凌雄科技
—BEAR TECHNOLOGY—

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2436

ANNUAL REPORT

2024

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Hu Zuoxiong
Mr. Chen Xiuwei
Mr. Cao Weijun

Non-executive Director
Mr. Li Jing

Independent Non-executive Directors
Ms. Xu Nailing
Mr. Yao Zhengwang
Mr. Zou Shenghe
(appointed with effect from 15 November 2024)
Mr. Kam Chi Sing
(resigned with effect from 15 November 2024)

AUDIT COMMITTEE

Mr. Zou Shenghe (Chairman)
(appointed with effect from 15 November 2024)
Ms. Xu Nailing
Mr. Yao Zhengwang
Mr. Kam Chi Sing
(resigned with effect from 15 November 2024)

REMUNERATION COMMITTEE

Mr. Yao Zhengwang (Chairman)
Mr. Hu Zuoxiong
Ms. Xu Nailing

NOMINATION COMMITTEE

Mr. Hu Zuoxiong (Chairman)
Ms. Xu Nailing
Mr. Yao Zhengwang

JOINT COMPANY SECRETARIES

Mr. Liu Yan
Ms. Cheung Ka Lun Karen

AUTHORISED REPRESENTATIVES

Mr. Hu Zuoxiong
Mr. Liu Yan

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Cheung Ka Lun Karen

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

501, 5th Floor
Cuilin Building
10 Kaifeng Road
Maling District, Meilin Street
Futian District
Shenzhen
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1918, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Zhonghui Anda CPA Limited
Certified Public Accountants
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon
Hong Kong

LEGAL ADVISOR

As to Hong Kong Laws
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China Limited
Shenzhen Branch
International Financial Building
No. 2022 Jianshe Road
Luohu District
Shenzhen
Guangdong
China

China Merchants Bank
Shenzhen Branch
China Merchants Bank Shenzhen
Branch Building
No. 2016 Shennan Boulevard
Futian District
Shenzhen
Guangdong
China

STOCK CODE

2436

WEBSITE

www.bearrental.com

Definitions

In this report, unless the context otherwise requires, the following expressions shall have the following meanings:

AGM	the annual general meeting of the Company to be convened and held on 6 June 2025
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Board
associate(s)	has the meaning ascribed thereto under the Listing Rules
Bear Family	Bear Family Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021
Beauty Bear	Beauty Bear Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021
Beauty Bear Employee Incentive Plan	the employee incentive plan consisting of the Beauty Bear Share Option Scheme and the RSA Scheme adopted by the Company pursuant to a resolution of the Board passed on 1 April 2022 and 17 October 2022
Beauty Bear Share Option Scheme	the share option scheme under the Beauty Bear Employee Incentive Plan adopted by the Board pursuant to the written resolutions passed on 1 April 2022
Board	the board of Directors
Board Committees	collectively the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
BVI	the British Virgin Islands
Capitalisation Issue	has the meaning ascribed to it in the Prospectus
CG Code	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
China or PRC	the People's Republic of China
Company	LX Technology Group Limited 凌雄科技集團有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability on 10 January 2022 and the Shares of which are listed on the Main Board (stock code: 2436)
controlling shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Director(s)	director(s) of the Company

Definitions

DLM	Device lifecycle management, comprising a broad portfolio of solutions covering major stages of the full lifecycle of an IT device, aiming at improving enterprises' return on investment in devices and ensuring devices function at their expected quality and efficiency
EBITDA	earnings before interest, taxes, depreciation and amortisation
Employee Incentive Plans	the Beauty Bear Employee Incentive Plan and the LX Brothers Employee Incentive Plan, collectively
ESG	environmental, social and corporate governance
Global Offering	has the meaning ascribed to it in the Prospectus
Group, we, us or our	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
IFRS	International Financial Reporting Standard
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
IT	information technology
JD or JD.com	JD.com, Inc., a leading supply chain-based technology and service provider, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 9618 (HKD counter) and 89618 (RMB counter)) and the American depositary shares of which are listed on NASDAQ (ticker symbol: JD)
JD Group	JD.com and its subsidiaries and consolidated affiliated entities
Joint Company Secretary(ies)	the joint company secretary(ies) of the Company
Listing	the listing of the Shares on the Main Board
Listing Date	the date of Listing, i.e. 24 November 2022
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Little Bear	Little Bear Technology Limited, a company incorporated in the BVI with limited liability on 5 November 2021

Definitions

LX Brothers	LX Brothers Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021
LX Brothers Employee Incentive Plan	the employee incentive plan adopted by our Company pursuant to the written resolutions of the Board passed on 23 March 2022
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum	the second amended and restated memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules
Mr. Hu	Mr. Hu Zuoxiong, our chairman, chief executive officer and executive Director and a substantial Shareholder
Mr. Hua	Mr. Hua Baocheng, a Shareholder and an employee of the Group
Nomination Committee	the nomination committee of the Board
Prospectus	the prospectus of the Company dated 14 November 2022
Remuneration Committee	the remuneration committee of the Board
Renminbi or RMB	the lawful currency of the PRC
RSA Scheme	the restricted share award scheme under the Beauty Bear Employee Incentive Plan adopted by a resolution of the Board on 1 April 2022 and amended by a resolution of the Board on 17 October 2022
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
SME	a small-and medium-sized enterprise with a number of employees under 5,000
Stock Exchange	The Stock Exchange of Hong Kong Limited
substantial shareholder	has the meaning as ascribed thereto under the Listing Rules

Definitions

Teeroy Trust	Teeroy Limited, the trustee holding the Shares on trust for the benefit of the participants of the Beauty Bear Employee Incentive Plan
Tricor Trust	Tricor Trust (Hong Kong) Limited, the trustee holding the Shares on trust for the benefit of the participants of the LX Brothers Employee Incentive Plan
Year	the year ended 31 December 2024

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2024, marking another year of resilience, innovation, and progress. 2024 carries special meaning — it marks two decades since our founding. Over the past 20 years, we have grown from a pioneering startup into a trusted leader in the device lifecycle management industry. This milestone is not only a celebration of our achievements, but also a powerful reminder of our continued commitment to innovation, service excellence and creating long-term value for our customers and partners.

As a leading device lifecycle management services provider, we continue to drive value across our three core business segments: device recycling, device subscription services, and IT technical services subscription services. Guided by our mission — "helping businesses operate with greater ease and efficiency" (讓企業輕鬆辦公) — we are committed to providing seamless, efficient, and sustainable IT solutions that empower businesses to operate with ease.

Year in Review: Financial and Operational Achievements

This past Year, we have made significant strides in strengthening our financial position and expanding our market influence. Our key achievements include but not limited to:

Revenue Growth — We recorded revenue for the Year in the amount of RMB2,371.7 million as compared to approximately RMB1,793.1 million for the corresponding period in 2023, representing an increase in approximately 32.3%. Our commitment to innovation and service excellence has translated into a notable increase in revenue, reinforcing our industry leadership.

Industry Recognition — While we continued to be recognised as a member of the National SME Public Service Demonstration Platform (國家中小企業公共服務示範平台) and one of the Specialized and New "Little Giant" Enterprises (專精特新"小巨人"企業) and was awarded the High-tech Enterprise Certificate (高新技術企業證書). During the Year, we are honoured to be recognised as an expert in the 2024 Shenzhen Standards Consulting Expert Database (2024年度深圳標準專家庫) by the Shenzhen Administration for Market Regulation (深圳市市場監督管理局), affirming our technical expertise and thought leadership. Additionally, our inclusion in the 2024 Shenzhen Top 500 Enterprises (2024年深圳企業500強) by Shenzhen Enterprise Confederation (深圳市企業聯合會) and Shenzhen Entrepreneur Association (深圳市企業家協會) is a testament to our growing influence and the trust placed in us by the market.

Looking Ahead: A Vision for Growth and Innovation

As we navigate an evolving digital landscape, our focus remains on driving innovation, enhancing customer experiences, and expanding our solutions. In response to the rising demand for AI-driven solutions, we have launched servers specialised for AI tasks, delivering enhanced performance and efficiency to support businesses in their digital transformation journey. Additionally, sustainability and circular economy principles will continue to be at the core of our business, ensuring that we not only deliver value to our customers but also contribute to a greener, more sustainable future.

Acknowledgements

I extend my heartfelt gratitude to our employees, partners and investors for their unwavering support. With a solid foundation and a forward-looking strategy, we are confident in our ability to achieve sustained growth and long-term success.

Hu Zuoxiong
Chairman
LX Technology Group Limited

Shenzhen, the PRC, 26 March 2025

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group has made significant strides in optimising our DLM business, reinforcing our commitment to efficiency, innovation and sustainability.

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

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

Our Business Model

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

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

- *Device subscription services.* Our device subscription services primarily include selecting IT devices (including brand-new devices and de-commissioned devices after refurbishment) suitable for users, assembling devices, pre-installing device configurations and customizing system settings. We offer tailor-made short-term and long-term device subscription services to satisfy our customers' needs for diverse business scenarios.

- *IT technical subscription services.* We offer IT technical subscription services primarily coupled with device subscription services and, to a lesser extent, on a standalone basis, primarily including solving problems in IT devices and keeping devices on the cutting edge of technology through system upgrades. We typically target small- and medium-sized enterprises for our subscription services.

Device recycling business

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

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

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

Device subscription business

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

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

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

IT technical subscription services

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

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

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

Future Outlook

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Device recycling income

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

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

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

Revenue from device subscription services

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

Revenue from IT technical subscription services

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

Revenue by geographical locations

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

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

Note:

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

Device recycling income

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

Device subscription services

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

IT technical subscription services

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

Other Income

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

Distribution and selling expenses

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

Administrative Expenses

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

Research and Development Expenses

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

Finance Costs

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

Income Tax Credit/(Expense)

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

Loss and Total Comprehensive Expense for the Year

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

Adjusted Loss

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

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

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

Non-IFRS Measures

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

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

Management Discussion and Analysis

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

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

Current Assets

As at 31 December 2024, the current assets of the Group were approximately RMB893.4 million, representing an increase of approximately 10.5% as compared with approximately RMB808.7 million as at 31 December 2023. As at 31 December 2024, the current ratio (current assets divided by current liabilities) of the Group was approximately 1.2 times (31 December 2023: approximately 1.3 times).

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

Our property, plant and equipment and right-of-use assets of the Group primarily consist of leased properties, equipment for subscription, office equipment, motor vehicles and lease improvement. The property, plant and equipment and right-of-use assets decreased from approximately RMB795.6 million as of 31 December 2023 to approximately RMB743.5 million as of 31 December 2024 due to the reduction in device purchases.

Inventories

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

Trade and Lease Receivables

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

Other Receivables, Deposits and Prepayments

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

Trade Payables

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

Other Payables and Accruals

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

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

LIQUIDITY AND CAPITAL RESOURCES

Our cash requirements are principally funded by cash generated from operations, net proceeds from the Global Offering (as defined in the Prospectus) and other debt financings.

Bank Balances and Cash

Our bank balance and cash consist of bank balances and cash and restricted deposits. Our bank balance and cash amounted to approximately RMB295.9 million as of 31 December 2024 (31 December 2023: approximately RMB416.6 million). The decrease in bank balance and cash as we allocated more fundings in business development. As at 31 December 2024, the Group's cash and cash equivalents were denominated in Renminbi, Hong Kong dollars and United States dollars.

Bank and Other Borrowings

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

All of our bank and other borrowings were subject to fixed interest rate. For the Year, the effective interest rates of the Group's borrowings ranged from 3.2% to 9.4% per annum (31 December 2023: 3.2% to 9.8% per annum). Our borrowings were all denominated in Renminbi and carried borrowing terms ranging from one year to three years.

Gearing Ratio

The calculation of gearing ratio is based on total debt for the year divided by total equity for the respective year and multiplied by 100.0%. The gearing ratio as at 31 December 2024 was 113.0% (as at 31 December 2023: 93.6%).

Significant Investments Held, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

Except for the plans disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 20 September 2024, in relation to the change of expected timeline and use of proceeds from Global Offering, relevant information is set out in the section headed "PROCEEDS FROM THE LISTING" in the "Director's Report" of this annual report. The Group has no future plan for material investments or capital assets during the Year. However, the Group will continue to identify new opportunities for business development.

Contingent Liabilities and Commitments

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

Foreign Exchange Risk

The Group conducts its business with most of the transactions settled in Renminbi, while a smaller portion is settled in Hong Kong dollars and US dollars. The Group will continue to keep track of the foreign exchange risk and take prudent measures and actions to mitigate exchange risk where necessary. The Group currently has not adopted any foreign currency hedging policies during the Year.

Employees and Remuneration Policy

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

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

In recognition of the contributions of our employees and to incentivise them to further promote our development, the Group also adopted the LX Brothers Employee Incentive Plan and the Beauty Bear Employee Incentive Plan.

EVENTS AFTER THE REPORTING PERIOD

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year (including sale of treasury shares (as defined in the Listing Rules)). As at 31 December 2024, the Company did not hold any treasury shares.

Profile of Directors and Senior Management

Executive Directors

Mr. Hu Zuoxiong (胡祚雄), aged 47, founded our Group in November 2004 and has been the chairman of the board, the chief executive officer and the director of our Group since our Group's establishment. He was appointed as our Director on 10 January 2022 and was re-designated as our executive Director on 24 March 2022. He is responsible for the overall management, operation and strategic planning of our Group.

Mr. Hu has extensive experience in the DLM industry and has more than 21 years of experience in corporate management, corporate governance and information technology industry. Owing to Mr. Hu's practical experience in digital transformation and upgrading in Internet+ and industrial internet, Mr. Hu was appointed as the visiting professor of Southwest Jiaotong University (西南交通大學) in the PRC since May 2018. Mr. Hu was also appointed as the vice president of China Association of Small and Medium Enterprises (中國中小企業協會) and Shenzhen Chamber of Commerce (深圳市商業聯合會) in July 2019 and May 2018, respectively.

Mr. Hu was named as one of the "Pioneers of Digital Transformation in China" (中國數字化轉型先鋒人物) in Harvard Business Review in November 2019. He was also named as one of the "Outstanding Innovative Development Leader" (傑出創新發展領袖) by Jingrongjie (金融界) in December 2023. In September 2020, a report setting out the success of the digital transformation of the Group led by Mr. Hu was named as a collected case by the Management Case Research Center of Guanghua School of Management (光華管理學院) of the Peking University (北京大學) in the PRC.

Mr. Hu obtained a junior college diploma of building materials engineering from Hubei Polytechnic University (湖北理工學院) in the PRC in June 1998.

Mr. Chen Xiuwei (陳修偉), aged 39, was appointed as the chief technology officer and the vice president of our Group in December 2019. He was appointed as our Director on 10 January 2022 and was re-designated as our executive Director on 24 March 2022. He is responsible for application of information technology and research and development of our Group.

Mr. Chen has about 14 years of experience in architecture design, algorithms, research and development of information systems, big data analysis and artificial intelligence. Prior to joining our Group, from July 2010 to April 2011, Mr. Chen served as an assistant researcher at Microsoft Research Asia (微軟亞洲研究院), an institute specialised in computer science and related technology researches, where he was primarily responsible for the system development. From April 2011 to August 2013, Mr. Chen served as chief technology officer and as one of the founders of several TMT (Technology, Media, Telecom) companies in the PRC, which he was primarily responsible for research and development. From August 2013 to August 2017, he served as the chief technology officer and vice president of NNK Group Limited, an online transaction services provider listed on the Main Board of the Stock Exchange (stock code: 3773), where he was primarily responsible for research and development. From September 2017 to December 2019, Mr. Chen served as the chief architect and project delivery director of South China Region of Shenzhen Qianhai No. 4 Paradigm Data Technology Co., Ltd. (深圳市前海第四範式數據技術有限公司), a company specialised in AI technology and related services, where he was primarily responsible for system development and project delivery.

Mr. Chen received a bachelor's degree in computer science and technology and a master's degree in computer software and theory from Sun Yat-Sen University (中山大學) in the PRC in June 2008 and in June 2010, respectively. He received the "Changchun Site — Gold Medal" for his participation in the ACM Asia Programming Contest in November 2007.

Mr. Cao Weijun (曹維軍), aged 37, was appointed as the general manager of the strategic customer center of our Group in March 2012. He was appointed as our Director on 10 January 2022 and was re-designated as our executive Director on 24 March 2022. He is primarily responsible for customer development and strategic business development of our Group.

Prior to joining our Group, from September 2008 to March 2012, Mr. Cao worked at China Investment Securities Co., Ltd. (中國中投證券有限責任公司), an investment bank and brokerage firm in the PRC.

Mr. Cao obtained a junior college diploma of biotechnology and applications from Wuhan University of Bioengineering (武漢生物工程學院) in the PRC in July 2008 and a bachelor's degree in computer science and skills from Northeast Normal University (東北師範大學) in the PRC in July 2022[1].

Non-executive Director

Mr. Li Jing (李靖), aged 44, was appointed as our non-executive Director on 28 March 2022. He is primarily responsible for providing insights for the management, operation and strategic planning of the Group.

Mr. Li joined JD.com in October 2014 and is currently the vice president of JD.com and the president of corporate business division of JD Retail, where he is primarily responsible for the development, operation and strategic planning of corporate retail businesses. Since joining JD.com, Mr. Li has continued to provide support to corporate customers by leading the construction of corporate focused supply chain, implementation of strategy-to-execution system and has successfully promoted innovative and indomitable team culture. During his job rotation to the strategic cooperation division of JD.com, he launched several benchmark strategic cooperation projects. Prior to joining JD.com, from March 2005 to October 2014, Mr. Li worked at Lenovo Group Ltd., a technology company listed on the Main Board of the Stock Exchange (stock code: 992).

Mr. Li obtained a bachelor's degree in engineering from the Northern Jiaotong University (北方交通大學) (now known as Beijing Jiaotong University (北京交通大學)) in the PRC in June 2002.

Mr. Li is an employee of JD.com, one of the substantial shareholders of the Company.

Independent non-executive Directors

Ms. Xu Nailing (徐乃玲), aged 59, was appointed as our independent non-executive Director on 27 September 2022. She is primarily responsible for providing independent advice on the operation and management of our Group.

Ms. Xu has over 31 years of experience in the finance and investment industry. From July 1986 to December 1992, Ms. Xu served at Finance College of China (中國金融學院), a subunit of the Head Office of the People's Bank of China, and China Rural Development Trust and Investment Corporation (中國農村發展信託投資公司). From April 1997 to December 2008, Ms. Xu worked in the Guangzhou branch of China Everbright Bank, which she was primarily responsible for operations management, internal audit and legal compliance matters. Ms. Xu joined Ping An Bank Co., Ltd. from January 2009 to September 2012 as the assistant to president of the Guangzhou Branch, deputy general manager of the head office of the audit and supervision department and the operational risk management department (Presided over the work), where she was responsible for auditing, supervising and evaluating the bank's operational management, financial capital, office security, legal compliance and risk management related work. From September 2012 to January 2021, Ms. Xu served in China Everbright International Ltd. (now known as China Everbright Environment Group Limited ("**CEE**")), a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 257), where she served various roles including the deputy chief finance director of CEE, the executive director of China Everbright Water Limited,

1 Obtained through long distance learning.

Profile of Directors and Senior Management

a company listed on the Main Board of Singapore Stock Exchange (Stock Code: U9E) and the Main Board of the Hong Kong Stock Exchange (stock code: 1857), and the director and finance director of Everbright Environmental Protection (China) Company Limited (光大環保(中國)有限公司), where she was primarily responsible for financial operations, investment budgeting, financing, intermediary agency management, risk management work, and serving as the chairman or committee member of multiple professional committees. Ms. Xu was appointed as an independent director of Herrel Environmental Protection Industrial Co., Ltd. on 30 August 2023, a company previously listed on the National Equities Exchange and Quotations (former stock code: 833896).

Ms. Xu holds the professional title of Chinese Senior Economist (Finance). Ms. Xu obtained a junior college diploma of Urban Finance from Harbin Finance College (哈爾濱金融高等專科學校) in the PRC in July 1986. Ms. Xu also obtained a bachelor's degree in finance from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 2004[2] and a master's degree in executive business management from Xiamen University (廈門大學) in the PRC in September 2015.

Mr. Yao Zhengwang (姚正旺), aged 50, was appointed as our independent non-executive Director on 11 April 2023. He is primarily responsible for providing independent views in relation to the operation, investments and management of the Group.

