



INTERIM REPORT
2024

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



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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

Mr. Kam Chi Sing
Ms. Xu Nailing
Mr. Yao Zhengwang

AUDIT COMMITTEE

Ms. Xu Nailing (Chairlady)
Mr. Kam Chi Sing
Mr. Yao Zhengwang

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

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
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:

2023 Annual Report	the annual report of the Company for the year ended 31 December 2023
AI	artificial intelligence
Articles or Articles of Association	the third amended and restated articles of association of the Company (as amended from time to time)
associate(s)	has the meaning ascribed thereto under the Listing Rules
Audit Committee	the audit committee of the Board
Bear Family	Bear Family Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders
Beauty Bear	Beauty Bear Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders
Beauty Bear Employee Incentive Plan	the employee incentive plan consisting of the Beauty Bear Share Option Scheme and the RSA Scheme adopted by our 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 or Board of Directors	the board of directors of the Company
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 "Capitalization Issue" in the Prospectus
CG Code	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended from time to time
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 and, unless the context requires otherwise, collectively refers to Mr. Hu, Bear Family, Little Bear, LX Brothers and Beauty Bear
DaaS	Device-as-a-service

Director(s)	director(s) of the Company
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	collectively the Beauty Bear Employee Incentive Plan and the LX Brothers Employee Incentive Plan
Group, we, us or our	the Company and its subsidiaries
Hong Kong or HK	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 Stock Exchange (stock code: 9618) and the American depository shares of which are listed on NASDAQ (ticker symbol: JD)
Listing	the listing of the Shares on the Main Board
Listing Date	the date of the 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 and one of our Controlling Shareholders
LX Brothers	LX Brothers Technology Limited, a company incorporated in the BVI with limited liability on 29 October 2021 and one of our Controlling Shareholders
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

Definitions

Memorandum	the third 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 one of our Controlling Shareholders
Mr. Hua	Mr. Hua Baocheng, a Shareholder and an employee of the Group
Nomination Committee	the nomination committee of the Board
Period or Reporting Period	the six months ended 30 June 2024
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
SaaS	Software-as-a-service
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
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

Chairman's Statement

Dear Shareholders,

On behalf of the Board and the management team of the Group, it is with great pleasure that we present to you the interim report of LX Technology Group Limited and its subsidiaries for the six months ended 30 June 2024. This Period has been marked by significant progress and transformation, as our Group continues to establish itself as a leading provider of DLM solutions in China. Our relentless focus on innovation, customer satisfaction, and operational efficiency has yielded positive results.

During the first half of 2024, our Group achieved a notable increase in revenue and gross profit, underscoring the effectiveness of our strategic initiatives. This success is largely attributable to our concerted efforts to enhance our sales and marketing functions. We have strengthened our sales teams, expanded our marketing outreach, and leveraged data-driven insights to better understand and meet the needs of our customers. By refining our value propositions and targeting key regional markets, we have successfully captured new business opportunities and deepened relationships with existing clients. Through a mix of digital and traditional channels, we have increased brand visibility and established our Group as a trusted partner in the DLM industry.

The DLM industry continues to evolve at a rapid pace, driven by advancements in technology, changes in enterprises operational behaviour, and growing environmental concerns. According to the “Research Report on the DaaS Market in Core Cities of the Yangtze River Economic Belt” (《長江經濟帶核心城市DaaS市場研究報告》) jointly issued by the Special Committee on DaaS Services of the China Association of Small and Medium Enterprises (中國中小企業協會 DaaS服務專委會) and the LX Research Institute¹, Chengdu, Wuhan, Nanjing and Hangzhou are expected to be the second growth pole for the DaaS market. These cities are leveraging on their traditional advantages as the core cities of the Yangtze River Economic Belt and are driven by the increasing enterprise establishments. The proliferation of new technologies, such as AI and the Internet of Things, is also expected to drive increased demand for more efficient and sustainable DLM solutions.

In this dynamic environment, our Group is well-positioned to capitalise on these trends. We have observed growing awareness among enterprises about the importance of light-asset operations and optimising the lifecycle of their IT devices. This has created fertile ground for our services, which are designed to help clients maximise the users' experience of IT devices while minimising their capital investment and reducing environmental footprints.

However, the industry is not without its challenges. Heavy capital commitments, fluctuating demand and the swift development of IT devices are some of the factors that continue to impact the service providers. Despite these challenges, we have remained agile and adaptive, leveraging our deep industry expertise and strong customer relationships to navigate these complexities. Our commitment to operational excellence and customer-centricity has enabled us to maintain our competitive edge and deliver sustained growth.

