711,982</u>	<u>733,415</u>
	715,140	736,573
Non-controlling interests	<u>2,445</u>	<u>3,236</u>
TOTAL EQUITY	<u><u>717,585</u></u>	<u><u>739,809</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

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

The Interim Financial Information does not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s 2023 annual consolidated financial statements for the year ended 31 December 2023 (“**2023 Annual Report**”). The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in 2023 Annual Report.

3. APPLICATION OF AMENDMENTS TO IFRSs

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRSs comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards (“**IAS**”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

4. SEGMENT INFORMATION AND REVENUE

Segment Information

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

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

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

For the six months ended 30 June 2024

	Device recycling business RMB'000 (unaudited)	Device subscription services RMB'000 (unaudited)	Total RMB'000 (unaudited)
Device recycling income			
— Mobile devices	470,348	—	470,348
— Non-mobile devices	211,505	—	211,505
Device subscription services			
— Short-term device subscription	—	23,830	23,830
— Long-term device subscription	—	159,900	159,900
IT technical subscription services	—	77,015	77,015
	681,853	260,745	942,598

For the six months ended 30 June 2023

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

Geographical information

The Group operates within one geographical segment during the six months ended 30 June 2024 and 2023 because all of its revenue is generated in the People's Republic of China (the "PRC") based on location of goods delivered and services rendered and all of its non-current assets are located in the PRC. Accordingly, no geographical segment information is presented.

Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Type of goods or services		
Device recycling income	681,853	582,603
IT technical subscription services	77,015	77,227
Short-term device subscription	23,830	22,287
Total	<u>782,698</u>	<u>682,117</u>
Timing of revenue recognition		
At a point in time	681,853	582,603
Over time	100,845	99,514
	<u>782,698</u>	<u>682,117</u>

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Device recycling income	681,853	582,603
Device subscription services	100,845	99,514
Revenue from contracts with customers	<u>782,698</u>	<u>682,117</u>
Lease income from device subscription services	159,900	140,274
Total revenue	<u>942,598</u>	<u>822,391</u>

5. OTHER INCOME

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest income	333	2,325
Government subsidies (<i>note</i>)	10,082	2,492
Compensation income from customers	3,051	3,790
Sundry income	108	—
	<u>13,574</u>	<u>8,607</u>

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

6. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest expenses on borrowings	23,050	19,427
Interest expenses on lease liabilities	563	413
	<u>23,613</u>	<u>19,840</u>

7. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Directors' emoluments	4,673	8,016
Depreciation of property, plant and equipment and right-of-use assets	138,389	128,739
Amortization of intangible assets	4,333	—
Gain on disposal of property, plant and equipment	(1,873)	(793)
Cost of inventories recognised as an expense	637,513	570,974
	<u>637,513</u>	<u>570,974</u>

8. INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax — the PRC		
(Credit)/charge for the period	(9)	61
Deferred tax	(3,530)	(804)
	<u>(3,539)</u>	<u>(743)</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is exempted from the Cayman Islands income tax.

No Hong Kong profits tax had been provided as there was no business operation that is subject to Hong Kong profits tax during the six months ended 30 June 2024 and 2023.

The income tax provision of the subsidiaries operating in the PRC has been calculated at the tax rate of 25% on the taxable income for the reporting period, except for LX Technology (Shenzhen) Co., Ltd. (“**LX Shenzhen**”) and certain subsidiaries, based on the existing legislation, interpretations and practices in respect thereof.

LX Shenzhen, a major operating entity of the Group in the PRC, was qualified as “High and New Technology Enterprises” in October 2017 which was subsequently renewed in November 2023 with a valid period of three years, and therefore LX Shenzhen is entitled to a preferential income tax rate of 15% for the six months ended 30 June 2024 and 2023. The latest approval for LX Shenzhen enjoying this tax benefit was obtained in November 2023 for the financial years of 2023, 2024 and 2025.

Certain subsidiaries in the PRC were qualified as “Small Low-profit Enterprise”. From 1 January 2022 to 31 December 2022, the first RMB1 million of profits of qualifying corporation are taxed 2.5%, and profits between RMB1 million and RMB3 million are taxed at 5%. From 1 January 2023 to 31 December 2027, the profits no more than RMB3 million are taxed 5%.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engage in research and development activities are entitled to claim 175% of the research and development expenses incurred in a year as tax deductible expenses in determining the taxable income for that year (“**Super Deduction**”). LX Shenzhen has claimed such Super Deduction in ascertaining its tax assessable profits for the six months ended 30 June 2024 and 2023.

9. DIVIDEND

No dividend was declared or paid by the Company since its incorporation in respect of the six months ended 30 June 2024 and 2023, nor any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(39,792)</u>	<u>(42,359)</u>
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss and diluted per share	<u>305,460,816</u>	<u>305,378,399</u>

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

The diluted loss per share is the same as the basic loss per share for the six months ended 30 June 2024 and 2023 because the Company's share options and share award outstanding during the period was anti-dilutive.

11. TRADE AND LEASE RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Trade and lease receivables		
— third parties	112,432	111,086
— related parties	4,131	7,630
	116,563	118,716
Less: allowance for expected credit losses	(17,766)	(12,738)
	98,797	105,978

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

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Within 3 months	68,164	87,645
More than 3 months but within 6 months	16,368	10,093
More than 6 months but within 1 year	10,880	6,177
Over 1 year	3,385	2,063
	98,797	105,978

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Trade payables	107,632	147,840
Other payables and accruals		
Accrued staff costs and retirement benefit scheme contributions	28,541	41,187
Advance from leasing customers under device subscription service	15,934	17,659
Other tax payables	1	2,322
Secured and other deposits received	8,129	6,853
Accrued expenses	3,786	4,260
Others	1,397	—
	<u>57,788</u>	<u>72,281</u>
	<u>165,420</u>	<u>220,121</u>
Represented by:		
— third parties	165,166	219,539
— related parties (<i>note</i>)	254	582
	<u>165,420</u>	<u>220,121</u>

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

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within 6 months	95,115	113,363
6–12 months	563	23,871
Over 1 year	11,954	10,606
	<u>107,632</u>	<u>147,840</u>

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

Hong Kong, 23 August 2024

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