Mr. Yao has over 25 years of experiences in the investment and financial industry and the corporate governance of listed A-shares companies in the PRC. From July 1997 to May 2007, Mr. Yao successively served in various positions including office clerk, managers of the legal department, sales department and investment department, as well as a supervisor at Shenzhen New Asia Assets Development Company Limited* (深圳新亞洲實業發展有限公司). From May 2007 to June 2008, Mr. Yao served as the deputy office supervisor at Sino Life Insurance Company Ltd.* (生命人壽保險股份有限公司). Since May 2007, he successively served as a supervisor, chairman of the supervisory committee, the secretary of the board of directors and is currently a director of Shenzhen China Bicycle Company (Holdings) Limited (深圳中華自行車(集團)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000017.SZ; 200017.SZ). Since August 2012, Mr. Yao served as a director of Leshan City Commercial Bank Company Ltd.* (樂山市商業銀行股份有限公司) and is currently a supervisor. He is currently also a supervisor of Shenzhen Guosheng Energy Investment Development Company Limited* (深圳市國晟能源投資發展有限公司), a director of Jiaxing Zhishifang Food Technology Company Limited* (嘉興知食坊食品科技有限公司), a supervisor of each of Shenzhen Zhengrui Energy Technology Co., Ltd.* (深圳市正瑞能源技術有限公司), Shenzhen Longpeng Investment Co., Ltd.* (深圳市龍鵬投資有限公司) and Zhengda Energy Development (China) Co., Ltd.* (正大能源發展(中國)有限公司), as well as the general manager of Jilin Fude Investment Holding Co., Ltd.* (吉林省富德投資控股有限公司).

Mr. Yao obtained a bachelor's degree in laws from the Shantou University (汕頭大學) in the PRC in 1997. He also obtained the certificate of secretary of the board (董事會秘書資格證書) issued by the Shenzhen Stock Exchange in November 2010 and the completion certificate of the training for senior management of listed issuers (上市公司高級管理人員培訓結業證書) issued by the China Securities Regulatory Commission in November 2007.

[2] Obtained through long distance learning.

Mr. Zou Shenghe (鄒盛和), aged 58, was appointed as an independent non-executive Director with effect from 15 November 2024, where he is primarily responsible for providing independent views in relation to the operation, investments and management of the Group.

Mr. Zou has over 43 years of experiences in financial management. From 1982 to 2005, Mr. Zou successively served in various positions including manager and financial person in charge in various companies in Hubei and Shenzhen. Mr. Zou served as the financial director from 2005 to 2010 and the chairman of the supervisory committee from 2010 to 2015 at Shenzhen Danbond Technology Co., Ltd. (深圳丹邦科技股份有限公司), a company previously listed on the Shenzhen Stock Exchange (SZSE stock code: 002618; CCASS stock code: 72618). In 2015, Mr. Zou joined Dongguan Banrin Robot Technology Co., Ltd.* (東莞市本潤機器人科技股份有限公司) ("**Banrin Robot**"), a company previously listed on the National Equities Exchange and Quotations (stock code: 870887), and successively acted as a director and the chairman of the board. Mr. Zou is currently a director of Banrin Robot.

Mr. Zou obtained a junior college diploma in financial management from Hubei Radio and Television University (湖北廣播電視大學) in 1986.

SENIOR MANAGEMENT

Mr. Jiang Zeli (蔣澤立), aged 42, joined our Group as the chief financial officer and vice president in September 2019. He is primarily responsible for and overseeing the financial management of our Group.

Mr. Jiang has 22 years of experience in audit, accounting, financial management and financial reporting of listed companies. Prior to joining our Group, from July 2004 to July 2009, he served in an accounting firm, where he was primarily responsible for listed companies audit-related work. From March 2010 to December 2014, he served as finance manager at Tang Palace (China) Holdings Ltd. (唐宮(中國)控股有限公司), a restaurant operations and food productions company listed on the Main Board of the Stock Exchange (stock code: 1181) and Shenzhen Jiameixuan Catering Co., Ltd. (深圳嘉美軒餐飲有限公司), a subsidiary of Kaisa Group Holdings Ltd. (stock code: 1638) which operates chained catering businesses, respectively, where he was responsible for overseeing the financial management and accounting functions of the company. From December 2014 to May 2019, he served as deputy director of finance at Shenzhen Zhaobangji Group Co., Ltd. (深圳兆邦基集團有限公司), a company specialises in commercial property development and provision of property management services, where he was primarily responsible for overseeing the financial management and functions of the company.

Mr. Jiang has been a certified public accountant in the PRC since December 2012. He obtained a bachelor's degree in accountancy from Sun Yat-Sen University (中山大學) in the PRC in June 2004.

Mr. Liu Yan (劉炎), aged 34, was appointed as the secretary to the board and general manager of the funding center in August 2018. He was appointed as a joint company secretary of the Company on 21 March 2022. Mr. Liu is responsible for and overseeing the corporate financing and company secretarial matters of our Group.

Mr. Liu has extensive experience in corporate financing and debt financing. Prior to joining our Group, from April 2014 to March 2015, he served as customer relationship manager at the Shenzhen branch of China Everbright Bank Co., Ltd, which is listed on the Shanghai Stock Exchange (stock code: 601818.SH) and the Main Board of the Stock Exchange (stock code: 6818), where he was primarily responsible for corporate financing businesses. From April 2015 to August 2018, he served as the deputy director of the finance centre of Shenzhen Zhengwei (Group) Co., Ltd., one of the Fortune Global 500 companies, where he was primarily responsible for debt financing businesses.

Mr. Liu has been a member of CPA Australia since July 2024. Mr. Liu obtained the certificate of Secretary of the Board (董事會秘書資格證書) issued by the Shenzhen Stock Exchange in April 2021. He also obtained qualification from China Futures Association to act as futures practitioner in November 2015, qualification from Securities Association of China to act as funds practitioner in May 2016 and qualification from Asset Management Association of China to act as securities practitioner in June 2016, respectively. Mr. Liu obtained a bachelor's degree in international economics and trading from Anhui University of Technology (安徽工業大學) in the PRC in June 2012. He subsequently obtained a Master's degree in international trading and finance from University of Glasgow in the United Kingdom in December 2013.

JOINT COMPANY SECRETARIES

Mr. Liu Yan (劉炎), aged 34, was appointed as a joint company secretary of the Company on 21 March 2022. For the biographical details of Mr. Liu, please see "Senior Management — Mr. Liu Yan (劉炎)" in this annual report.

Ms. Cheung Ka Lun Karen (張嘉倫), aged 35, was appointed as a joint company secretary of the Company on 26 July 2022. Ms. Cheung is a manager of company secretarial services department of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Cheung has over eight years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cheung is currently the joint company secretary of Global New Material International Holdings Limited (stock code: 6616) and JOINN Laboratories (China) Co., Ltd. (stock code: 6127), both of which are listed on the Main Board of the Stock Exchange.

Ms. Cheung is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Cheung obtained her degree of Bachelor of Business Administration (Honours) from City University of Hong Kong in July 2011.

* *For identification purposes only*

Corporate Governance Report

The Board is pleased to present the corporate governance report for the annual report for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTISES

The Company aims to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of the Shareholders. The Group has adopted the code provisions in the CG Code 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 code provisions as set out in Part 2 of the CG Code during the Year.

Pursuant to code provision C.2.1 of the CG 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 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.

The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

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. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Code during the Year.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee or a director or employee of a subsidiary or holding company, who, because of his/her office or employment, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision D.2.4(e) of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Year after making reasonable enquiry.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Composition of the Board

As at 31 December 2024 and up to the date of this annual report, the Board comprised seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Members of the Board are listed below:

Member of the Board	Position	Date of appointment
Executive Directors		
Mr. Hu Zuoxiong	Chairman of the Board, chief executive officer and executive Director	10 January 2022
Mr. Chen Xiuwei	Executive Director, chief technology officer and vice president	10 January 2022
Mr. Cao Weijun	Executive Director and general manager of the strategic customer center	10 January 2022
Non-executive Director		
Mr. Li Jing	Non-executive Director	28 March 2022
Independent Non-executive Directors		
Ms. Xu Nailing	Independent non-executive Director	27 September 2022
Mr. Yao Zhengwang	Independent non-executive Director	11 April 2023
Mr. Zou Shenghe	Independent non-executive Director	15 November 2024

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Biography of each Director is set out in the section headed "Profile of Directors and Senior Management" of this annual report. Save as disclosed in the section headed "Profile of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Independent Non-executive Directors

During the Year, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors exceeds one third of the number of the Board members.

The Company has received a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of Ms. Xu Nailing, Mr. Yao Zhengwang and Mr. Zou Shenghe, being the independent non-executive Directors as at 31 December 2024 and the Company confirms it considers that each of them to be independent for the purpose of Rule 3.13 of the Listing Rules during the Year.

Appointment and Re-election of Directors

The code provision B.2.2 of the CG Code stipulates that every director should be subject to retirement by rotation at least once every three years. The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

Each of the executive Directors has entered into a service agreement with the Company for a term of three years starting from the Listing Date, which may be terminated by not less than thirty days' notice in writing served by either party on the other.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years from the Listing Date or the date of appointment, which may be terminated by not less than one month's notice in writing served by either party on the other.

Article 26.4 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 26.3 of the Articles, any new director appointed to fill a causal vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election.

Mr. Zou Shenghe, who was appointed as an independent non-executive Director with effective from 15 November 2024, attended a training on the same day pursuant to Rule 3.09D of the Listing Rules covering the requirements under the Listing Rules as a director of a listed company and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Zou Shenghe has confirmed his understanding of the information provided by the legal adviser and his obligations as a director of a listed issuer.

Training and Continuous Professional Development

Directors should participate in appropriate continuing professional development to develop and refresh their knowledge and skills. The Company has arranged training or provided the Directors with reading material on relevant topics. Each Director has been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practises. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

All the Directors as at 31 December 2024, namely, Mr. Hu Zuoxiong, Mr. Chen Xiuwei, Mr. Cao Weijun, Mr. Li Jing, Ms. Xu Nailing, Mr. Yao Zhengwang and Mr. Zou Shenghe have complied with code provision C.1.4 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills during the Year.

Training received by the Directors during the Year are summarised below:

Directors	Types of Training (Note)
Mr. Hu Zuoxiong	A,B
Mr. Chen Xiuwei	A,B
Mr. Cao Weijun	A,B
Mr. Li Jing	B
Ms. Xu Nailing	B
Mr. Yao Zhengwang	B
Mr. Zou Shenghe (appointed with effect from 15 November 2024)	A

Note: Types of training

A Attending briefing(s) and/or seminar(s) and/or conference(s)

B Reading materials relating to directors' duties and responsibilities

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the Year.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

As at 31 December 2024, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, ZHONGHUI ANDA CPA Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in this annual report.

Board Meetings and General Meetings

The Board shall hold at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged when required. Notices for all regular Board meetings will be given to all Directors at least 14 days before the meetings and the agenda and accompanying Board paper will be given to all Directors at least 3 days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by one of the Joint Company Secretaries with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution shall abstain from voting for that resolution.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. The Board has also established mechanisms to ensure independent views are available to the Board, including providing the Directors with sufficient resources to perform its duties and shall seek, at the Company’s expense, independent professional advice to perform its responsibilities if necessary. All independent non-executive directors are invited to attend the meetings of the Board and the Board Committees, communication channels to the management and the Joint Company Secretaries are also available at all times. The Board shall at all times comprise at least three independent non-executive Directors that represent at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement. All the Directors, including the independent non-executive Directors, will be given equal opportunity and channels to communicate and express their views to the Board and have separate and independent access to the management of the Group in order to make informed decisions. The chairman of the Board will hold meetings with the independent non-executive Directors without the involvement of other Directors at least annually to discuss any issues and concerns. Any Director or his/her associate who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than by written resolutions. Such Director will be required to declare his/her interests before the meeting and abstain from voting and not counted towards the quorum on the relevant resolutions. Independent non-executive Directors who, and whose associates, have no interest in the matter should attend the Board meeting. The Board will review regularly as to whether the mechanisms are effective in ensuring that independent views and input are provided to the Board.

During the Year, the Company held four Board meetings and one annual general meeting. The attendance record of each director at such meetings is set out in the table below:

Attendance/number of meetings held

Name of Directors	Board Meetings	General Meeting
Mr. Hu Zuoxiong	4/4	1/1
Mr. Chen Xiuwei	4/4	1/1
Mr. Cao Weijun	4/4	1/1
Mr. Li Jing	4/4	1/1
Ms. Xu Nailing	4/4	1/1
Mr. Yao Zhengwang	4/4	1/1
Mr. Zou Shenghe (appointed with effect from 15 November 2024)	N/A	N/A
Mr. Kam Chi Sing (resigned with effect from 15 November 2024)	4/4	1/1

BOARD COMMITTEES

Audit Committee

As at 31 December 2024, the Audit Committee consists of three independent non-executive Directors, namely Mr. Zou Shenghe, Ms. Xu Nailing and Mr. Yao Zhengwang. Mr. Zou Shenghe and Ms. Xu Nailing served as the chairman and chairlady of the Audit Committee since 15 November 2024 and for the period from 1 January 2024 to 15 November 2024, respectively. Each of Mr. Zou Shenghe and Ms. Xu Nailing holds the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to: (i) assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems and internal audit of our Group; (ii) overseeing the audit process and performing other duties and responsibilities as assigned by the Board. For further details, please refer to the written terms of reference of the Audit Committee which are available on the websites of the Company and the Stock Exchange.

During the Year, the Audit Committee held five meetings to review annual and interim financial results and reports and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor. The attendance record of the members of the Audit Committee is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Zou Shenghe (appointed with effect from 15 November 2024)	1/1
Ms. Xu Nailing	5/5
Mr. Yao Zhengwang	5/5
Mr. Kam Chi Sing (resigned with effect from 15 November 2024)	4/4

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Yao Zhengwang, Mr. Hu Zuoxiong and Ms. Xu Nailing, the majority of them are independent non-executive Directors. Mr. Yao Zhengwang serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but are not limited to: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time; and (iv) reviewing and approving matters required to be reviewed and/or approved by the Remuneration Committee under Chapter 17 of the Listing Rules. For further details, please refer to the written terms of reference of the Remuneration Committee which are available on the websites of the Company and the Stock Exchange.

During the Year, three meetings of the Remuneration Committee were held. The attendance record of the members of the Remuneration Committee is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Yao Zhengwang	3/3
Mr. Hu Zuoxiong	3/3
Ms. Xu Nailing	3/3

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Hu Zuoxiong, Ms. Xu Nailing and Mr. Yao Zhengwang, the majority of them are independent non-executive Directors. Mr. Hu serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but are not limited to: (i) reviewing the structure, size and composition of our Board; (ii) assessing the independence of independent non-executive Directors; (iii) making recommendations to our Board on matters relating to the appointment of Directors; and (iv) review the Board Diversity Policy and its implementation.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the Year, two meetings of the Nomination Committee were held. The attendance record of the members of the Nomination Committee is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Hu Zuoxiong	2/2
Ms. Xu Nailing	2/2
Mr. Yao Zhengwang	2/2

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the objective and approach to achieve diversity of the Board. The Group recognises the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Group's strategic objectives and sustainable development. The Group seeks to achieve diversity of our Board through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender and age. The Directors have a balanced mix of experiences, including operation and management of technology companies, investment, corporate retail, risk management, finance and funding, auditing and tax. Furthermore, the ages of our Directors range from 37 year old to 59 year old. In terms of gender diversity, during the Year, one of our seven Directors are female. Therefore, the Company considers that it has achieved gender diversity at the Board level during the Year and targets to maintain at least a 10% female representation at the Board level.

The Nomination Committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis.

The Company targets to increase the female representation at the Board level to at least 20% within three years. Furthermore, with a view to develop a pipeline of potential successors to our Board in accordance with the Company's board diversity policy, our Group will (i) continue to apply the principle of appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff at a mid to senior level with regard to the benefits of gender diversity; and (iii) engage more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board in light of our strategic needs and the industry in which we operate with the aim of promoting them to the Board in a few years' time.

EMPLOYEE DIVERSITY

The Group insists on the principle of fairness and voluntariness in recruitment, and does not impose any restrictive requirements on gender, ethnicity, nationality and region. The indicators on employees of the Group, including senior management, as at 31 December 2024 are set out below:

Indicator	As at 31 December 2024 Number of persons	As at 31 December 2024 Percentage of total number of employees
Gender		
Male employees	703	72.5%
Female employees	267	27.5%
Age		
Employees aged 30 and under	437	45.0%
Employees aged from 31 to 40	469	48.4%
Employees aged 41 or above	64	6.6%

As at 31 December 2024, all the members of our senior management are male. The biographical details of our senior management are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

The Group encourages gender diversity across its workplace and is committed to increase the proportion of female employees at all levels. The employment profile of the IT industry is traditionally male-dominated. Considering the nature of business operations of the Group, the Group targets to maintain at least the current gender ratio across the workforce with an ultimate goal to achieve gender parity. As at 31 December 2024, the Group has not encountered any difficulty in recruitment of staff in both genders.

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practises such that a diverse range of candidates are considered. The Group has also established talent management and training programmes to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practises on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practises on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

JOINT COMPANY SECRETARIES

As at 31 December 2024, Mr. Liu Yan and Ms. Cheung Ka Lun Karen were the Joint Company Secretaries. The primary responsibilities of the Joint Company Secretaries include supporting the Board in business transactions, ensuring good communication and flow of information within the Board and the compliance of the policies and procedures of the Board, and advising the Board on governance matters, assisting newly appointed Director to his/her new position and overseeing the trainings and continuous professional development of the Directors. Ms. Cheung Ka Lun Karen is a manager of company secretarial services department of Tricor Services Limited, an external services provider. Her primary contact person at the Company is Mr. Liu Yan, a Joint Company Secretary. According to Rule 3.29 of the Listing Rules, each of the Joint Company Secretaries has confirmed that they have taken no less than 15 hours of professional trainings to update their skills and knowledge for the Year. The biographical details of Mr. Liu Yan and Ms. Cheung Ka Lun Karen are set out in the section headed "Profile of Directors and Senior Management" of this annual report.

AUDITORS

The financial statements contained in this annual report have been audited by ZHONGHUI ANDA CPA Limited. The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services is set out below:

Services rendered	Amount (RMB'000)
Audit services	2,200
Non-audit services	400
Total	**2,600**

The fees payable under non-audit services included the review of the interim results of the Group for the six months ended 30 June 2024. The statement of the external auditors of the Company about its reporting responsibilities for the consolidated financial statements is set out in the independent auditors report of this annual report on page 72.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining sound and effective internal controls and risk management system to safeguard the Shareholders' investment and the Group's assets at all times. The Board oversees the issuer's risk management and internal control systems on an ongoing basis, and conduct a review of the effectiveness of the Group's risk management and internal control systems at least annually. The review covers all material controls, including financial, operational and compliance controls, in order to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of Group's accounting, internal audit, financial reporting functions, as well as those relating to its ESG performance and reporting. The Group maintains internal manuals setting out operating procedures, internal control procedures and other policies and guidelines. The Group also adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as IT, financial reporting, compliance, and human resources. The Company has established an internal audit mechanism for risk management, which is also an internal control monitoring and evaluation mechanism, i.e. the audit department is responsible for monitoring and evaluating risk management and internal control.

The Group has formulated and adopted risk management policy to provide direction in identifying, evaluating and managing significant risks. The main features of the risk management processes include risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting. Further details in relation to the main features of our risk management systems are as follows:

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licences and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Asset Security Risk Management

We are exposed to asset security risk with our device subscription services as customers may damage or lose our IT devices, or we are unable to reclaim actual control or possession of the IT devices. During the Year, we experienced certain incidents of loss or damage to our devices from customers during the subscription period, who indemnified us of RMB6.5 million (31 December 2023: RMB7.2 million), which were included in our other income. In order to mitigate the risk, we have developed a risk control system model that integrates an online intelligent credit profile review system and an offline manual assistance mechanism to assess customers' credibility and potential risks. In specific, our risk management team manages our customers and assesses their credit risk through our online intelligent credit profile review system according to customers' respective risk profiles, and only those who pass the risk assessment can enroll for our device subscription service. We also manually review the actual office address of our customers. When delivering and providing maintenance on IT devices to customers, we conduct on-site inspection to the customers' office space in order to assess and manage the risks attributable to our customers, and decide whether to recover IT devices in advance when necessary. If the customer causes any loss or damage to our devices during the subscription period, we would take various measures, including claiming compensation and offering customers the option to buy out the lost or damaged device.

Credit Risk Management

We are exposed to the credit risks associated with our DLM business. In order to mitigate the credit risks and ensure the collectability of trade and lease receivables in our transactions, we have delegated a team responsible for determination of credit limits and credit approvals, and have adopted credit risk measures to review and monitor our trade and lease receivables from time to time, including implementing security measures and monitoring procedures on customers. Before accepting any new customers, we use Bear Big Data Intelligent Credit Granting Platform (小熊大數據智能授信平台V1.0), a proprietary software, to assess the creditworthiness of potential customers and determine their appropriate credit limits individually. The line of credit and scoring attributed to customers are reviewed regularly in order to effectively monitor our customers. These procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time. In addition, in order to manage our exposure to credit risk, we have adopted credit management policies and procedures that are reviewed and updated by our risk management team in conjunction with other relevant departments. We have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings. However, we cannot assure that we are able to collect all trade and lease receivables.

The Board confirms that it is responsible for the Group's risk management and internal control systems and regularly reviews the effectiveness of such systems; acknowledges that such risk management and internal control systems are designed to manage the risks associated with the achievement of business objectives but not to eliminate the risk of failure to achieve business objectives; and can only make reasonable rather than absolute assurance that no material misstatement or loss will result. A review of the effectiveness of the Group's risk management and internal control systems, including financial, operation and compliance controls, will be conducted by the Board at least annually.

In terms of anti-bribery and anti-corruption, we have implemented specific policies and internal control measures against corruption and bribery, which set forth procedures for identifying potential corruption, implementing relevant anti-corruption procedures and setting out anti-corruption responsibilities for relevant personnel. We strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and anti-corruption policies.

The Company also has a whistle-blowing policy under which the human resources department investigate and report 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.

DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIVIDEND POLICY

The Company has adopted the Dividend Policy which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The Dividend Policy aims to allow the Shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. Declaration of the dividends is subject to the discretion of our Directors, depending on the following factors:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

There is no assurance that dividends will be declared and paid in the amount set out in any plan of the Board or at all. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

SHAREHOLDERS' RIGHTS

The Company believes that effective communication with Shareholder is essential to enhance investor relations and to keep investors informed of the Group's business performance and strategies. The Company has established various and a wide range of communication channels with Shareholders, including general meeting, annual results and interim results, annual and interim reports, announcements and circulars and performance conference. To facilitate the communication between the Company and investors, the Company holds meetings, briefings and roadshows with investors and analysts from time to time. Shareholders may make enquires with the Company through channels mentioned below, and provide comments and recommendations to the Directors or managements at any time. Upon receipt of written enquiries from Shareholders, the Company will make actual responses to the Shareholders as soon as possible.

In addition, the Company updates its website from time to time to keep the Shareholders update of the recent development of the Company. The Company endeavours to maintain an ongoing dialogue with Shareholders. At the annual general meeting, the Directors (or their delegates as appropriate) will be available to meet with the Shareholders and answer their enquiries. During the Year, all corporate communications and regulatory announcements were published by the Company on its website and the website of the Stock Exchange in a timely manner. Based on a review of the initiatives taken as mentioned above, the Board considers that the shareholders communication policy is effective during the Year.

Procedures for Shareholders to convene an extraordinary general meeting

According to Articles 17.4 and 17.5 of the Articles of Association, general meetings can be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carrying the right to vote at general meetings of the Company. The requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong. If within 21 days of such deposit the Directors fail to proceed to convene such meeting the requisitionist(s) himself (themselves) may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

Procedures and contact details for putting forward proposals at Shareholders' meeting

The annual general meeting and other general meetings provide an important opportunity for Shareholders to express their views and the Company encourages and promotes Shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of the management team and external auditors of the Company will attend annual general meetings to answer Shareholders' questions.

Shareholders attending the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limited to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

The procedures by which enquiries may be put to the Board and sufficient contact details to enable these enquires to be properly directed.

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Tricor Investor Services Limited, at:

Address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

To contact the Company in relation to your query about the Company, the contact details are as follows:

Address:	501, 5th Floor, Cuilin Building, 10 Kaifeng Road, Maling District, Meilin Street, Futian District, Shenzhen, China; attention to Capital Center
Email:	ir@lxrental.com

INVESTOR RELATIONS AND COMMUNICATIONS

The Company recognises the importance of effective communication with its Shareholders and investors to enhance investor relations and understanding of the Group's business performance and strategies. The Company is committed to maintaining an ongoing dialogue with its Shareholders through various means of communication. The Company has set up a website at www.bearrental.com as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company via mail to our principal place of business in the PRC or via email at ir@lxrental.com. The Company will deal with all enquiries in a timely and appropriate manner but will not normally deal with verbal or anonymous enquiries.

The Board considers that its existing communication channels with its Shareholders and investors are effective in facilitating ongoing communication and dialogue between Shareholders and the Company. In line with the Company's commitment to transparency and accountability, the Board will continue to review and improve its communication policies and practises to ensure that the Shareholders' interests are safeguarded and their voices are heard.

CONSTITUTIONAL DOCUMENTS

A special resolution was passed in the annual general meeting of the Company held on 21 June 2024, among others, to amend certain provisions of the existing Memorandum and Articles of Association. For details, please refer to the circular of the Company dated 26 April 2024 and the announcement of the Company dated 21 June 2024. The Memorandum and Articles of Association are available on the website of the Company (www.bearrental.com) and the website of the Stock Exchange (http://www.hkexnews.hk).

Directors' Report

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the sales of refurbished de-commissioned IT devices to, among others, resellers of IT devices, and the provision of device and IT technical subscription services to SMEs in China, as a DLM solution provider.

The activities and particulars of the Company's subsidiaries are shown under note 32 to the consolidated financial statements in this annual report. An analysis of the Group's business and financial performance for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and note 1 to the consolidated financial statements.

RESULTS

The consolidated results of the Group for the Year are set out on pages 73 to 163 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the Year (2023: nil). There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

The AGM will be convened and held on Friday, 6 June 2025. Notice of the AGM will be published and issued to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 3 June 2025 to Friday, 6 June 2025, both days inclusive, during which period no transfer of shares will be registered. The record date for determining the entitlement of the Shareholders to attend and vote at the AGM will be on Friday, 6 June 2025. In order to be eligible to attend, speak and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Monday, 2 June 2025 for registration. Shareholders whose names appear on the register of members of the Company on Friday, 6 June 2025 are entitled to attend, speak and vote at the AGM.

BUSINESS REVIEW

A review of the Group's business during the Year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTY

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not currently known to the Group or which may not be material now but could turn out to be material in the future.

Instability of the gross margin for our device recycling business

The gross margins of our device recycling business primarily reflect the difference between the prices at which we procured the de-commissioned devices and at which we subsequently sold them. Gross margins of our device recycling business depend on factors which are out of our control, such as customer demand for particular type and condition of devices, the price of IT devices in second-hand market, the demands for replacing de-commissioned devices and growing ESG awareness in China. In addition, we cannot guarantee that the technology adopted by de-commissioned IT devices and devices for subscription we purchase can always satisfy customers' evolving needs.

Uncertainties brought by usage and demand of DLM solutions and our targeted markets in China

China's DLM market is still at an early stage in its development. The future growth of our business depends on (i) the penetration rate of the IT device subscription services market; (ii) level of acceptance of third-party IT technical subscription services providers for device maintenance; (iii) the degree of digitalisation for device management among SMEs in China; and (iv) the demands for replacing de-commissioned devices and growing ESG awareness in China. If there is a reduction in demand for our services caused by weakening economic conditions, decreases in corporate spending, technical challenges, data security or privacy concerns, governmental regulation, competing technologies and solutions or services or otherwise, our business, growth and prospects will be materially and adversely affected.

Pricing and sensitivity to economic downturns of our target customers

We may need to decrease prices of our services to stay competitive. Our customers have no obligation to renew their subscriptions for our services after expiration of the initial subscription period or IT technical subscription services for our DLM solutions on our desired terms. In addition, our customers are primarily SMEs from a variety of industries. SMEs, as our target group of customers, may be more sensitive and vulnerable to economic downturns due to their less competitive market position. If a number of our SMEs customers experience severe difficulties in their operations, or if they are unfortunately forced to close down as a result of economic downturn, our financial performance and future business growth could be materially and adversely affected.

Financial Risk

The Group's activities expose it to a variety of financial risks. For details of the financial risk management of the Group, please refer to note 33 to the consolidated financial statements.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group recognises the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. By providing employees with an ideal working environment and opportunities for sustainable development, the Group and our employees improve and grow together. More details of our relationship with employees are set out in the section headed "Human Resources" in this annual report.

The Group maintains a good relationship with its customers and suppliers. We devote ongoing efforts to enhance customer satisfaction and improve service quality by maintaining a dedicated customer support and service team focused on real-time problem-solving and maintenance of our IT equipment with the ultimate goal of improving user experience and increasing customer stickiness. We also value collaboration with our business partners to achieve win-win solution. More details could be found in the section headed "Major Suppliers and Customers" in this annual report.

The Board believes effective communication and timely information disclosure builds the Shareholders' and investors' confidence, and also facilities the flow of constructive feedback that are beneficial for investor relations and future corporate development. For more details, please refer to the section headed "Corporate Governance Report" in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 164 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the Group's largest customer accounted for 14.5% of the Group's total revenue while the Group's five largest customers accounted for 38.9% of the Group's total revenue.

During the Year, the Group's largest supplier accounted for 11.3% of the Group's total purchase while the Group's five largest suppliers accounted for 37.0% of the Group's total purchase.

At no time during the Year have the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the top five customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Details of the movements in property, plant and equipment and right-of-use assets of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Year are set out in the consolidated statements of changes in equity and note 29 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's distributable reserves were RMB509.5 million (31 December 2023: RMB544.2 million).

BORROWINGS

As at 31 December 2024, the Group's bank borrowings were RMB531.2 million (31 December 2023: RMB455.0 million) and other borrowings were RMB278.0 million (31 December 2023: RMB237.2 million).

CHARGES OF ASSETS

As at 31 December 2024, certain Group's borrowings are secured by IT devices with net book value of approximately RMB60.9 million (31 December 2023: RMB97.8 million).

DIRECTORS

The Directors during the Year and up to the date of this annual report were as follows:

Executive Directors

Mr. Hu Zuoxiong *(Chairman and Chief Executive Officer)*
Mr. Chen Xiuwei
Mr. Cao Weijun

Non-executive Director

Mr. Li Jing

Independent Non-executive Directors

Ms. Xu Nailing
Mr. Yao Zhengwang
Mr. Zou Shenghe (appointed with effect from 15 November 2024)
Mr. Kam Chi Sing (resigned with effect from 15 November 2024)

In accordance with article 26.3 of the Articles of Association, Mr. Zou Shenghe who was appointed as an independent non-executive Director with effect from 15 November 2024 and shall hold office only until the AGM and, being eligible, has offered himself for re-election at the AGM.

In accordance with article 26.4 of the Articles of Association, Mr. Chen Xiuwei and Mr. Cao Weijun shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be made available on the respective websites of the Company and the Stock Exchange as and when appropriate.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 26 in the section headed "Profile of Directors and Senior Management" to this annual report.

Saved as disclosed in this annual report, as at the date of this annual report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules and none of the Directors or senior management had any relationship with any other Directors or senior management.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three year, which may be terminated by not less than thirty days' notice in writing served by either party on the other.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than one month's notice in writing served by either party on the other.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

MANAGEMENT CONTRACTS

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

CHARITABLE DONATIONS

The Group did not make charitable donations during the Year.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has put in place a Directors' and senior management's remuneration policy to determine the remuneration packages of Directors and senior management. The objective of remunerating the Directors and senior management is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee the Group's business and development.

The remuneration of Directors and senior management is determined with reference to the skills and knowledge of the Directors and senior management, their job responsibilities and level of involvement in the Group's affairs, the performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions. Remuneration comprise salaries, allowances, benefits in-kind, performance related bonus, retirement benefits scheme contributions and share options or share awards.

Details of the emoluments of the Directors and chief executive and the respective remuneration of the five highest paid individuals for the Year are set out in notes 12 and 13 to the consolidated financial statements.

The remuneration payable to members of senior management by band for the Year is set out below:

Remuneration level (RMB)	Number of persons
0–500,000	–
500,001–1,000,000	1
1,000,001–1,500,000	1

For the Year, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived or agreed to waive any emoluments for the Year.

HUMAN RESOURCES

The Group had 970 employees as at 31 December 2024, as compared to 1,143 employees as at 31 December 2023. The reduction in employees was a result of the Group's strategic workforce optimisation efforts aimed at improving our operational efficiency. The Group introduced process automation to streamline redundancies and enhance productivity. As part of our human resources strategy, we offer employees remuneration consisting of salaries, performance-based bonuses, and other incentives including participation in employee incentive plans, all of which are determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The Group is concerned about both the career development and self-development of its employees, and has provided on-board training for all of our employees as well as periodic training and seminars. We also strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential.

EMPLOYEE INCENTIVE PLANS

1. LX Brothers Employee Incentive Plan

On 23 March 2022, the Company adopted the LX Brothers Employee Incentive Plan.

a. Purpose

The LX Brothers Employee Incentive Plan is a share incentive scheme and is established to recognise the contribution of the employees of our Group towards its growth and success. The LX Brothers Employee Incentive Plan will provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (i) encourage the eligible participants to contribute to our Group for the long-term benefits of our Company; and (ii) provide our Group with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

b. Participants

Any director, employee or senior management employee of the Group, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom the designated committee of the Board considers, in its absolute discretion, have contributed or will contribute to our Group are eligible to participate in the LX Brothers Employee Incentive Plan.

c. Maximum number of Shares

The total number of Shares in respect of which options may be transferred under the LX Brothers Employee Incentive Plan is such number of Shares, representing no more than 6.0% of the issued share capital of the Company upon the Capitalisation Issue and completion of the Global Offering, (i.e. 21,195,540 Shares). 17,880,602 Shares in aggregate, representing approximately 5.06% of the issued Shares as at the date of this annual report, was allotted and issued to LX Brothers, which is wholly owned by Tricor Trust, an Independent Third Party and the trustee holding the Shares on trust for the benefit of the participants of the LX Brothers Employee Incentive Plan. No additional Shares will be issued in respect of the options granted and no options are available for further grant under the LX Brothers Employee Incentive Plan.

d. ***Maximum entitlement of each participant***

There was no maximum entitlement for each participant under the LX Brothers Employee Incentive Plan. However, none of the grantee was granted with options which would result in the Shares granted to such individual under the Employee Incentive Plans representing in the aggregate more than 1% of the Shares issued as at the date of grant.

e. ***Exercise period***

The exercise period of the options under the LX Brothers Employee Incentive Plan shall be determined by the committee of the Board, provided that the exercise period shall not be more than ten years from the date of grant.

f. ***Amount payable on acceptance of the option***

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

g. ***Exercise price and basis of determining the exercise price***

The exercise price per Share in respect of any particular option granted under the LX Brothers Employee Incentive Plan shall be determined by the committee of the Board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per Share.

h. ***Duration***

The LX Brothers Employee Incentive Plan will remain in force for a period commencing from the adoption date and expiring on the date immediately after the date which is 10 years after the Listing Date (being 24 November 2022), i.e. 25 November 2032. As at the date of this annual report, the remaining life of the LX Brothers Employee Incentive Plan is approximately 7 years and 7 months.

In recognition of the contributions made by the employees of our Group towards our growth and success, a total of 102 eligible participants accepted the Company's offer of options to subscribe for an aggregate of 6,622,445 Shares (adjusted to 17,880,602 Shares upon the Capitalisation Issue), representing approximately 5.06% of the issued Shares as at the date of this annual report, at an exercise price of HK$0.01 per Share. Such exercise price was determined based on the nominal value of the Share. As the Shares were not listed yet at the date of grant, the Shares had no closing price on the date immediately before the options were granted. Details of these participants and movements of the options granted during the Year are as follows:

Categories of grantee	Date of grant	Outstanding balance as at 1 January 2024	Granted during the Year	Exercised during the Year	Vested during the Year	Cancelled during the Year	Lapsed during the Year	Balance as at 31 December 2024
Employee participants								
1. Directors								
Mr. Hu	1 April 2022	2,868,968[(1)]	–	–	717,242	–	–	2,868,968
Mr. Chen Xiuwei	1 April 2022	1,350,754[(2)]	–	–	675,377	–	–	1,350,754
2. Five Highest Paid Individuals								
Five highest paid individuals other than the Directors	1 April 2022	2,194,131[(1)]	–	–	548,533	–	–	2,194,131
3. Other Employees								
Employees other than the Directors and the five highest paid individuals	1 April 2022	11,409,849[(3)]	–	–	3,508,815[(4)]	–	40,017	11,369,832
Total		17,823,702	–	–	5,449,967	–	40,017	17,783,685

Notes:

(1) Subject to the vesting conditions stated in note (5) being met, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.

(2) Subject to the vesting conditions in note (5) being met, 50% of the options shall vest on each of the first and second anniversary of the date of grant.

(3) Subject to the vesting conditions stated in note (5) being met, out of these 11,409,849 options granted, (i) for 1,296,000 options, 75% of the options shall vest on the first anniversary of the date of the grant and the remaining 25% of the options shall vest on the second anniversary of the date of grant; (ii) for 2,625,376 options, 50% of the options shall vest on each of the first and second anniversary of the date of grant; and (iii) for 7,488,473 options, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.

(4) Among these 3,508,815 options vested, 844 options were lapsed after the resignation of the relevant employees according to the terms of the LX Brothers Employee Incentive Plan, such amount has also been included in the total number of options lapsed during the Year.

(5) The Company will undergo a comprehensive assessment on the performance of the grantees an annual basis, where the grantee is ranked level S or A, all of the options of the current anniversary will be vested; where the grantee is ranked level B, only 50% of the options of the current anniversary will be vested; where the grantee is ranked any level below level B, no options of the current anniversary will be vested.

(6) Save as disclosed above, the options are not subject to any other exercising conditions or performance targets.

In relation to the estimated fair value of the options granted and the accounting standard and policy adopted, please refer to note 39 to the consolidated financial statements.

2. Beauty Bear Employee Incentive Plan

On 1 April 2022, the Company adopted the Beauty Bear Employee Incentive Plan. The Beauty Bear Employee Incentive Plan consists of a share option scheme (i.e. the Beauty Bear Share Option Scheme) and a restricted share award scheme (i.e. the RSA Scheme). 30,000,000 Shares in aggregate, representing approximately 8.49% of the issued Shares as at the date of this annual report, was allotted and issued to Beauty Bear, which is wholly owned by Teeroy Trust.

2.1. Beauty Bear Share Option Scheme

a. *Purpose*

The Beauty Bear Share Option Scheme was adopted by the Board pursuant to the written resolutions passed on 1 April 2022. It was established to recognise and acknowledge the contributions that the eligible participants had or may have made to our Group. The Beauty Bear Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company with a view to (i) encourage the eligible participants to contribute to our Group for the long-term benefits of our Company; and (ii) provide our Group with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

b. *Participants*

Any director, employee or senior management employee of the Group, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom the designated committee of the Board considers, in its absolute discretion, have contributed or will contribute to our Group are eligible to participate in the Beauty Bear Share Option Scheme.

c. *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Beauty Bear Share Option Scheme shall not in aggregate exceed 10% of the issued Shares immediately after completion of the Global Offering, i.e. 35,325,900 Shares, representing approximately 10% of the total issued Shares of the Company as at the date of this annual report.

d. *Maximum entitlement of each participant*

Pursuant to Rule 17.03D of the Listing Rules, to the extent any grant of an option or award to an eligible individual would result in the Shares issued or to be issued in respect of all options and awards granted to such individual under the Employee Incentive Plans (excluding any options and awards that have been lapsed in accordance with the terms of the Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued Shares, such grant must be separately approved by the shareholders of the Company with such individual and his/her close associates (or associates if such individual is a connected person) abstaining from voting.

e. *Exercise period and vesting period*

The exercise period of the options shall be 10 years from the date of grant. Subject to the terms of the Beauty Bear Share Option Scheme, 25% of the options shall vest on the first anniversary of the date of grant, 25% of the options shall vest on the second anniversary of the date of grant, 25% of the options shall vest on the third anniversary of the date of grant and 25% of the options shall vest on the fourth anniversary of the date of grant.

f. *Amount payable on acceptance of the option*

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

g. *Performance target*

Subject to the applicable provisions of the Listing Rules, options may be granted on such terms and conditions in relation to their vesting, exercise or otherwise (e.g., by linking their vesting to the achievement of certain performance targets and/or their exercise to the attainment or performance of milestones by any member of our Group, the grantee or any group of eligible participants) as the committee of our Board may in its sole and absolute discretion determine.

h. *Exercise price and basis of determining the exercise price*

The exercise price per Share in respect of any particular option granted under the Beauty Bear Share Option Scheme shall be determined by the committee of our Board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per Share, subject to applicable Listing Rules.

i. *Duration*

The Beauty Bear Share Option Scheme shall be valid and effective for the period commencing on the adoption date and expiring on the day immediately after the date which is 10 years after the Listing Date (being 24 November 2022), i.e. 25 November 2032. As at the date of this annual report, the remaining life of the Beauty Bear Share Option Scheme is approximately 7 years and 7 months.

j. *Number of options available for grant*

The number of Shares in respect of which options are available for grant under the Beauty Bear Share Option Scheme as at 1 January 2024 and as at 31 December 2024 was 35,325,900.

From the adoption date of the Beauty Bear Share Option Scheme and up to 31 December 2024, no option has been granted or agreed to be granted under the Beauty Bear Share Option Scheme.

2.2. The RSA Scheme

a. *Purpose*

The RSA Scheme was adopted by the Board pursuant to the written resolutions passed on 1 April 2022 and amended by written resolutions passed on 17 October 2022. It was established to encourage certain Directors, employees to contribute to our Group for the long-term benefits of our Company and the Shareholders as a whole and provide our Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants of the RSA Scheme.

b. *Participants*

Any Director, employee or any other person that, in the opinion of the designated committee of the Board in its sole and absolute discretion, will contribute materially to the successful operation of our Group are eligible to participate in the RSA Scheme.

c. *RSA Awards*

An award under the RSA Scheme (the "**Award(s)**") gives a participant a conditional right when the Award vests to obtain Shares on or about the date of vesting, as determined by the committee of the Board in its absolute discretion. An Award may include, if so specified by the committee of our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

d. *Maximum entitlement of each participant*

Pursuant to Rule 17.03D of the Listing Rules, to the extent any grant of an option or award to an eligible individual would result in the Shares issued or to be issued in respect of all options and awards granted to such individual under the Employee Incentive Plans (excluding any options and awards that have been lapsed in accordance with the terms of the Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued Shares, such grant must be separately approved by the shareholders of the Company with such individual and his/her close associates (or associates if such individual is a connected person) abstaining from voting.

e. *RSA Scheme limit*

No Award shall be granted pursuant to the RSA Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the RSA Scheme (excluding the Awards that have lapsed or been cancelled in accordance with the rules of the RSA Scheme) will exceed 10% of the number of Shares in issue from time to time, i.e. 35,325,900 Shares as at 31 December 2024, representing approximately 10% of the total issued Shares as at the date of this annual report.

f. *Exercise period and vesting period*

The exercise period of the Awards shall be 10 years from the date of grant. The relevant vesting period shall be determined by the designated committee of the Board and such committee shall transfer to and vest in any participant of the RSA Scheme the legal and beneficial ownership of the Shares in award to which such selected participant is entitled under the relevant award as soon as practicable after the latest of (a) the vesting date as specified in the relevant award shares agreement; and (b) where applicable, the date on which the condition(s) and/or performance target(s) to be attained or paid by such selected participant as specified in the relevant award shares agreement have been attained or paid.

g. *Amount payable on acceptance of the Awards*

Upon acceptance of the Awards, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

h. *Performance target*

A Participant may be required to achieve any performance targets as our Board may then specify in the Award.

i. *Vesting price and basis of determining the vesting price*

Where applicable, the vesting price per Share in respect of any particular Award granted under the RSA Scheme shall be determined by the committee of the Board and included in the letter to the grantee containing the offer of Awards, which could be a fixed or variable figure with reference to various factors as determined by the committee of our Board, subject to applicable Listing Rules.

j. *Duration*

The RSA Scheme shall be valid and effective for the period of 10 years commencing on the adoption date of the RSA Scheme, being 1 April 2022, but may be terminated earlier as determined by the Board in accordance with the terms of the RSA Scheme. As at the date of this annual report, the remaining life of the RSA Scheme is approximately 6 years and 11 months.

k. *Number of Awards available for grant*

The number of Shares in respect of which Awards are available for grant under the RSA Scheme as at 1 January 2024 and as at 31 December 2024 were 29,325,900 and 25,243,424, respectively.

The Group has granted Awards on 1 April 2022, 12 January 2024 and 15 November 2024, respectively, at vesting price of HK$0.01 per Share. Such vesting price was determined based on the nominal value of the Share. Details of the participant and movements of the Awards granted during the Year are as follows:

Categories of Grantee	Date of grant	Outstanding balance as at 1 January 2024	Granted during the Year	Purchased during the Year	Vested during the Year	Cancelled during the Year	Lapsed during the Year	Outstanding balance as at 31 December 2024
1. Directors								
Mr. Chen Xiuwei	12 January 2024	–	10,500(1)(5)(6)	–	–	–	–	10,500
Mr. Cao Weijun	12 January 2024	–	19,500(1)(5)(6)	–	–	–	–	19,500
2. Participant with awards granted exceeding the 1% individual limit								
Mr. Hua	1 April 2022	6,000,000(2)(4)(7)	–	3,000,000	1,500,000(11)	–	–	3,000,000
3. Five Highest Paid Individuals								
Five highest paid individuals other than grantees disclosed on individual basis	12 January 2024	–	429,000(1)(5)(8)	–	–	–	–	429,000
	15 November 2024	–	39,000(3)(5)(6)	–	–	–	–	39,000
4. Other Employees								
Employees other than above disclosed	12 January 2024	–	2,792,389(1)(5)(9)	–	–	–	55,300	2,737,089
	15 November 2024	–	847,987(3)(5)(6)	–	–	–	600	886,387
Total		**6,000,000**	**4,138,376**	**3,000,000**	**1,500,000**	**–**	**55,900**	**7,082,476**

Notes:

(1) The closing price on the date immediately before the Awards were granted (i.e. 11 January 2024) was HK$7.45.

(2) As the Shares were not listed yet at the date of grant, the Shares had no closing price on the date immediately before the Awards were granted.

(3) The closing price on the date immediately before the Awards were granted (i.e. 14 November 2024) was HK$3.60 per Share.

(4) The Company will undergo a comprehensive assessment on the performance of the grantee on an annual basis, where the grantee is ranked level S or A, all of the Awards of the current anniversary will be vested; where the grantee is ranked level B, only 50% of the Awards of the current anniversary will be vested; where the grantee is ranked any level below level B, no Awards of the current anniversary will be vested. Subject to the aforesaid vesting conditions being met, the Awards shall vest on each of the first, second, third and fourth anniversary of the date of grant.

(5) The Company will undergo a comprehensive assessment on the performance of the grantee on an annual basis, where the grantee is ranked level S, A or B, all of the Awards of the current anniversary will be vested; where the grantee is ranked level C, only 50% of the Awards of the current anniversary will be vested; where the grantee is ranked any other levels, no Awards of the current anniversary will be vested.

(6) Subject to the vesting conditions being met, the Awards shall vest on the first anniversary of the date of grant.

(7) Subject to the vesting conditions being met, the Awards shall be vested in four equal tranches on each of the first, second, third and fourth anniversary of the date of grant.

(8) Subject to the vesting conditions being met, out of these 429,000 Awards granted, (i) 29,000 Awards shall be vested on the first anniversary of the date of grant; and (ii) 400,000 Awards shall be vested in three tranches (50%, 25% and 25%) on each of the first, second and third anniversary of the date of grant.

(9) Subject to the vesting conditions being met, out of these 2,792,389 Awards granted, (i) 669,700 Awards shall be vested on the first anniversary of the date of grant; (ii) 1,220,000 Awards shall be vested in two equal tranches on each of the first and second anniversary of the date of grant; (iii) 100,000 Awards shall be vested in three tranches (50%, 25% and 25%) on each of the first, second and third anniversary of the date of grant; and (iv) the remaining 802,689 Awards shall be vested in four equal tranches on each of the first, second, third and fourth anniversary of the date of grant.

(10) Save as disclosed above, all Awards granted are not subject to any other performance targets.

(11) The weighted average closing price of the Shares immediately before the date on which the awards were vested (i.e. 1 April 2024) was HK$5.90.

In relation to the estimated fair value of the Awards granted and the accounting standard and policy adopted, please refer to note 39 to the consolidated financial statements.

As at 31 December 2024, no additional Shares may be issued in respect of the options and Awards granted under all Employee Incentive Plans.

RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("**MPF Scheme**") for the employees in Hong Kong. The contributions to the MPF Scheme are based on a minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income or a maximum contribution of HK$1,500 for employees earning more than HK$30,000 per month. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the relevant schemes. As of 31 December 2024, no forfeited contribution under these retirement benefits schemes is available to reduce the contribution payable in future years. Further details in relation to the retirement benefits schemes are set out in note 30 to the consolidated financial statements.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2024, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of ordinary shares interested(1)	Approximate percentage in the Company's issued share capital
Mr. Hu	Interest in controlled corporations(2)(3)	94,170,773 Shares (L)	26.66%
	Beneficial owner(4)	2,868,968 Shares (L)	0.81%
	Total	97,039,741 Shares (L)	27.47%
Mr. Chen Xiuwei	Beneficial owner(4)(5)	1,361,254 Shares (L)	0.39%
Mr. Cao Weijun	Beneficial owner(5)	19,500 Shares (L)	0.01%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Bear Family is interested in 75,107,558 Shares and Bear Family is wholly owned by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Bear Family.

(3) Little Bear is interested in 19,063,215 Shares. Mr. Hu controls the entire voting rights of Little Bear. As such, by virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Little Bear.

(4) Each of Mr. Hu and Mr. Chen Xiuwei has been granted options with respect to 2,868,968 and 1,350,754 outstanding Shares under the LX Brothers Employee Incentive Plan. These Shares are currently held by Tricor Trust. For details, please refer to the section headed "Employee Incentive Plans — 1. LX Brothers Employee Incentive Plan" in this annual report.

(5) Each of Mr. Chen Xiuwei and Mr. Cao Weijun has been granted Awards with respect to 10,500 and 19,500 outstanding Shares under the RSA Scheme. These Shares are currently held by Teeroy Trust. For details, please refer to the section headed "Employee Incentive Plans — 2.2 The RSA Scheme" in this annual report.

Interest in shares of associated corporation

Name of Director	Associated corporation	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding interest
Mr. Hu	Bear Family	Beneficial owner	1 share (L)	100%
	Little Bear	Beneficial owner	878 shares (L)	8.78%
		Interest in a controlled corporation	9,122 shares (L)	91.22%
		Total	10,000 shares (L)	100%

Note:

(1) The letter "L" denotes the person's long position in the shares of the associated corporation.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2024, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DEBENTURES

The Company did not issue any debentures for the Year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year were there any rights to acquire benefits by means of the purchase of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no subsisting arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 31 December 2024, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested[1]	Approximate percentage in the Company's issued share capital
Bear Family	Beneficial owner	75,107,558 Shares (L)	21.26%
Hunan TV and Broadcast Intermediary Co., Ltd. (湖南電廣傳媒股份有限公司) ("**Hunan TVBI**")	Interest in controlled corporations[2]	46,335,877 Shares (L)	13.12%
Shenzhen Dachen Caizhi Venture Capital Investment Management Co., Ltd. (深圳市達晨財智創業投資管理有限公司) ("**Dachen Management**")	Interest in controlled corporations[3]	46,335,877 Shares (L)	13.12%
Shanghai Tongyun Information Technology Partnership (LLP) (上海通韞信息技術合夥企業 (有限合夥)) ("**Shanghai Tongyun**")	Interest in controlled corporations[4]	32,941,239 Shares (L)	9.32%
UBS Trustees (B.V.I.) Limited	Trustee[5]	39,589,868 Shares (L)	11.21%
Mr. Liu Qiangdong Richard ("**Mr. Liu**")	Beneficiary of a trust[5]	39,589,868 Shares (L)	11.21%
Mr. Chen Wei	Interest in a controlled corporation[6]	36,896,591 Shares (L)	10.45%
Shenzhen Oriental Fortune Investment Management Co., Ltd. (深圳市東方富海投資管理股份有限公司) ("**Shenzhen OFC Investment**")	Interest in a controlled corporation[6]	36,896,591 Shares (L)	10.45%
Beauty Bear	Beneficial owner[7]	27,000,000 Shares (L)	7.64%
Little Bear	Beneficial owner[8]	19,063,215 Shares (L)	5.40%
Mr. Hua	Interest in a controlled corporation[9]	18,528,528 Shares (L)	5.25%
	Beneficial owner[10]	6,000,000 Shares (L)	1.70%
	Total	24,528,528 Shares (L)	6.94%
LX Brothers[11]	Beneficial owner	17,880,602 Shares (L)	5.06%

Directors' Report

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dachen Management is ultimately owned as to 55% by Hunan TVBI. By virtue of the SFO, Hunan TVBI is deemed to be interested in the Shares held by Dachen Management.

(3) Shanghai Tong Yun Xin Xi Ji Shu Company Limited ("**Dachen Chuangtong BVI**"), Shanghai Jing Zhe Xin Xi Ji Shu Company Limited ("**Dachen Chuangjing BVI**") and Shanghai Yuanzhe Enterprise Management Partnership (LLP) (上海元輒企業管理合夥企業 (有限合夥)) ("**Dachen Chuangyuan ODI**") hold 32,941,239 Shares, 8,656,664 Shares and 4,737,974 Shares, respectively. Dachen Management is the sole general partner of Dachen Chuangtong BVI, Dachen Chuangjing BVI and Dachen Chuangyuan ODI.

(4) Dachen Chuangtong BVI is wholly-owned by Shanghai Tongyun. By virtue of the SFO, Shanghai Yongyun is deemed to be interested in the Shares held by Dachen Chuangtong BVI.

(5) Tigris Innovation Limited ("**JD BVI**") which holds 39,589,868 Shares is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. JD.com is controlled, in terms of voting power, as to approximately 71.7% by Mr. Liu mainly through Max Smart Limited and Fortune Rising Holdings Limited as at 15 October 2024. Max Smart Limited is a BVI company beneficially owned by Mr. Liu through a trust and of which Mr. Liu is the sole director. Fortune Rising Holdings Limited is a company incorporated in the BVI and holds shares of JD.com for the purpose of transferring such shares to the plan participants under JD.com's share incentive plan, and administers the awards and acts according to JD.com's instruction. Fortune Rising Holdings Limited exercises the voting power with respect to these shares according to JD.com's instruction. Mr. Liu is the sole shareholder and the sole director of Fortune Rising Holdings Limited.

(6) Shanghai Yujun Enterprise Management Partnership (LLP) (上海譽竣企業管理合夥企業(有限合夥)) ("**Shanghai Yujun**") holds 36,896,591 Shares and was managed by Shenzhen Oriental Fortune SME Development Fund Equity Investment Management Co., Ltd.(深圳市富海中小企業發展基金股權投資管理有限公司) ("**Shenzhen OFC**") as its sole general partner and SME Development Fund (Shenzhen Nanshan LLP) (中小企業發展基金(深圳南山有限合夥)) ("**SME Fund**") is the only limited partner which holds more than one-third of the interest in Shanghai Yujun. SME Fund was also managed by Shenzhen OFC, which in turn was owned as to 51% by Shenzhen OFC Investment. Shenzhen OFC Investment was ultimately beneficially owned by Mr. Chen Wei.

(7) The entire issued share capital of Beauty Bear is held by Teeroy Trust, who was entrusted by the Company to hold such Shares for the Beauty Bear Employee Incentive Plan.

(8) Little Bear is owned as to 8.78% by Mr. Hu, 51.56% by Mr. He Jingwei, 24.91% by Mr. Tang Youyuan and 14.75% by Mr. Cao Weijun, among whom Mr. Hu subscribed for the voting shares and the other shareholders subscribed for the non-voting shares. As the voting rights of Little Bear are exercised by Mr. Hu, by virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Little Bear. For details of interests held by Mr. Hu, please refer to the section headed "Interests of Directors and Chief Executive in Securities — Interest in Shares or Underlying Shares of the Company" in this annual report.

(9) Gold Bear Technology Limited is wholly owned by Mr. Hua. By virtue of the SFO, Mr. Hua is deemed to be interested in the Shares held by Gold Bear Technology Limited.

(10) Mr. Hua has been granted 6,000,000 Awards with equal number of underlying Shares under the RSA Scheme, among which 3,000,000 underlying Shares had been exercised during the Year. The remaining underlying Shares unexercised were held by Teeroy Trust (see note (7) above). For details, please refer to the section headed "Employee Incentive Plans — 2. Beauty Bear Employee Incentive Plan — 2.2. The RSA Scheme" in this annual report.

(11) The entire issued share capital of LX Brothers is held by Tricor Trust, who was entrusted by our Company to hold such Shares for the purpose of the LX Brothers Employee Incentive Plan.

Save as disclosed herein, as at 31 December 2024, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

MATERIAL INTERESTS OF DIRECTORS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions" in note 37 to the consolidated financial statements, no Director or any entity connected with the Directors was materially interested in, either directly or indirectly, any transactions, arrangements or contracts of significance relating to the business of the Company to which the Company or any of its subsidiaries is a party for the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

LOAN AND GUARANTEE

During the Year, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders or their respective connected persons.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at 31 December 2024, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders or any of its subsidiaries, and no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries was entered into during the Year.

CONNECTED TRANSACTIONS

During the Year, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its continuing connected transactions. Details of the relevant continuing connected transactions are as follows:

Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements

1. Subscription Services

On 25 October 2022, the Company entered into a subscription services framework agreement (the "**Subscription Services Framework Agreement**") with Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司) ("**Beijing JD**"), pursuant to which the Group agreed to provide device subscription services and IT technical subscription services to JD Group (the "**Subscription Services**") and charge certain subscription fee for a term commencing from the Listing Date to 31 December 2024.

The fees to be charged for the Subscription Services shall be determined on arm's length basis with reference to (i) the anticipated costs (including but not limited to labor costs and equipment costs); and (ii) the fee charged by us for providing comparable services to Independent Third Parties.

For the year ended 31 December 2024, the transaction amount in respect of the Subscription Services Framework Agreement amounted to approximately RMB5.0 million, which is within the annual cap (as revised from time to time) of RMB13.0 million.

2. Purchase of Devices

On 25 October 2022, the Company entered into a purchase framework agreement (the "**Purchase Framework Agreement**") with Beijing JD, pursuant to which the Group will purchase from JD Group certain new and second-hand devices, including but not limited to desktop, laptop computers, printers and photocopiers for a term commencing from the Listing Date to 31 December 2024.

The purchase prices of the devices will be determined on arm's length basis with reference to the prevailing market price of the similar devices the Group pays to Independent Third Parties.

For the year ended 31 December 2024, the transaction amount in respect of the Purchase Framework Agreement amounted to approximately RMB17.0 million, which is within the annual cap of RMB50.0 million.

3. *Marketing, Promotion and Maintenance Services*

On 25 October 2022, our Company entered into a master marketing, promotion and maintenance services framework agreement (the "**Marketing, Promotion and Maintenance Services Framework Agreement**") with Beijing JD, pursuant to which JD Group agreed to provide certain marketing, promotion and maintenance services to our Group, which mainly include advertising and promotion services, and customer acquisition services (the "**Marketing, Promotion and Maintenance Services**") for a term commencing from the Listing Date to 31 December 2024.

The fees to be charged for the Marketing, Promotion and Maintenance Services will be determined after arm's length negotiations with reference to the prices published by JD Group on their websites and charged to other customers for providing similar services.

For the year ended 31 December 2024, the transaction amount in respect of the Marketing, Promotion and Maintenance Services Framework Agreement amounted to approximately RMB2.4 million, which is within the annual cap of RMB30.0 million.

Beijing JD is ultimately controlled by JD.com, the controlling shareholder of one of our substantial shareholders, JD BVI. Beijing JD is an associate of JD BVI. Therefore, it is a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the (i) Subscription Services Framework Agreement, (ii) Purchase Framework Agreement and (iii) Marketing, Promotion and Maintenance Services Framework Agreement constitute continuing connected transactions for our Group under Chapter 14A of the Listing Rules.

On 27 December 2024, the Board resolved to renew each of the Subscription Services Framework Agreement, the Purchase Framework Agreement and the Marketing, Promotion and Maintenance Services Framework Agreement (collectively, the "**Framework Agreements**"), each for a term commencing from the 1 January 2025 to 31 December 2027. The major terms and the purpose for entering each of the Framework Agreements remain unchanged and the annual caps for each of the Framework Agreements were updated. For details, please refer to the announcement of the Company dated 27 December 2024.

Save as disclosed above, during the year ended 31 December 2024, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

Confirmations

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the Year and confirm the transactions thereunder had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their letter confirming that nothing has come to their attention that causes them to believe that the Group's continuing connected transactions disclosed in this annual report:

a. have not been approved by the Board;

b. were not, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;

c. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. have exceeded the annual caps as set by the Company.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Year are set out in note 37 to the consolidated financial statements.

During the Year, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

MATERIAL LITIGATION

During the Year, the Group was not engaged in any material litigation or arbitration which could have a material effect on its financial condition or results of operations. So far as the Directors are aware, no such litigation or arbitration of material importance is pending or threatened against the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year (including sale of treasury shares (as defined under the Listing Rules)). As at 31 December 2024, the Company did not hold any treasury shares.

PROCEEDS FROM THE LISTING

The Shares were successfully listed on the Stock Exchange on the Listing Date, and 353,259,000 Shares were issued. After deduction of underwriting fees and related expenses, the net proceeds from the Listing were approximately HK$338.1 million (approximately RMB307.9 million) (the "**Net Proceeds**").

On 20 September 2024, the Board has resolved to (i) allocate approximately RMB131.97 million of the unutilised Net Proceeds to a new sub-category of "To fund the procurement and/or bidding of de-commissioned IT devices for our device recycling business" under the major category of "To improve customer experience to satisfy the evolving customer demands"; (ii) remove the restriction that approximately 20% of the total purchase price of the relevant IT devices will be paid using the Net Proceeds under the sub-category of "(i) To expand the scale of IT devices under our management and develop DLM solutions and services for different scenarios, such as digital printing solutions and integrated cloud-based conferencing solutions, etc." under the major category of "To improve customer experience to satisfy the evolving customer demands" pursuant to the Prospectus; and (iii) move forward the timeline for full utilisation of the Net Proceeds to 31 March 2025. For further details, please refer to the announcement of the Company dated 20 September 2024 (the "**UOP Announcement**").

An analysis of the utilisation of the Net Proceeds is set out below:

	Planned use of Net Proceeds as set out in the Prospectus (RMB million)	Unutilised as at 1 January 2024 (RMB million)	Utilised Net Proceeds from 1 January 2024 and up to the date of the UOP Announcement (RMB million)	Unutilised Net Proceeds after the revised allocation as set out in the UOP Announcement (RMB million)	Net Proceeds utilised during the Year (RMB million)	Unutilised as at 31 December 2024 (RMB million)	Expected timeline for full utilisation
To improve customer experience to satisfy the evolving customer demands:	**138.55**	**92.49**	**35.48**	**145.54**	**181.02**	**0.00**	**–**
(i) To expand the scale of IT devices under our management and develop DLM solutions and services for different scenarios, such as digital printing solutions and integrated cloud-based conferencing solutions, etc.	92.37	56.28	29.13	13.57	42.71	0.00	–
(ii) To continue to refurbish and upgrade de-commissioned IT devices to extend their service life and upgrade their performance and improve customer experience	30.79	21.60	5.41	0.00	5.41	0.00	–
(iii) To improve our technical service capabilities, recruit technical professionals with extensive technical service experience and provide professional training to the team, increase the coverage of service personnel in core cities and CBDs, and address customers' demand in a more responsive manner in these regions	15.39	14.61	0.93	0.00	0.93	0.00	–
(iv) To fund the procurement and/or bidding of de-commissioned IT devices for our device recycling business	–	–	–	131.97	131.97	0.00	–

	Planned use of Net Proceeds as set out in the Prospectus (RMB million)	Unutilised as at 1 January 2024 (RMB million)	Utilised Net Proceeds from 1 January 2024 and up to the date of the UOP Announcement (RMB million)	Unutilised Net Proceeds after the revised allocation as set out in the UOP Announcement (RMB million)	Net Proceeds utilised during the Year (RMB million)	Unutilised as at 31 December 2024 (RMB million)	Expected timeline for full utilisation
To expand customer base and our market share in targeted markets:	**76.98**	**63.75**	**20.62**	**12.80**	**27.24**	**6.18**	**30 June 2025** (Note)
(i) To expand our elite sales team and improve the training system for sales team to strengthen our sales network, expand our services in core cities and CBDs, and expand our customer base of growing enterprises	38.49	30.96	18.16	12.80	24.78	6.18	30 June 2025 (Note)
(ii) To enhance our brand awareness and industry influence through online and offline marketing and brand promotion, and increase awareness and engagement of customers	38.49	32.79	2.47	0.00	2.47	0.00	–
– to increase our online customer acquisition by engaging in search engines and social media advertising	27.71	23.38	1.86	0.00	1.86	0.00	–
– to cover our increased advertising expenditure to strengthen our brand awareness	10.78	9.41	0.61	0.00	0.61	0.00	–
For system upgrade and product development:	**46.18**	**44.56**	**1.28**	**0.00**	**1.28**	**0.00**	**–**
(i) To further enhance technology capabilities and upgrade system infrastructure to improve our operational efficiency, asset management efficiency and asset utilisation rate	33.87	32.25	1.28	0.00	1.28	0.00	–
– to recruit research and development staff	29.25	28.47	1.15	0.00	1.15	0.00	–
– to invest in system server resources and software license fee	4.62	3.77	0.13	0.00	0.13	0.00	–
(ii) To upgrade and enhance the functionalities of our SaaS products by introducing features such as IoT technology and intelligent inventory counts to cover more business and application scenarios for enterprises to manage the full lifecycle of fixed assets	6.16	6.16	0.00	0.00	0.00	0.00	–
– to recruit IoT engineers and IoT product managers and pay for their salaries	4.00	4.00	0.00	0.00	0.00	0.00	–
– to purchase smart hardware devices, related consumables and server resources	2.16	2.16	0.00	0.00	0.00	0.00	–
(iii) To co-develop customer service portals with third-party business partners with the core capabilities of the DLM system through standard technical interfaces, so that third party business partners can provide DLM solutions on their own platforms	6.16	6.16	0.00	0.00	0.00	0.00	–
– to recruit research and development staff and pay for their salaries	4.62	4.62	0.00	0.00	0.00	0.00	–
– to purchase designated devices for the development of customers service portals with third-party business partners	1.54	1.54	0.00	0.00	0.00	0.00	–

	Planned use of Net Proceeds as set out in the Prospectus (RMB million)	Unutilised as at 1 January 2024 (RMB million)	Utilised Net Proceeds from 1 January 2024 and up to the date of the UOP Announcement (RMB million)	Unutilised Net Proceeds after the revised allocation as set out in the UOP Announcement (RMB million)	Net Proceeds utilised during the Year (RMB million)	Unutilised as at 31 December 2024 (RMB million)	Expected timeline for full utilisation
To strengthen our risk management capabilities:	**15.40**	**15.30**	**0.38**	**0.00**	**0.38**	**0.00**	**–**
(i) To expand the application of artificial intelligence technology, upgrade the intelligent risk control model and enhance real time corporate credit assessment capabilities. We also plan to upgrade and optimise our intelligent credit granting, anti-fraud and early risk warning systems to improve the efficiency and accuracy of risk assessment	7.70	7.70	0.00	0.00	0.00	0.00	–
(ii) To establish internal and offline risk control teams, and improve online and offline integrated risk control capabilities	7.70	7.60	0.38	0.00	0.38	0.00	–
– to recruit risk control personnel and pay for their salaries	6.16	6.06	0.38	0.00	0.38	0.00	–
– for third-party data system	1.54	1.54	0.00	0.00	0.00	0.00	–
For working capital and general corporate purposes	**30.79**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**–**
Total	**307.90**	**216.10**	**57.76**	**158.34**	**209.92**	**6.18**	

Note: The expansion of the elite sales team and the improvement of the training system for sales team were slower than expected and the Company anticipates the expected timeline for full utilisation will be extended from 31 March 2025 to 30 June 2025.

During the Year and up to the date of this report, the unutilised Net Proceeds were placed with commercial banks licensed in Hong Kong or the PRC. The unutilised Net Proceeds and the above timeline of intended utilisation will be applied in the manners as disclosed by the Company. However, the expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

EQUITY LINKED AGREEMENTS

Other than the Employee Incentive Plans as disclosed above, no equity-linked agreement was entered into by the Group or still in effect for the Year.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules for the Year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe our continued growth rests on integrating social values into our business and are committed to being a responsible corporate citizen. We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Our business has been reducing electronic waste for enterprises by extending the useful life of electronic IT devices. We have implemented an ESG policy, which provides guidelines to the management of the Group's environmental, social and climate-related issues. During the Year, the Group was in compliance with all relevant ESG laws and regulations in material aspects. Further details of the Group's environmental policies and performance, please refer to the Environmental, Social and Governance Report published by the Company on the Company's website (www.bearrental.com) and the HKEXnews website (www.hkexnews.hk).

AUDITOR

From the Listing Date, Deloitte Touche Tohmatsu was the auditor of the Company. With effect from 21 April 2023, Deloitte Touche Tohmatsu resigned as auditor of the Company. On 5 May 2023, ZHONGHUI ANDA CPA Limited was appointed as the auditor of the Company, such appointment has been ratified and approved by the Shareholders at the annual general meeting of the Company convened and held on 25 August 2023.

The consolidated financial statements for the Year have been audited by ZHONGHUI ANDA CPA Limited. ZHONGHUI ANDA CPA Limited will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

For and on behalf of the Board
Hu Zuoxiong
Chairman

Shenzhen, the PRC, 26 March 2025

Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LX TECHNOLOGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of LX Technology Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 73 to 163, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OCCURRENCE OF REVENUE FROM SALES OF MOBILE DEVICES UNDER DEVICES RECYCLING BUSINESS

Refer to Note 6 to the consolidated financial statements

We identified occurrence of revenue from sales of mobile devices under devices recycling business as a key audit matter due to its quantitative significance to the consolidated statement of profit or loss and other comprehensive income.

The sales of mobile devices under devices recycling business are recognised as revenue when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been delivered out to the customer's designated locations or picked up by the customer. The Group has recognised revenue from sales of mobile devices recycling business approximately to RMB1,001,563,000 for the year ended 31 December 2024.

Our audit procedures included, among others:

— Obtaining an understanding of the revenue business process regarding sales of mobile devices under devices recycling business;

— Understanding the Group's accounting policy of revenue from sales of mobile devices under devices recycling recognition in accordance with IFRS 15 Revenue from Contracts with Customers; and

— Tracing recorded sales of mobile devices under devices recycling business during the year, on a sample basis, to supporting documents including invoices, delivery information and settlement information to assess the revenue recognition.

We consider that the occurrence of revenue from sales of mobile devices under devices recycling business is supported by the available evidence.

PROPERTY, PLANT AND EQUIPMENT

Refer to Note 16 to the consolidated financial statements

The Group tests the amount of property, plant and equipment for impairment. This impairment test is significant to our audit because the balance of equipment for subscription included in property, plant and equipment of RMB724,479,000 as at 31 December 2024 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

— Assessing the identification of the related cash generating units;

— Assessing the arithmetical accuracy of the value-in-use calculations;

— Comparing the actual cash flows with the cash flow projections;

— Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates); and

— Checking input data to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment is supported by the available evidence.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 26 March 2025

Consolidated Statement of Profit or Loss And Other Comprehensive Income

for the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	*6*	**2,371,719**	1,793,093
Cost of sales		**(2,175,321)**	(1,645,463)
GROSS PROFIT		**196,398**	147,630
Other income	*7*	**27,973**	18,546
Other gains and losses	*8*	**36,783**	10,671
Impairment losses under expected credit loss model, net of reversal		**(15,322)**	(7,168)
Distribution and selling expenses		**(143,127)**	(128,437)
Administrative expenses		**(93,803)**	(102,462)
Research and development expenses		**(25,058)**	(25,493)
Finance costs	*9*	**(47,562)**	(41,833)
LOSS BEFORE TAX	*10*	**(63,718)**	(128,546)
Income tax credit/(expense)	*11*	**5,463**	(2,486)
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(58,255)**	(131,032)
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**(56,952)**	(131,268)
Non-controlling interests		**(1,303)**	236
		(58,255)	(131,032)
LOSS PER SHARE	*15*		
— Basic (RMB)		**(0.19)**	(0.43)
— Diluted (RMB)		**(0.19)**	(0.43)

Consolidated Statement of Financial Position

as at December 31, 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment and right-of-use assets	16	**743,472**	795,648
Goodwill	17	**21,204**	21,204
Intangible assets	18	**21,932**	26,000
Deposits paid for acquisition of property, plant and equipment		**9,780**	440
Other receivables, deposits and prepayments	22	**5,167**	4,024
Restricted deposits	24	**14,009**	14,966
Deferred tax assets	19	**13,370**	10,079
Total non-current assets		**828,934**	872,361
Current assets			
Inventories	20	**102,802**	78,990
Trade and lease receivables	21	**255,623**	105,978
Other receivables, deposits and prepayments	22	**127,685**	152,577
Financial assets at FVTPL	23	**125,431**	69,569
Restricted deposits	24	**4,915**	10,963
Cash and cash equivalents	24	**276,940**	390,658
Total current assets		**893,396**	808,735
Current liabilities			
Trade payables, other payables and accruals	25	**175,060**	220,121
Tax liabilities		**—**	64
Borrowings	27	**585,481**	413,805
Lease liabilities	27	**5,503**	9,672
Contract liabilities	26	**2,309**	1,511
Total current liabilities		**768,353**	645,173
Net current assets		**125,043**	163,562
Total assets less current liabilities		**953,977**	1,035,923
Non-current liabilities			
Borrowings	27	**223,711**	278,409
Lease liabilities	27	**6,934**	8,409
Deferred tax liabilities	19	**7,130**	9,296
Total non-current liabilities		**237,775**	296,114
NET ASSETS		**716,202**	739,809
Capital and reserves			
Share capital	28	**3,158**	3,158
Reserves		**711,111**	733,415
		714,269	736,573
Non-controlling interests		**1,933**	3,236
TOTAL EQUITY		**716,202**	739,809

The consolidated financial statements on pages 73 to 163 were approved and authorised for issue by the board of directors on 26 March 2025 and are signed on its behalf by:

HU ZUOXIONG	**CHEN XIUWEI**
Executive Director	*Executive Director*

Consolidated Statement of Changes in Equity

for the year ended 31 December 2024

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium * RMB'000	Statutory surplus reserve * RMB'000 *(note)*	Other reserves * RMB'000	Share-based payments reserve * RMB'000	Accumulated losses * RMB'000	Total equity RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	3,158	1,263,785	6,735	50,898	71,150	(588,414)	807,312	–	807,312
Total comprehensive (expense)/income for the year	–	–	–	–	–	(131,268)	(131,268)	236	(131,032)
Recognition of equity-settled share-based payments *(note 39)*	–	–	–	–	60,529	–	60,529	–	60,529
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	3,000	3,000
Forfeited share options	–	–	–	–	(77)	77	–	–	–
At 31 December 2023	3,158	1,263,785	6,735	50,898	131,602	(719,605)	736,573	3,236	739,809
At 1 January 2024	**3,158**	**1,263,785**	**6,735**	**50,898**	**131,602**	**(719,605)**	**736,573**	**3,236**	**739,809**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(56,952)**	**(56,952)**	**(1,303)**	**(58,255)**
Recognition of equity-settled share-based payments *(note 39)*	**–**	**–**	**–**	**–**	**34,621**	**–**	**34,621**	**–**	**34,621**
Exercise of share awards	**–**	**22,256**	**–**	**27**	**(22,256)**	**–**	**27**	**–**	**27**
Forfeited share options	**–**	**–**	**–**	**–**	**(6)**	**6**	**–**	**–**	**–**
At 31 December 2024	**3,158**	**1,286,041**	**6,735**	**50,925**	**143,961**	**(776,551)**	**714,269**	**1,933**	**716,202**

Note:

Pursuant to the relevant laws in the People's Republic of China (the "**PRC**"), a company established in the PRC is required to transfer 10% of its profit after tax per its financial statements under China Accounting Standards for Business Enterprises to the statutory surplus reserve. The statutory surplus reserve is discretionary until the reserve balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the company.

* These reserve accounts comprise the consolidated reserves in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(63,718)**	(128,546)
Adjustments for:		
Amortisation of intangible assets	**8,785**	—
Depreciation of property, plant and equipment and right-of-use assets	**272,732**	270,164
Fair value change of financial assets at FVTPL	**(24,106)**	(1,142)
Finance costs	**47,562**	41,833
Dividend income	**(5,518)**	(4,887)
Gain on disposal of property, plant and equipment	**(261)**	(235)
Gain on lease termination	**(18)**	(651)
Gain on disposal of financial assets at FVTPL	**—**	(112)
Impairment losses under expected credit loss model, net of reversal	**15,322**	7,168
Interest income	**(9,718)**	(6,086)
Write-down of inventories	**1,986**	3,072
Share-based payments expense	**34,621**	60,529
Operating cash flows before movements working capital	**277,669**	241,107
Change in inventories	**(10,574)**	12,937
Change in trade and lease receivables	**(164,967)**	(48,267)
Change in other receivables, deposits and prepayments	**23,696**	(76,064)
Change in financial assets at FVTPL	**(30,082)**	(17,912)
Change in trade payables, other payables and accruals	**(45,061)**	32,583
Change in contract liabilities	**798**	1,086
Cash generated from operations	**51,479**	145,470
Income tax (paid)/refund	**(58)**	1,111
Net cash generated from operating activities	**51,421**	146,581

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**9,718**	6,086
Dividend received		**5,518**	4,887
Purchase of property, plant and equipment		**(284,601)**	(323,811)
Purchases of intangible assets		**(4,717)**	—
Redeem of financial assets at FVTPL		**—**	248,383
Proceeds on disposal of property, plant and equipment		**53,738**	58,412
Deposits paid for acquisition of property, plant and equipment		**(9,340)**	(196)
Placement of restricted deposits		**(8,507)**	(13,200)
Withdrawal of restricted deposits		**15,512**	14,809
Placement of rental deposits		**(1,384)**	(1,100)
Withdrawal of rental deposits		**1,466**	555
Net cash outflow on disposal of a subsidiary	35(b)	**—**	(227)
Acquisition of a subsidiary	35(a)	**—**	(636)
Net cash used in investing activities		**(222,597)**	(6,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(47,562)**	(41,833)
Capital contribution from a non-controlling shareholder of a subsidiary		**—**	3,000
Repayments of borrowings		**(568,454)**	(553,585)
Repayments of lease liabilities		**(10,284)**	(9,749)
New borrowings raised		**685,432**	694,885
Payments of accrued issue costs		**—**	(901)
Net cash generated from financing activities		**59,132**	91,817
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(112,044)**	232,360
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**390,658**	156,274
Effect of foreign exchange rate changes		**(1,674)**	2,024
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by		**276,940**	390,658
Bank balances and cash		**276,940**	390,658

Notes to The Consolidated Financial Statements

for the year ended 31 December 2024

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"). IFRS Accounting Standards comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the financial statements.

3. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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

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

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

4.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Material accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the entities now comprising the Group. Control is achieved when the Group:

— has power over the investee;

— is exposed, or has rights, to variable returns from its involvement with the investee; and

— has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

4.2 Material accounting policies (Continued)

Basis of consolidation (Continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

4.2 Material accounting policies (Continued)

Business combination and goodwill (Continued)

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (II) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

— the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

— the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or

— the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combination, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Leases (Continued)

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

— the amount of the initial measurement of the lease liability;

— any lease payments made at or before the commencement date, less any lease incentives received;

— any initial direct costs incurred by the Group; and

— an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment and right-of-use assets”, the same line item within which the corresponding underlying assets would be presented if they were owned.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Leases (Continued)

The Group as lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities in "borrowings and lease liabilities" on the consolidated statement of financial position.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease modifications

The Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

— the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

— the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Lease income which are derived from the Group's ordinary course of business are presented as revenue.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Leases (Continued)

The Group as lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognize the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The consolidated financial statements are presented in RMB, which is the Group's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employment benefits

Retirement benefits costs

Payments to the defined contribution retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Share-based payments

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for rental, use in provision of services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Client relationship

Client relationship is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of three years.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of ten years.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

a). cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

b). cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

— the financial asset is held within a business model whose objective is to collect contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

— the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial assets (Continued)

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and lease receivables, other receivables, rental deposits, restricted deposits and cash and cash equivalents) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade and lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor; or

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For provision matrix assessment, the Group takes into consideration the following characteristics when formulating the grouping:

— Past-due status;

— Nature, size and industry of debtors; and

— External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and lease receivables where the corresponding adjustment is recognized through a loss allowance account.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by group entities are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combinations applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

— it has been acquired principally for the purpose of repurchasing it in the near term; or

— on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

— it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

— it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

The financial liabilities at FVTPL represented Series of Investments in LX Shenzhen and Preferred Shares issued by the Company, which contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

The warrants (“**Warrants**”) issued by the Company which are classified as derivatives are initially recognized at fair value at the date when the contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person’s family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Related parties (Continued)

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the entities comprising the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated useful lives of equipment for subscription

In determining the useful lives of equipment for subscription included in property, plant and equipment, the Group periodically reviews the changes in market conditions, physical wear and tear, and maintenance of the equipment. The estimation of the useful life of an equipment is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives of the equipment are different from previous estimation. Useful lives are reviewed, at the year end, based on changes in circumstances. The carrying amount of the equipment for subscription included in property, plant and equipment of the Group as at 31 December 2024 is approximately RMB724,479,000 (2023: RMB771,098,000).

5. KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB21,204,000 (2023: RMB21,204,000) with no (2023: no) impairment loss during the year. Details of the impairment loss calculation are provided in note 17 to financial statements.

Intangible asset and amortization

The Group determines the estimated useful lives, residual values and related amortization charges for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of intangible assets of similar nature and functions. The Group will revise the amortization charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of inventories

The Group determines impairment for obsolescence of inventories with reference to aged inventory analysis and projections of expected future saleability of goods. Impairment of inventories will be made when the carrying amounts of inventories are higher than their estimated net realisable values. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

6. SEGMENT INFORMATION AND REVENUE

Segment Information

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

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

(1) Device recycling business

(2) Device subscription services

Year ended 31 December 2024

	Device recycling business RMB'000	Device subscription services RMB'000	Total RMB'000
Device recycling income			
— Mobile devices	**1,001,563**	**—**	**1,001,563**
— Non-mobile devices	**834,125**	**—**	**834,125**
Device subscription services			
— Short-term device subscription *(note 6(i))*	**—**	**50,752**	**50,752**
— Long-term device subscription *(note 6(iv))*	**—**	**328,730**	**328,730**
IT technical subscription services	**—**	**156,549**	**156,549**
	1,835,688	**536,031**	**2,371,719**

Year ended 31 December 2023

	Device recycling business RMB'000	Device subscription services RMB'000	Total RMB'000
Device recycling income			
— Mobile devices	702,346	—	702,346
— Non-mobile devices	584,044	—	584,044
Device subscription services			
— Short-term device subscription *(note 6(i))*	—	55,106	55,106
— Long-term device subscription *(note 6(iv))*	—	292,757	292,757
IT technical subscription services	—	158,840	158,840
	1,286,390	506,703	1,793,093

6. SEGMENT INFORMATION AND REVENUE (Continued)

Geographical information

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

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

Information about major customers

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

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

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

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

6. SEGMENT INFORMATION AND REVENUE (Continued)

Information about major customers (Continued)

Revenue

(i) Disaggregation of revenue from contracts with customers

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

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

	2024 RMB'000	2023 RMB'000
Device recycling income	**1,835,688**	1,286,390
Device subscription services	**207,301**	213,946
Revenue from contracts with customers	**2,042,989**	1,500,336
Lease income from device subscription services *(note 6(iv))*	**328,730**	292,757
Total revenue	**2,371,719**	1,793,093

6. SEGMENT INFORMATION AND REVENUE (Continued)

Information about major customers (Continued)

Revenue (Continued)

(ii) *Performance obligations for contracts with customers*

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

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

Long-term device subscription services include provision of IT devices to customers for a minimum period of six months with a periodic plan. The Group also provide IT technical subscription services coupled with the device subscription services during the subscription period. The contracts of long-term device subscription services are assessed to include both lease (as disclosed in note 6(iv) below) and non-lease components (IT technical subscription services). The customers generally pay subscription fees including the IT technical subscription services monthly or quarterly with credit terms of 0 to 180 days.

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

6. SEGMENT INFORMATION AND REVENUE (Continued)

Information about major customers (Continued)

Revenue (Continued)

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

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

At 31 December 2024

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

At 31 December 2023

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

6. SEGMENT INFORMATION AND REVENUE (Continued)

Information about major customers (Continued)

Revenue (Continued)

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

Undiscounted lease payments receivable on leases are as follows:

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

7. OTHER INCOME

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

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.

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. LOSS BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Directors' emoluments *(note 12)*	7,854	13,046
Other staff costs:		
Salaries, allowances and other benefits in kind	155,499	135,314
Retirement benefit scheme contributions	8,241	6,869
Equity-settled share-based payments expense	30,100	49,869
	193,840	192,052
Auditors' remuneration		
— Audit service	2,200	2,000
— Non-audit services	400	730
Depreciation of property, plant and equipment and right-of-use assets	272,732	270,164
Amortisation of intangible assets	8,785	—
Write-down of inventories	1,986	3,072
Cost of inventories recognized as an expense	1,973,586	1,250,918

11. INCOME TAX (CREDIT)/EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax — the PRC		
Charge for the year	16	92
Over-provision in prior years	(22)	—
Deferred tax *(note 19)*	(5,457)	2,394
	(5,463)	2,486

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 years ended 31 December 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 Shenzhen and certain subsidiaries, based on the existing legislation, interpretations and practices in respect thereof.

11. INCOME TAX (CREDIT)/EXPENSE (Continued)

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 December 2020 with a valid period of three years, and therefore LX Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2024 and 2023. The latest approval for LX Shenzhen enjoying this tax benefit was obtained in 2023 for the financial years of 2024, 2025 and 2026.

Certain subsidiaries in the PRC were qualified as "Small Low-profit Enterprise". 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**").

The reconciliation between income tax (credit)/expense and loss before tax is as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	**(63,718)**	(128,546)
Tax at the applicable tax rate of 25% (2023: 25%)	**(15,930)**	(32,137)
Tax effect of expenses not deductible for tax purpose	**13,417**	18,630
Tax effect of income not taxable tax purpose	**(9,413)**	(897)
Tax effect of tax losses not recognized	**13,740**	17,944
Utilization of tax losses previously not recognized	**(654)**	(252)
Tax effect of preferential tax rate	**(6,601)**	(802)
Over-provision in prior years	**(22)**	—
Income tax (credit)/expense for the year	**(5,463)**	2,486

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors of the Company (including emoluments for the services as directors of LX Shenzhen prior to becoming the directors of the Company) by the group entities are as follows:

	Date of appointment/resign as director	Fees RMB'000	Salaries, allowances and benefits in-kind RMB'000	Performance related bonus RMB'000	Equity-settled share-based payments expense RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
		For the year ended 31 December 2024					
Executive directors							
Mr. Hu Zuoxiong		–	1,256	100	3,715	43	5,114
Mr. Chen Xiuwei		–	960	160	681	18	1,819
Mr. Cao Weijun		–	382	41	125	13	561
		–	2,598	301	4,521	74	7,494
Non-executive director							
Mr. Li Jing		–	–	–	–	–	–
		–	–	–	–	–	–
Independent non-executive directors							
Mr. Kam Chi Sing	Appointed on 27 September 2022 and resigned on 15 November 2024	105	–	–	–	–	105
Ms. Xu Naling		120	–	–	–	–	120
Mr. Yao Zhengwang	Appointed on 11 April 2023	120	–	–	–	–	120
Mr. Zou Shenghe	Appointed on 15 November 2024	15	–	–	–	–	15
		360	–	–	–	–	360
Total		360	2,598	301	4,521	74	7,854

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

		For the year ended 31 December 2023					
	Date of appointment/resign as director	Fees	Salaries, allowances and benefits in-kind	Performance related bonus	Equity-settled share-based payments expense	Retirement benefit scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Hu Zuoxiong		–	600	–	6,963	41	7,604
Mr. Chen Xiuwei		–	960	–	3,697	17	4,674
Mr. Cao Weijun		–	410	–	–	12	422
		–	1,970	–	10,660	70	12,700
Non-executive director							
Mr. Li Jing		–	–	–	–	–	–
		–	–	–	–	–	–
Independent non-executive directors							
Mr. Kam Chi Sing	Appointed on 27 September 2022 and resigned on 15 November 2024	109	–	–	–	–	109
Ms. Xu Naling		120	–	–	–	–	120
Ms. Zhao Jinlin	Appointed on 27 September 2022, and resigned on 11 April 2023	30	–	–	–	–	30
Mr. Yao Zhengwang	Appointed on 11 April 2023	87	–	–	–	–	87
		346	–	–	–	–	346
Total		346	1,970	–	10,660	70	13,046

Notes:

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of entities now comprising the Group. The non-executive director's emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of directors has waived or agreed to waive any emoluments during the years ended 31 December 2024 and 2023.

13. FIVE HIGHEST PAID EMOLUMENTS

The five highest paid employees of the Group for the year ended 31 December 2024 included two (2023: two) executive directors, details of whose remuneration are set out in note 12 above. The emoluments of the remaining three (2023: three) highest paid employees of the Group for the year ended 31 December 2024 are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	2,627	1,711
Retirement benefit scheme contributions	82	79
Equity-settled share-based payments expense	9,474	24,902
	12,183	26,692

The number of highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HK$2,500,001 — HK$3,000,000	2	—
HK$3,500,001 — HK$4,000,000	—	1
HK$6,000,001 — HK$6,500,000	—	1
HK$7,500,001 — HK$8,000,000	1	—
HK$19,000,001 — HK$19,500,000	—	1
	3	3

During the years ended 31 December 2024 and 2023, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

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

15. LOSS PER SHARE

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

	2024 **RMB'000**	2023 RMB'000
Loss for the year attributable to owners of the Company for the purposes of diluted loss per share	**(56,952)**	(131,268)

	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**306,927,579**	305,378,399

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Leased properties RMB'000	Equipment for subscription RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST						
At 1 January 2023	37,820	1,242,376	7,855	3,764	2,525	1,294,340
Additions	18,930	320,051	1,138	2,013	609	342,741
Acquisition of a subsidiary	–	–	168	–	–	168
Disposals/written off	–	(147,382)	(780)	(1,268)	–	(149,430)
Transfer to inventories	–	(31,378)	–	–	–	(31,378)
Termination	(18,613)	–	–	–	–	(18,613)
At 31 December 2023 and 1 January 2024	38,137	1,383,667	8,381	4,509	3,134	1,437,828
Additions	6,603	282,848	921	276	556	291,204
Disposals/written off	(8,811)	(180,209)	(629)	(153)	–	(189,802)
Transfer to inventories	–	(27,838)	–	–	–	(27,838)
Termination	(2,285)	–	–	–	–	(2,285)
At 31 December 2024	33,644	1,458,468	8,673	4,632	3,690	1,509,107
DEPRECIATION						
At 1 January 2023	26,490	456,945	3,717	2,886	1,441	491,479
Provided for the year	9,531	258,081	1,131	649	772	270,164
Acquisition of a subsidiary	–	–	44	–	–	44
Eliminated on disposal/written off	–	(89,448)	(601)	(1,204)	–	(91,253)
Eliminated on transfer to inventories	–	(13,009)	–	–	–	(13,009)
Eliminated on termination	(15,245)	–	–	–	–	(15,245)
At 31 December 2023 and 1 January 2024	20,776	612,569	4,291	2,331	2,213	642,180
Provided for the year	9,329	260,933	1,125	617	728	272,732
Eliminated on disposal/written off	(8,811)	(126,901)	(468)	(145)	–	(136,325)
Eliminated on transfer to inventories	–	(12,612)	–	–	–	(12,612)
Eliminated on termination	(340)	–	–	–	–	(340)
At 31 December 2024	20,954	733,989	4,948	2,803	2,941	765,635
CARRYING VALUE						
At 31 December 2024	12,690	724,479	3,725	1,829	749	743,472
At 31 December 2023	17,361	771,098	4,090	2,178	921	795,648

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

As at 31 December 2024, certain equipment for subscription with an aggregate carrying amount of approximately RMB350,328,000 (2023: RMB322,278,000) were under lease arrangement. The ownership of equipments will be transferred to the Group by the end of lease terms.

The above items of property, plant and equipment, after taking into account the residual values, where applicable, are depreciated on a straight-line basis at the following rates per annum:

Leased properties	Over the lease terms of the leased properties
Equipment for subscription	20%–33.3%
Office equipment	20%–33.3%
Motor vehicles	20%–33.3%
Leasehold improvement	20% or the lease terms of the leased properties, which is shorter

The Group leases out the equipment for subscription included within property, plant and equipment under operating leases. The leases typically run for an initial period of few days to 3 years during the years ended 31 December 2024 and 2023. None of the leases includes variable lease payments.

The Group as leasee

Right-of-use assets (included in the property, plant and equipment and right-of-use assets)

	2024 RMB'000	2023 RMB'000
Disclosures of lease-related items:		
At 31 December		
Right-of-use assets		
— Leased properties	12,690	17,361

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

The Group as leasee (Continued)

Right-of-use assets (included in the property, plant and equipment and right-of-use assets) (Continued)

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2024 RMB'000	2023 RMB'000
— Within 1 year	6,036	10,418
— Between 2 and 5 years	7,432	8,889
	13,468	19,307
Depreciation charge of right-of-use assets		
— Leased properties	9,329	9,531
Lease interests	954	953
Total cash outflow for leases	11,238	10,702
Additions to right-of-use assets	6,603	18,930

During the years ended 31 December 2024 and 2023, the Group leases offices and warehouses for its operations. Lease contracts are entered into for fixed term of 1 year to 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2024, the Group has entered into several new lease agreement for the use of offices for 4 to 5 years (2023: 4 to 5 years). On the lease commencement or lease renewal, the Group recognized right-of-use assets of RMB6,603,000 (2023: RMB18,930,000) and a corresponding adjustment of the same amount to lease liabilities during the year ended 31 December 2024. In addition, the Group terminated certain lease arrangement which constituted lease modifications. The reduction of the Group's lease liabilities of RMB1,963,000 (2023: RMB4,019,000) and a corresponding adjustment of the right-of-use assets of RMB1,945,000 (2023: RMB3,368,000) were recognized and result in gain on modification of RMB18,000 (2023: RMB651,000) recognized in profit or loss during the year ended 31 December 2024.

Details of the lease maturity analysis of lease liabilities are set out in notes 27(b) and 33(b).

17. GOODWILL

	RMB'000
At 1 January 2023	–
Arising on acquisition of a subsidiary (note 35(a))	**21,204**
At 31 December 2023, 1 January 2024 and 31 December 2024	**21,204**

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2023: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's device subscription services is 12.99% (2023: 15.61%).

18. INTANGIBLE ASSETS

	Software RMB'000	Customer relationship RMB'000	Total RMB'000
COST			
At 1 January 2023	—	—	—
Acquisition of a subsidiary *(note 35(a))*	—	26,000	26,000
At 31 December 2023 and 1 January 2024	—	26,000	26,000
Additions	4,717	—	4,717
At 31 December 2024	4,717	26,000	30,717
ACCUMULATED IMPAIRMENT LOSSES			
At 1 January 2023, 31 December 2023 and 1 January 2024	—	—	—
Amortisation for the year	118	8,667	8,785
At 31 December 2024	118	8,667	8,785
CARRYING VALUE			
At 31 December 2024	4,599	17,333	21,932
At 31 December 2023	—	26,000	26,000

The average remaining amortisation period of the software and customer relationship are 10 and 3 years, respectively.

19. DEFERRED TAX

	2024 RMB'000	2023 RMB'000
Deferred tax assets	**13,370**	10,079
Deferred tax liabilities	**7,130**	9,296

19. DEFERRED TAX (Continued)

The following are the major deferred tax assets and liabilities recognized and movements thereon during the years ended 31 December 2024 and 2023.

	Unrealized profit RMB'000	ECL provision RMB'000	Write-down of inventories RMB'000	Tax losses RMB'000	Total RMB'000
Deferred tax assets					
At 1 January 2023	455	1,530	278	10,923	13,186
Deferred tax (charged)/credited to profit or loss during the year *(note 11)*	(246)	1,048	768	(4,677)	(3,107)
At 31 December 2023 and 1 January 2024	209	2,578	1,046	6,246	10,079
Deferred tax (charged)/credited to profit or loss during the year *(note 11)*	(139)	2,651	497	282	3,291
At 31 December 2024	70	5,229	1,543	6,528	13,370

	Accelerated tax amortization of intangible assets RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
Deferred tax liabilities			
At 1 January 2023	—	3,509	3,509
Acquisition of a subsidiary	6,500	—	6,500
Deferred tax charged to profit or loss during the year *(note 11)*	—	(713)	(713)
At 31 December 2023 and 1 January 2024	6,500	2,796	9,296
Deferred tax charged to profit or loss during the year *(note 11)*	(1,477)	(689)	(2,166)
At 31 December 2024	5,023	2,107	7,130

19. DEFERRED TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2024 **RMB'000**	2023 RMB'000
Tax losses	**233,486**	125,180

At 31 December 2024, the Group has unused tax losses of approximately RMB276,619,000 (2023: RMB166,371,000) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB43,133,000 (2023: RMB41,191,000) of such losses and no deferred tax asset has been recognized in respect of the remaining tax losses due to the unpredictability of future profit streams. The unrecognized tax losses as at 31 December 2024 of RMB233,486,000 (2023: RMB125,180,000) will be carried forward and expired in next 5 years.

Deferred income tax liabilities of approximately RMB3,093,000 (2023: RMB3,881,000) have not been provided for the withholding tax that would be payable on the unremitted earnings of subsidiaries of approximately RMB30,927,000 (2023: RMB38,811,000) in the PRC. The unremitted earnings are used for reinvestment. The income tax liability is not recognised, because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2024 **RMB'000**	2023 RMB'000
Merchandise goods	**102,802**	78,990

21. TRADE AND LEASE RECEIVABLES

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

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

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

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

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

Details of impairment assessment of trade and lease receivables are set out in note 33(b).

22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayment for operating expenses	**14,661**	23,820
Rental deposits	**2,465**	2,547
Advances to suppliers	**40,463**	36,879
Value-added tax receivables	**61,741**	82,208
Other deposits paid	**10,658**	10,038
Others	**2,864**	1,109
	132,852	156,601
Represented by:		
— Non-current	**5,167**	4,024
— Current	**127,685**	152,577
	132,852	156,601
— third parties	**122,195**	143,593
— related parties (note)	**10,657**	13,008
	132,852	156,601

Note: The Group has prepaid for certain operating expenses, including marketing and promotion services, maintenance services and logistics services, and purchase deposits to its related parties at the end of reporting period for those transactions disclosed in note 37.

Details of impairment assessment of other receivables and deposits are set out in note 33(b).

23. FINANCIAL ASSETS AT FVTPL

	2024 RMB'000	2023 RMB'000
Investment in equity securities		
— listed in Hong Kong	**125,431**	69,569
	125,431	69,569

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 34.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**295,864**	416,587
Less: restricted deposits	**(18,924)**	(25,929)
Cash and cash equivalents	**276,940**	390,658

Bank balances as at 31 December 2024 carry interest at market rates which range from 0.01% to 1.75% per annum (2023: 0.20% to 1.60% per annum) and the restricted deposits carry fixed interest rate of 0.1% per annum (2023: 0.2% per annum).

Restricted deposits amounting to RMB17,923,000 (2023: RMB23,928,000) as at 31 December 2024 represented the secure deposits paid for borrowings granted to the Group and will be released upon repayment of borrowings. Restricted deposits amounting to RMB1,001,000 (2023: RMB2,001,000) as at 31 December 2024 represented the deposits paid to a bank for letter of guarantee and will be released on or after 31 December 2026.

Of the total restricted deposits, RMB14,009,000 (2023: RMB14,966,000) which are not expected to be released within 12 months from the end of reporting period are presented under non-current assets as at 31 December 2024.

Details of ECL assessment of cash and cash equivalents and restricted deposits are set out in note 33(b).

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

Note: The Group has payable to its related parties at the end of reporting period for purchase of IT equipment, certain operating expenses, including marketing and promotion services as disclosed in note 37.

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

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

26. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000
Deposits received from customers in relation to device recycling income	**2,309**	1,511	425

The directors of the Company considered that the entire balance of contract liabilities as at 31 December 2024 and 2023 would be realized within the Group's normal operating cycle based on the Group's earliest obligation to sell the recycled devices to the customers and are classified as current liabilities.

The following table shows the amount of revenue recognized relates to carried-forward contract liabilities at the beginning of the year.

	2024 RMB'000	2023 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**1,338**	312

26. CONTRACT LIABILITIES (Continued)

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2024 **RMB'000**	2023 RMB'000
— 2024	**—**	1,511
— 2025	**2,309**	—
	2,309	1,511

Significant changes in contract liabilities during the years

	2024 **RMB'000**	2023 RMB'000
Increase due to operations in the year	**105,430**	46,460
Transfer of contract liabilities to revenue	**(104,632)**	(45,374)

27. BORROWINGS AND LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Borrowings *(note 27(a))*	**809,192**	692,214
Lease liabilities *(note 27(b))*	**12,437**	18,081
	821,629	710,295
Represented by:		
— Current	**590,984**	423,477
— Non-current	**230,645**	286,818
	821,629	710,295

(a) Borrowings

	2024			2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Bank loans — Secured *(note)*	**3.85%**	**2025**	**6,000**	3.85%–5.20%	2024–2025	21,028
Bank loans — Unsecured	**3.15%–7.50%**	**2025–2027**	**525,236**	3.15%–7.50%	2024–2026	433,951
Other borrowings — Secured *(note)*	**7.57%–8.51%**	**2025–2026**	**32,575**	8.22%–9.81%	2024–2025	50,248
Other borrowings — Unsecured	**5.39%–9.39%**	**2025–2027**	**245,381**	5.50%–9.44%	2024–2025	186,987
			809,192			692,214

	2024 RMB'000	2023 RMB'000
Represented by:		
— third parties	**809,192**	692,214
	809,192	692,214

27. BORROWINGS (Continued)

(a) Borrowings (Continued)

	Bank borrowings		Other borrowings		Total	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Repayable:						
Within one year	**413,062**	258,522	**172,419**	155,283	**585,481**	413,805
Within a period of more than one year but not exceeding two years	**114,732**	171,019	**95,711**	81,952	**210,443**	252,971
Within a period of more than two years but not exceeding five years	**3,442**	25,438	**9,826**	—	**13,268**	25,438
	531,236	454,979	**277,956**	237,235	**809,192**	692,214

Notes:

i. The secured borrowings as at 31 December 2024 and 2023 are secured by restricted deposits and/or equipment for subscription owned by the Group.

27. BORROWINGS (Continued)

(b) Lease liabilities

	Lease payments 2024 RMB'000	Present value of lease payments 2024 RMB'000	Lease payments 2023 RMB'000	Present value of lease payments 2023 RMB'000
Within one year	**6,036**	**5,503**	10,418	9,672
Within a period of more than one year but not exceeding two years	**3,481**	**3,187**	5,223	4,892
Within a period of more than two years but not exceeding five years	**3,951**	**3,747**	3,666	3,517
	13,468		19,307	
Less: Future finance charges	**(1,031)**		(1,226)	
Present value of lease obligations	**12,437**	**12,437**	18,081	18,081
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(5,503)**		(9,672)
Amount due for settlement after 12 months		**6,934**		8,409

The weighted average incremental borrowing rate was 5.28% (2023: 5.84%).

28. SHARE CAPITAL

The share capital as at 31 December 2024 represented the issued share capital of the Company. Details of the share capital of the Company are as follows:

	Number of shares	Share capital HK$	Share capital RMB'000
Authorized			
Ordinary shares of HK$0.01 each			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	1,000,000,000	10,000,000	8,370
Issued and fully paid			
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	353,259,000	3,532,590	3,158

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's limited securities during the year ended 31 December 2024.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remained unchanged during both years.

The capital structure of the Group consists of net debts, which includes lease liabilities, bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital/paid-up capital and reserves.

The management reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through issue of new shares as well as the issue of new debt or the redemption of existing debt.

29. RESERVES

a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Nature and purpose of reserves of the Group

Statutory surplus reserve

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve which is non-distributable. Appropriation to such reserve is made out of net profit after tax as shown in the statutory financial statements of the relevant PRC subsidiaries and after making up prior year cumulative losses. The amounts and allocation basis are decided by the board of directors of the respective subsidiaries annually. The statutory surplus reserve can be applied in conversion into issued capital by means of capitalisation issue.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4.

29. RESERVES (Continued)

b) Company

	Share premium RMB'000	Other reserves RMB'000 (note)	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	1,263,785	(505)	71,150	(500,633)	833,797
Total comprehensive expenses for the period	—	—	—	(160,834)	(160,834)
Recognition of equity-settled share-based payments	—	—	60,529	—	60,529
Forfeited share options	—	—	(77)	—	(77)
At 31 December 2023 and 1 January 2024	1,263,785	(505)	131,602	(661,467)	733,415
Total comprehensive expenses for the year	—	—	—	(56,946)	(56,946)
Recognition of equity-settled share-based payments	—	—	34,609	—	34,609
Exercise of share awards share-based payments	22,256	27	(22,256)	—	27
Forfeited share options	—	—	6	—	6
At 31 December 2024	**1,286,041**	**(478)**	**143,961**	**(718,413)**	**711,111**

Note: As at 31 December 2024 and 2023, other reserves mainly represent the ordinary shares allotted and issued to i) certain equity owners of LX Shenzhen as part of the Group Reorganization and ii) employee incentive platforms of the Group.

30. RETIREMENT BENEFIT SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The retirement benefit scheme contributions amounted to approximately RMB8,315,000 (2023:RMB6,939,000) for the year ended 31 December 2024. No forfeited contributions have been used to reduce the level of contributions during each of the reporting period.

31. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**4,497**	14,045

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Details of subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place of incorporation/ establishment and operation	Issued share capital/ paid-up capital/ registered capital	Equity interest attributable to the Group at 31 December		Principal activities
			2024	2023	
Directly held:					
Bear Technology Group Limited	British Virgin Islands	US$1 (2023: US$1)	100%	100%	Investment holding
Indirectly held:					
LX Technology (Hong Kong) Group Limited	Hong Kong	HK$10,000 (2023: HK$10,000)	100%	100%	Investment holding
Robust Technology Limited	British Virgin Islands	100 ordinary shares (2023: 100 ordinary shares)	100%	100%	Investment holding
LX Technology (Shenzhen) Co., Ltd. (凌雄技術(深圳)有限公司)	The PRC *(note i)*	RMB512,031,039 (2023: RMB512,031,039)	100%	100%	Device subscription services, IT technical subscription services and device recycling business
LX Technology (Wuhan) Co., Ltd. (凌雄技術(武漢)有限公司)	The PRC *(note ii)*	HK$50,000,000 (2023: HK$50,000,000)	100%	100%	Device subscription services, IT technical subscription services and device recycling business
Shenzhen LX Technology Limited (深圳凌雄科技有限公司)	The PRC *(note ii)*	RMB2,000,000 (2023: RMB2,000,000)	100%	100%	Device subscription services, IT technical subscription services
Shenzhen Lingrui Internet Information Technology Co., Ltd. (深圳凌瑞網絡信息技術有限公司)	The PRC *(note ii)*	RMB10,000,000 (2023: RMB10,000,000)	100%	100%	Device recycling business
Chengdu LX Rental Services Co., Ltd. (成都凌雄租賃服務有限公司)	The PRC *(note ii)*	RMB1,000,000 (2023: RMB1,000,000)	100%	100%	Device subscription services and IT technical subscription services
LX Youfu Technology (Shenzhen) Co., Ltd. (凌雄優服技術(深圳)有限公司)	The PRC *(note ii)*	RMB1,000,000 (2023: RMB1,000,000)	100%	100%	IT technical subscription services
LX Youqi Technology (Shenzhen) Co., Ltd. (凌雄優企科技(深圳)有限公司)	The PRC *(note ii)*	RMB1,000,000 (2023: RMB1,000,000)	100%	100%	IT technical subscription services
Xiamen LX Technology Co., Ltd. (廈門凌雄科技有限公司)	The PRC *(note ii)*	RMB2,000,000 (2023: RMB2,000,000)	100%	100%	Device subscription services and IT technical subscription services
Hangzhou LX Rental Co., Ltd. (杭州凌雄租賃服務有限公司)	The PRC *(note ii)*	RMB1,000,000 (2023: RMB1,000,000)	100%	100%	Device subscription services and IT technical subscription services
Shenzhen Yueqi E-Commerce Co., Ltd. (深圳市悅企電子商務有限公司)	The PRC *(note ii)*	RMB2,000,000 (2023: RMB2,000,000)	100%	100%	Device recycling business
Jingmen Lingrui Recycling Resources Co., Ltd. (荊門凌瑞再生資源有限公司) ("**Jingmen Lingrui**") *(note v)*	The PRC *(note ii)*	RMB2,000,000 (2023: RMB2,000,000)	N/A	100%	Device recycling business
Zaozhuang Lingrui Recycling Resources Co., Ltd. (棗莊市凌瑞再生資源有限公司) ("**Zaozhuang Lingrui**") *(note v)*	The PRC *(note ii)*	RMB1,000,000 (2023: RMB1,000,000)	N/A	100%	Device recycling business
Shenzhen Lingrui Recycling Resources Co., Ltd. (深圳凌瑞再生資源有限公司)	The PRC *(note ii)*	RMB10,000,000 (2023: RMB10,000,000)	100%	100%	Device recycling business
Lingxiong Meibang Technology (Shanghai) Co., Ltd. (凌雄美邦技術(上海)有限公司)	The PRC *(note iii)*	RMB10,000,000 (2023: RMB10,000,000)	70%	70%	Device subscription services and IT technical subscription services
Yuanjian Technology (Shenzhen) Co., Ltd. (元建科技(深圳)有限公司)	The PRC *(note ii)*	RMB1,000,000 (2023: RMB10,000,000)	100%	100%	Device subscription services and IT technical subscription services
LX Smart Co., Limited (凌雄智算有限公司)	British Virgin Islands *(note iv)*	HK$10,000	95%	N/A	Investment holding
LX Smart Technology Co., Limited (凌雄智算科技有限公司)	Hong Kong *(note iv)*	HK$10,000	100%	N/A	Investment holding
LX Intelligent Computing (Shenzhen) Co., Ltd. (凌雄智能計算(深圳)有限公司)	The PRC *(note ii & iv)*	HK$500,000	100%	N/A	Investment holding
Wuhan Lingrui Renewable Resources Co., Ltd. (武漢凌瑞再生資源有限公司)	The PRC *(note ii & iv)*	RMB1,000,000	100%	N/A	Device recycling business
Jingmen Lingrui Technology Co., Ltd (荊門凌瑞科技有限公司)	The PRC *(note ii & iv)*	RMB1,000,000	100%	N/A	Device recycling business

32. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

(i) The subsidiary is registered as wholly-foreign-owned enterprises under the laws of the PRC.

(ii) These subsidiaries are registered as wholly-domestic-owned enterprises under the laws of the PRC.

(iii) These subsidiaries are registered as non-wholly owned domestic enterprises under the laws of the PRC.

(iv) These subsidiaries are newly set up during the year ended 31 December 2024.

(v) In 2024, the management of the Group has applied deregistration with respective government authorities for Jingmen Lingrui and Zaozhuang Lingrui, respectively. The deregistration has been completed during the year ended 31 December 2024, such financial impact is insignificant to the Group.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 **RMB'000**	2023 RMB'000
Financial assets:		
At amortised cost	**567,474**	536,259
At FVTPL	**125,431**	69,569
Financial liabilities:		
At amortised cost	**942,897**	869,248

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and lease receivables, other receivables and deposits, financial assets at FVTPL, restricted deposits, cash and cash equivalents, trade payables, other payables and accruals and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

Certain cash and cash equivalents and borrowings are denominated in foreign currencies of respective group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are mainly as follows:

		Assets		Liabilities	
		2024	2023	**2024**	2023
	Currency	**RMB'000**	RMB'000	**RMB'000**	RMB'000
United States dollar	USD	**226,292**	4,293	**—**	—
Hong Kong dollar	HKD	**155,880**	335,768	**75**	47

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD and HKD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit or a decrease in post-tax loss for the year where RMB weakens 5% against the relevant foreign currencies. For a 5% strengthening of RMB against the relevant foreign currencies, there would be an opposite impact on the post-tax profit or loss for the year.

	USD impact		HKD impact	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Impact on post-tax profit or loss	**9,448**	179	**7,790**	16,786

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

The directors of the Company considered the sensitivity analysis is unrepresentative of the foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the years ended 31 December 2024 and 2023.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted deposits, fixed-rate borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate cash and cash equivalents. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on cash and cash equivalents. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The management considers that the exposure of fair value interest rate risk in relation to restricted deposits, fixed-rate borrowings and lease liabilities and cash flow interest rate risk arising from variable-rate cash and cash equivalents is insignificant. No sensitivity analysis is presented accordingly.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL as at 31 December 2024 and 2023. For equity securities measured at FVTPL quoted in the Hong Kong Stock Exchange, the management of the Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date. For investments in equity securities measured at FVTPL as at 31 December 2024, if the prices of the respective equity securities had been changed based on 5% higher/lower, the loss of the Group for the year ended 31 December 2024 would decrease/increase by approximately RMB6,272,000 (2023: decrease/increase by approximately RMB3,478,000).

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and lease receivables, other receivables and deposits, restricted deposits as well as cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group has no material concentration of credit risk at 31 December 2024 and 2023.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below.

Trade and lease receivables

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

In addition, the Group performs impairment assessment under ECL model on trade and lease receivables that are credit-impaired individually and collectively using provision matrix on those remaining trade and lease receivables based on shared credit risk characteristics by reference to the aging of outstanding balances. Impairment of approximately RMB14,913,000 (2023: RMB7,168,000) are recognized during the year ended 31 December 2024. Details of the quantitative disclosures are set out below in this note.

Restricted deposits and cash and cash equivalents

Credit risk on restricted deposits and bank balances included in cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL restricted deposits and cash and cash equivalents by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognized.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable including forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Based on the average loss rates, the 12m ECL on other receivables and deposits is considered to be insignificant and therefore no loss allowance was recognized.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables and deposits (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

					At 31 December	
	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount RMB'000	2023 Gross carrying amount RMB'000
Financial assets at amortised cost						
Trade and lease receivables	*21*	N/A	Low risk *(note)*	Lifetime ECL-not credit impaired	226,070	85,003
			Watch list *(note)*	Lifetime ECL-not credit impaired	25,909	24,114
			Doubtful *(note)*	Lifetime ECL-not credit impaired	31,295	9,599
					283,274	118,716
Other receivables and deposits	*22*	N/A	Low risk	12m ECL	15,987	13,694
Restricted deposits	*24*	AA	N/A	12m ECL	18,924	25,929
Bank balances	*24*	AA+	N/A	12m ECL	276,940	390,658
					595,125	548,997

Note: For trade and lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL of the trade and lease receivables using provision matrix grouped by aging of the receivables. There are no credit-impaired debtors that are assessed individually as at 31 December 2024 and 2023.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade and lease receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	At 31 December			
	2024		2023	
	Average loss rate	Trade and lease receivables RMB'000	Average loss rate	Trade and lease receivables RMB'000
Current (not past due)	**1.80%**	**226,070**	1.60%	85,003
1–30 days past due	**4.00%**	**5,806**	2.70%	3,151
31–60 days past due	**4.50%**	**7,628**	4.60%	4,591
61–90 days past due	**7.20%**	**7,556**	6.20%	1,957
91–365 days past due	**40.05%**	**4,919**	23.54%	14,415
More than 365 days past due	**79.06%**	**31,295**	78.51%	9,599
		283,274		118,716

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognized for trade and lease receivables under the simplified approach.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
At 1 January 2023	7,330	—	7,330
Changes due to financial instruments recognized as at 1 January 2023:			
— Transfer to credit-impaired	(1,760)	1,760	—
— Impairment losses reversed, net of allowance	(274)	—	(274)
— Written-offs	—	(1,760)	(1,760)
New financial assets originated:			
— Impairment losses recognized	7,442	—	7,442
At 31 December 2023 and 1 January 2024	12,738	—	12,738
Changes due to financial instruments recognized as at 1 January 2024:			
— Written-offs	(409)	—	(409)
New financial assets originated:			
— Impairment losses recognized	15,322	—	15,322
At 31 December 2024	**27,651**	**—**	**27,651**

The Group writes off a trade and lease receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, has entered into bankruptcy proceedings or the Group has started the legal proceedings against the customers. There is approximately RMB1,760,000 of the trade and lease receivables that have been written off in 2023, which is subject to enforcement activities.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilization of borrowings and ensures compliance with loan covenants.

The Group relies on borrowings as a significant source of liquidity. As at 31 December 2024, the Group has available unutilized bank loan facilities of approximately RMB365,012,000 (2023: RMB191,688,000).

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

33. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 2024 RMB'000
At 31 December 2024						
Trade payables, other payables and accruals	–	121,268	–	–	121,268	121,268
Borrowings	6.1%	603,383	214,257	13,465	831,105	809,192
Lease liabilities	5.3%	6,036	3,481	3,951	13,468	12,437
		730,687	217,738	17,416	965,841	942,897

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 2023 RMB'000
At 31 December 2023						
Trade payables, other payables and accruals	–	158,953	–	–	158,953	158,953
Borrowings	6.2%	443,912	247,398	40,446	731,756	692,214
Lease liabilities	5.8%	10,418	5,223	3,666	19,307	18,081
		613,283	252,621	44,112	910,016	869,248

34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2024 and 2023:

At 31 December 2024

	Fair value measurement using:			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Description				
Recurring fair value measurements:				
Financial assets at FVTPL	**125,431**	**–**	**–**	**125,431**
	125,431	**–**	**–**	**125,431**

At 31 December 2023

	Fair value measurement using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Description				
Recurring fair value measurements:				
Financial assets at FVTPL	69,569	–	–	69,569
	69,569	–	–	69,569

There is no transfer between different levels of the fair value hierarchy during the year.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of a subsidiary

On 15 December 2023, the Group acquired 100% of the issued share capital of 元建科技（深圳）有限公司 ("**Yuanjian Technololgy**") from Mr. Bi Yong Bin and Mr. Sun Jian Rong, both are independent third party, at a total cash consideration of RMB800,000. The principal activities of Yuanjian Technololgy are provision of device subscription and related services and IT technical subscription services.

The fair value of the identifiable assets and liabilities of Yuanjian Technololgy acquired as at its date of acquisition is as follows:

Net assets acquired:

	RMB'000
Property, plant and equipment	124
Intangible assets	26,000
Prepayments	555
Deposits, prepayments and other receivables	534
Cash and cash equivalents	164
Accruals and other payables	(2,904)
Contract liabilities	(38,377)
Deferred tax liabilities	(6,500)
	(20,404)
Goodwill	21,204
Satisfied by:	
Cash	800
Net cash outflow arising on acquisition:	
Cash consideration paid	(800)
Cash and cash equivalents acquired	164
	(636)

If the acquisition had been completed on 1 January 2023, total Group revenue for the year would have been approximately RMB1,793,093,000, and loss for the year would have been approximately RMB166,996,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Disposal of a subsidiary

On 1 August 2023, the Group completed the disposal of the entire equity interest in 武漢市凌瑞優機電子商務有限公司 ("**Wuhan Lingrui**"), an indirect wholly owned subsidiary, to 天創優品（廣州）信息科技有限公司, an independent third party, at a consideration of RMB1,581,000, as follows:

	RMB'000
Net assets of Wuhan Lingrui at the date of disposal were as follows:	
Cash and cash equivalents	1,808
Other receivables, deposits and prepayments	1
Other payables and accruals	(227)
Net assets disposed of	1,582
Gain on disposal of a subsidiary	—
Direct cost to the disposal	(1)
Total consideration	1,581
Net cash outflow arising on disposal	
Cash consideration received	1,581
Cash and cash equivalents of the subsidiary disposal of	(1,808)
	(227)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB'000	Lease liabilities RMB'000	Accrued issue costs RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2023	550,914	12,919	901	564,734
Changes in cash flows	100,420	(10,702)	(901)	88,817
Non-cash changes				
— new leases or lease modification	—	14,911	—	14,911
— finance costs	40,880	953	—	41,833
At 31 December 2023 and 1 January 2024	692,214	18,081	—	710,295
Changes in cash flows	70,370	(11,238)	—	59,132
Non-cash changes				
— new leases or lease modification	—	4,640	—	4,640
— finance costs	46,608	954	—	47,562
At 31 December 2024	**809,192**	**12,437**	**—**	**821,629**

Notes:

i). To better manage the Group's capital structure and financing needs, the Group enters into financing arrangements in relation to its equipment with financing lease companies. Borrowings raised in respect of such arrangements during the year are included in the other borrowings of the Group. The proceeds which are paid by the financing lease companies to the equipment suppliers directly for the Group are non-cash transactions as disclosed in the table above.

36. CONTINGENT LIABILITIES

At 31 December 2024, the Group did not have any significant contingent liabilities (2023: Nil).

37. RELATED PARTY TRANSACTIONS

Other than those transactions and balances disclosed in notes 21, 22 and 25 to the consolidated financial statements, the Group has following transactions with related parties:

Relationship	Nature of transactions	2024 RMB'000	2023 RMB'000
Entities which a director of the Company or ex-director of LX Shenzhen has significant influence	Revenue from related parties		
	— Device subscription services	**4,789**	6,196
	— IT technical subscription services	**185**	461
	Purchase of IT equipment from related parties	**16,993**	6,111
	Services received from related parties		
	— Marketing and promotion services	**62**	73
	— Maintenance services	**2,298**	4,334

Compensation of key management personnel

The remuneration of directors of the Company, chief executive officer and other members of key management of the Group was as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**4,285**	3,148
Post-employment benefits	**112**	106
Equity-settled share-based payments expenses	**5,065**	17,961
	9,462	21,215

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Investments in a subsidiary		**478,078**	447,985
Current assets			
Financial assets at FVTPL		**125,431**	69,569
Prepayments, deposits and other receivables		**179**	379
Amounts due from a subsidiary		**103,396**	—
Cash and cash equivalents		**58,387**	266,982
		287,393	336,930
Current liabilities			
Other payables and accruals		**102**	2,000
Amounts due to subsidiaries		**51,101**	46,342
		51,203	48,342
Net current assets		**236,190**	288,588
Total assets less current liabilities		**714,268**	736,573
NET ASSETS		**714,268**	736,573
Capital and reserves			
Share capital	*28*	**3,158**	3,158
Reserves	*29(b)*	**711,110**	733,415
TOTAL EQUITY		**714,268**	736,573

39. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

LX Brothers Employee Incentive Plan

LX Brothers Employee Incentive Plan is adopted by the Company pursuant to the written resolutions of the board of directors of the Company passed on 23 March 2022, which is a share incentive scheme and is established to recognise the contribution of the employees of the Group towards its growth and success. The LX Brothers Employee Incentive Plan will provide the eligible participants with an opportunity to have a personal stake in the Group with a view to achieving the following objectives:

(i) encourage the eligible participants to contribute to the Group for the long-term benefits of the Company; and

(ii) provide the Group with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

Those eligible to participate in the LX Brothers Employee Incentive Plan include any director, employee or senior management employee, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom a committee of the board considers, in its absolute discretion, have contributed or will contribute to the Group.

Subject to the terms of the LX Brothers Employee Incentive Plan, a grantee is entitled to exercise, at any time prior to the expiry of 10 years from the date on which the offer of options is made, up to one-fourth of his/her granted and accepted options commencing from each of the first, second, third and fourth anniversaries of the date on which the offer of options is made; or up to three-fourths and one-fourth commencing from the first and second anniversaries of the date on which the offer of options is made, respectively; or up to half of his/her granted and accepted options from each of the first and second anniversaries of the date on which the offer of options is made under the LX Brothers Employee Incentive Plan during the period which the committee of the Board notifies to each grantee, provided that the grantee remains to be an eligible participant entitled to exercise his or her option and the satisfaction of annual comprehensive assessment of the grantee.

The exercise price per share in respect of any particular option granted under the LX Brothers Employee Incentive Plan shall be determined by the committee of the board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per share.

The total number of shares in respect of which options may be transferred under the LX Brothers Employee Incentive Plan is such number of shares, representing no more than 6.0% of the issued share capital of the Company upon 1) Capitalization Issue and 2) the completion of the Hong Kong public offering and the international offering ("**Global Offering**"), as at the date of adoption of LX Brothers Employee Incentive Plan. As at 31 December 2022, the total number of shares available for issue under the LX Brothers Employee Incentive Plan was 17,880,602 shares and representing approximately 5.06% of the issued share capital of the Company.

In recognition of the contributions made by the employees of the Group towards its growth and success, a total of 102 eligible participants accepted the Company's offer of options to subscribe for an aggregate of 6,622,445 shares and was adjusted to 17,880,602 shares upon Capitalization Issue under LX Brothers Employee Incentive Plan.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

LX Brothers Employee Incentive Plan (Continued)

The estimated fair value of the options granted was HK$161,103,000 (equivalent to RMB130,840,000). During the year ended 31 December 2024, the Group recognized the share-based payments expense of RMB14,037,000 (2023: RMB43,840,000) in relation to the LX Brothers Employee Incentive Plan.

The following table discloses movements of the Company's share options held by directors and employees during the years ended 31 December 2024 and 2023 under LX Brothers Employee Incentive Plan since approval of LX Brothers Employee Incentive Plan:

(a) Details of the specific categories of options are as follows:

	At 1 January 2023	Forfeited during the year	Outstanding as at 31 December 2023	Forfeited durting the year	Outstanding as at 31 December 2024	Expiry date	Exercise price HK$ per share
Director *(note i)*	2,868,968	–	2,868,968	–	2,868,968	31 March 2032	0.01
Director *(note ii)*	1,350,754	–	1,350,754	–	1,350,754	31 March 2032	0.01
Senior management *(note ii)*	270,000	–	270,000	–	270,000	31 March 2032	0.01
Senior management *(note iii)*	1,296,000	–	1,296,000	–	1,296,000	31 March 2032	0.01
Employees *(note i)*	9,739,503	(56,900)	9,682,603	(40,017)	9,642,586	31 March 2032	0.01
Employees *(note ii)*	2,355,377	–	2,355,377	–	2,355,377	31 March 2032	0.01
	17,880,602	(56,900)	17,823,702	(40,017)	17,783,605		

Notes:

(i) Grantees could vest 25% of his or her granted options on each of the 1 April from 2023 to 2026 upon satisfaction of annual comprehensive assessment and remain as staff in the Group.

(ii) Grantees could vest 50% of his or her granted options on each of the 1 April from 2023 to 2024 upon satisfaction of annual comprehensive assessment and remain as staff in the Group.

(iii) Grantee could vest 75% of his granted options on 1 April 2023 and the remaining 25% of his granted options on 1 April 2024 upon satisfaction of annual comprehensive assessment and remain as staff in the Group.

Save for the above, there are no other vesting conditions for the shares options granted under the LX Brothers Employee Incentive Plan.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

LX Brothers Employee Incentive Plan (Continued)

(b) Details of the share options outstanding during the year are as follows:

	2024		2023	
	Number of share options	Weighted average exercise price HK$	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**17,823,702**	**0.01**	17,880,602	0.01
Forfeited during the year	**(40,017)**	**0.01**	(56,900)	0.01
Outstanding at the end of the year	**17,783,685**	**0.01**	17,823,702	0.01
Exercisable at the end of the reporting period	**11,527,908**		6,097,958	

Movements of the share options held by the directors of the Company during the years ended 31 December 2024 and 2023 are listed below in accordance with chapter 17 of the Listing Rules:

Date of grant of share options	Vesting period	Exercise period of share	Exercise price HK$	Outstanding at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024
1/4/2022	1 year from the date of grant	1/4/2023 to 31/3/2032	0.01	723,578
1/4/2022	2 years from the date of grant	1/4/2024 to 31/3/2032	0.01	715,130
1/4/2022	3 years from the date of grant	1/4/2025 to 31/3/2032	0.01	715,130
1/4/2022	4 years from the date of grant	1/4/2026 to 31/3/2032	0.01	715,130
1/4/2022	1 year from the date of grant	1/4/2023 to 31/3/2032	0.01	675,377
1/4/2022	2 years from the date of grant	1/4/2024 to 31/3/2032	0.01	675,377
				4,219,722

	HK$
Weighted average exercise price per share	0.01

No share options (2023: Nil) were exercised and 40,017 share options (2023: 56,900) were forfeited during the year ended 31 December 2024. The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2024 was HK$0.01 (2023: HK$0.01). The options outstanding at the end of the year have a weighted average remaining contractual life of 7.25 years (2023: 8.25 years) and the weighted average exercise price is HK$0.01 per share (2023: HK$0.01).

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions

Discounted cash flow method was used to determine the underlying equity value of the Company at grant date and the estimated fair value of the share options granted is measured based on the binomial option pricing model. The inputs into the model were as follows:

Grant date	1 April 2022
Share price on date of grant	HK$24.3 per share
Exercise price	HK$0.01 per share
Risk-free rate	2.20%
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial lattice model)	56.2%
Expected dividend yield	0%
Option life	10 years

Expected volatility was determined by using the volatility of the comparable companies' share price over the expected life of the option. Risk-free rate was determined with reference to Hong Kong Government Exchange Fund Notes with similar tenor. Dividend yield was determined with reference to the historical dividend payout of the Group.

The binomial option pricing model has been used to estimate the fair value of the share options by the qualified valuer. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The number of the share options granted expected to vest is based on the directors' best estimate on the expected percentage of the 104 eligible employees that will remain in employment with the Group at the end of the vesting period.

Beauty Bear Employee Incentive Plan

— Beauty Bear Share Option Scheme

Beauty Bear Employee Incentive Plan is adopted by the Company pursuant to the written resolutions of the board of directors of the Company passed on 1 April 2022, which is established to recognise and acknowledge the contributions that the eligible participants had or may have made to the Group. The Beauty Bear Employee Incentive Plan will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) encourage the eligible participants to contribute to the Group for the long-term benefits of the Company; and

(ii) provide the Group with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to the eligible participants.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions (Continued)

Beauty Bear Employee Incentive Plan (Continued)

— Beauty Bear Share Option Scheme (Continued)

Those eligible to participate in the Beauty Bear Employee Incentive Plan include any director, employee or senior management employee, including without limitation the chief executive officer, chief financial officer, chief operation officer or other officer or persons whom a committee of the board considers, in its absolute discretion, have contributed or will contribute to the Group.

Subject to the terms of the Beauty Bear Employee Incentive Plan, a grantee is entitled to exercise, at any time prior to the expiry of 10 years from the date on which the offer of options is made, up to one-fourth of his/her granted and accepted options under the Beauty Bear Employee Incentive Plan during the period which the committee of the board notifies to each grantee, commencing from each of the first, second, third and fourth anniversaries of the date on which the offer of options is made, provided that the grantee remains to be an eligible participant entitled to exercise his or her option and the satisfaction of annual comprehensive assessment of the grantee.

The exercise price per share in respect of any particular option granted under the Beauty Bear Employee Incentive Plan shall be determined by the committee of the board and included in the letter to the grantee containing the offer of options, which could be a fixed or variable figure with reference to the fair value per share.

The maximum number of shares in respect of which options may be granted under the Beauty Bear Share Option Scheme of the Company must not in aggregate exceed 10% of the issued share capital of the Company upon 1) Capitalization Issue and 2) the completion of the Global Offering, at the date of adoption of Beauty Bear Share Option Scheme, being 35,325,000 shares and representing approximately 10% of the issued share capital of the Company.

No options were granted under the Beauty Bear Employee Incentive Plan during the year ended 31 December 2024 (2023: Nil).

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions (Continued)

Beauty Bear Employee Incentive Plan (Continued)

— Restricted Share Award Scheme

Restricted Share Award Scheme ("**RSA Scheme**") is adopted by the Company pursuant to a resolution ("**Resolution**") of the board of directors of the Company passed on 1 April 2022, which is to encourage certain directors of the Company, employees to contribute to the Group for the long-term benefits of the Company and the shareholders as a whole and provide the Group with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to any director of the Company, employee or any other person that, in the opinion of the board committee in its sole and absolute discretion, will contribute materially to the successful operation of the Group.

The Restricted Share Award Scheme shall be valid and effective for the period of 10 years commencing on the adoption date of the Restricted Share Award Scheme, after which period no further awards will be granted, but the it shall not affect the subsisting rights of any selected participants.

The exercise price per share in respect of any shares granted under the Restricted Share Award Scheme shall be more than, equal to, or less than fair market value of a share and may be zero, subject to such minimum consideration as may be required by applicable law.

The total number of shares awarded under the Restricted Share Award Scheme to each participant in any 12-month period up to the date of award exceed 1% of the issued share capital of the Company as at the date of award shall be subject to the issue of a circular by the Company to shareholders and the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such participant and his/her close associates (as defined in the Listing Rules) (or his/her associates (as defined in the Listing Rules) if the participant is a connected person (as defined in the Listing Rules)) abstaining from voting after the Resolution.

No shares shall be granted pursuant to the Restricted Share Award Scheme if as a result of such grant (assumed accepted), the aggregate number of shares underlying all grants made pursuant to the Restricted Share Award Scheme (excluding the shares that have lapsed or been canceled in accordance with the rules of the Restricted Share Award Scheme) will exceed 10% of the number of shares in issue from time to time.

On 1 April 2022, 2,222,222 award shares were granted to an employee of LX Shenzhen and were adjusted to 6,000,000 shares upon Capitalization Issue. Save as disclosed above, no other award shares had been granted or agreed to be granted under the Restricted Share Award Scheme during the year ended 31 December 2023. The shares granted shall be vested in four equal lots on each of 1 April from 2023 to 2026 if the grantees remain as staff in the Group, there are no other vesting conditions for the shares granted under the Restricted Share Award Scheme.

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions (Continued)

Beauty Bear Employee Incentive Plan (Continued)

— Restricted Share Award Scheme (Continued)

During the year, the Group recognised the share-based payment expenses of RMB5,466,000 in relation to the award shares grannted on 1 April 2022 (2023: RMB16,689,000). During the year, 3,000,000 award shares (2023: Nil) were exercised and nil award shares (2023: Nil) were forfeited. The weighted average share price at the date of exercise for award shares exercised during the year was HK$4.90 (2023: Nil). The award shares outstanding at the end of the year have a weighted average remaining contractual life of 7.33 years (2023: 8.33) and the weighted average exercise price is HK$0.01 per share (2023: HK$0.01 per share).

On 12 January 2024, 3,251,389 award shares were granted to 245 awardees, which including two directors and 243 other employees of the Group pursuant to the RSA Scheme of the Beauty Bear Employee Incentive Plan. Among the 3,251,389 awards, (i) for 728,700 awards granted to 236 awardees, all of which shall be vested on the first anniversary of the date of award; (ii) for 1,220,000 awards granted to two awardees, the awards shall be vested in two equal tranches on the first and second anniversary of the date of award; (iii) for 500,000 awards granted to six awardees, 50%, 25% and 25% of the awards shall be vested on the first, second and third anniversary of the date of award; and (iv) for the remaining 802,689 awards granted to one awardee, the awards shall be vested in four equal tranches on the first, second, third and fourth anniversary of the date of award.

On 15 November 2024, 886,987 award shares were granted to 34 awardees, which including 34 employees of the Group pursuant to the RSA Scheme of the Beauty Bear Employee Incentive Plan. All the awards shall be vested on the first anniversary of the date of award.

The following table discloses movements of the Company's share awards granted on 12 January 2024 and 15 November 2024 held by directors and employees during the year ended 31 December 2024:

(a) Details of the specific categories of awards are as follows:

		Number of share awards				
	At 1 January 2024	Granted during the year	Forfeited during the year	Outstanding as at 31 December 2024	Expiry date	Exercise price HK$ per share
Director *(note i)*	–	30,000	–	30,000	12 January 2034	0.01
Employees *(note i)*	–	698,700	(35,300)	663,400	12 January 2034	0.01
Employees *(note ii)*	–	1,220,000	–	1,220,000	12 January 2034	0.01
Employees *(note iii)*	–	500,000	(20,000)	480,000	12 January 2034	0.01
Employees *(note iv)*	–	802,689	–	802,689	12 January 2034	0.01
Employees *(note v)*	–	886,987	(600)	886,387	15 November 2034	0.01
	–	4,138,376	(55,900)	4,082,476		

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions (Continued)

Beauty Bear Employee Incentive Plan (Continued)

— Restricted Share Award Scheme (Continued)

(a) (Continued)

Notes:

(i) For 728,700 award shares granted to 236 awardees, all of which shall be vested on the first anniversary of the date of award.

(ii) For 1,220,000 award shares granted to two awardees, the award shares shall be vested in two equal tranches on the first and second anniversary of the date of award.

(iii) For 500,000 award shares granted to six awardees, 50%, 25% and 25% of the award shares shall be vested on the first, second and third anniversary of the date of award.

(iv) For the remaining 802,689 award shares granted to one awardee, the award shares shall be vested in four equal tranches on the first, second, third and fourth anniversary of the date of award.

(v) For 886,987 award shares granted to 34 awardees, all of which shall be vested on the first anniversary of the date of award.

The estimated fair value of the award shares granted on 12 January 2024 and 15 November 2024 were HK$23,540,000 (equivalent to RMB21,400,000) and HK$3,238,000 (equivalenet to RMB2,983,000), respectively. During the year, the Group recognized the share-based payments expense of RMB14,735,000 and RMB383,000 in relation to the award shares granted on 12 Januarry 2024 and 15 November 2024, respectively. Nil award shares (2023: Nil) was exercised and 55,300 and 600 award shares (2023: Nil) were forfeited in relation to the awards shares granted on 12 January 2024 and 15 November 2024, respectively during the year. The award shares outstanding at the end of the year have a weighted average remaining contractual life of 9.03 years and 9.87 years in relation to the award shares granted on 12 Januarry 2024 and 15 November 2024, respectively (2023: Nil) and the weighted average exercise price is HK$0.01 per share (2023: Nil).

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Fair value of share options and assumptions (Continued)

Fair value of share awards and assumptions

The Binomial Option Pricing Model was used to determine the underlying equity value of the Company at grant date. The inputs into the model were as follows:

Grant date	12 January 2024	15 November 2024
Share price on date of grant	HK$7.25 per share	HK$3.66 per share
Exercise price	HK$0.01 per share	HK$0.01 per share
Risk-free rate	3.45%	3.34%
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial lattice model)	59.4%	51.42%
Expected dividend yield	0%	0%
Award life	10 years	10 years

Expected volatility was determined by using the volatility of the comparable companies' share price over the expected life of the award. Risk-free rate was determined with reference to Hong Kong Government Exchange Fund Notes with similar tenor. Dividend yield was determined with reference to the historical dividend payout of the Group.

The binomial option pricing model has been used to estimate the fair value of the award shares by the qualified valuer. The variables and assumptions used in computing the fair value of the award shares are based on the directors' best estimate. The value of an award varies with different variables of certain subjective assumptions.

The number of the award shares granted expected to vest is based on the directors' best estimate on the expected percentage of eligible employees, granted on 12 January 2024 and 15 November 2024 respectively, that will remain in employment with the Group at the end of the vesting period.

40. EVENTS AFTER THE REPORTING PERIOD

There will be no significant events after the reporting period.

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 14 November 2022 is set out below:

RESULTS

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,371,719**	1,793,093	1,664,049	1,330,402	1,022,169
(Loss)/profit for the year	**(58,255)**	(131,032)	99,948	(448,702)	(177,127)
Attributable to:					
Owners of the Company	**(56,952)**	(131,268)	99,948	(448,702)	(177,302)
Non-controlling interests	**(1,303)**	236	—	—	175
Adjusted EBITDA (non-IFRS measure)*	**283,384**	240,968	285,062	224,018	164,484

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**1,722,330**	1,681,096	1,560,861	1,177,817	941,079
Total liabilities	**1,006,128**	941,287	753,549	1,808,041	1,110,967
Net assets/(liabilities)	**716,202**	739,809	807,312	(630,224)	(169,888)
Equity attributable to owners of the Company	**714,269**	736,573	807,312	(630,224)	(169,888)
Non-controlling interest in equity	**1,933**	3,236	—	—	—

* *For details of the adjusted EBITDA (non-IFRS measure), please refer to pages 17 to 18 of this annual report.*