¹ LX Research Institute, established by the Company, was the first enterprise-level DaaS industry research institute in China. Targeting on the domestic DaaS industry, it regularly releases various DaaS industry analysis reports and research forecasts by fully integrating resources from all sectors, covering device recycling services, device subscription services, IT technical subscription services, device management SaaS and other market segments, aiming to provide an important reference for many professional investment institutions, media, governments and customers to understand, observe, research and analyze the DaaS market in China.

Chairman's Statement

Looking ahead, our Group remains focused on executing our strategic initiatives to drive further growth and enhance shareholder value. We will continue to invest in our sales and marketing capabilities, recognising that these functions are critical to our long-term success and to solidifying our leadership role in the industry. By adopting innovative marketing strategies and leveraging advanced analytics, we aim to further increase our market share and expand into new regions. Additionally, we intend to harness the synergies brought by the integration and expansion of our printing and imaging equipment, which will further complement our existing offerings and enhance overall service quality. Moreover, we are particularly excited about the potential enhancements to our research and development capabilities, which will allow us to incorporate emerging technologies such as AI into our service delivery.

In conclusion, the first half of 2024 has been a period of significant achievement for our Group. As we move forward, we remain committed to building on this momentum, navigating industry challenges, and seizing new opportunities to deliver sustainable growth.

On behalf of the Board, I would like to express my heartfelt gratitude to our management team, employees, customers, business partners and shareholders for your unwavering support. Your confidence in our vision and your commitment to our shared goals are the foundation of our success. We are confident that with your continued support, we will achieve even greater heights.

Hu Zuoxiong

Chairman

LX Technology Group Limited

Shenzhen, the PRC, 23 August 2024

Management Discussion and Analysis

BUSINESS REVIEW

Overview

We are a leading DLM solution provider in China. We are committed to delivering high-quality device recycling, device subscription and IT technical subscription services to our customers.

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

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

Our Business Model

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

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

Management Discussion and Analysis

Device recycling business

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

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

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

Device subscription business

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

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

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

Management Discussion and Analysis

IT technical subscription services

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

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

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

Future Outlook

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

Device recycling income

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

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

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

Revenue from device subscription services

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

Revenue from IT technical subscription services

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

Revenue by geographical locations

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

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

Note:

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

Management Discussion and Analysis

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

Device recycling business

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

Device subscription services

The gross profit of device subscription services increased from approximately RMB29.3 million for the six months ended 30 June 2023 to approximately RMB39.7 million for the Period, primarily attributable to the increase in revenue of our device subscription services as discussed above which outpaced the increase in our cost of services in the device subscription services. Our gross profit margin of device subscription services increase from approximately 18.0% for the six months ended 30 June 2023 to approximately 21.6% for the Period. The average monthly utilisation rates of our major types of devices for subscription increased from approximately 85.6% for the six months ended 30 June 2023 to approximately 86.5% for the Period.

IT technical subscription services

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

Other Income

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

Distribution and selling expenses

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

Administrative Expenses

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

Management Discussion and Analysis

Research and Development Expenses

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

Finance Costs

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

Income Tax Credit

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

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

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

Adjusted Loss

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

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

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

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use adjusted profit and adjusted EBITDA (non-IFRS measures) as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that such measures provide useful information to the Shareholders, 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.

Management Discussion and Analysis

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

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

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

Management Discussion and Analysis

Current Assets

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

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

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

Inventories

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

Trade and Lease Receivables

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

Other Receivables, Deposits and Prepayments

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

Trade Payables

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

Other Payables and Accruals

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

Bank Balances and Cash

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

Bank and Other Borrowings

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

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

Gearing Ratio

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

Management Discussion and Analysis

Significant Investments Held, Material Acquisitions and Disposals

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

Future Plans for Material Investments and Capital Assets

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

Contingent Liabilities and Commitments

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

Charges on Group’s Assets

As at 30 June 2024, certain Group’s borrowings are secured by IT devices with net book value of approximately RMB70.2 million.

Foreign Exchange Risk

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

Employees and Remuneration Policy

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

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

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

EVENTS AFTER THE REPORTING PERIOD

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

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

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 Reporting Period.

Pursuant to code provision C.2.1 of Part 2 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 practises, 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 Reporting Period.

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 the applicable code provision D.2.4(e) of Part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

Corporate Governance and Other Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (30 June 2023: nil).

There is no arrangement under which a Shareholder has waived or agreed to waive any dividend.

EMPLOYEE INCENTIVE PLANS**1. LX Brothers Employee Incentive Plan**

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

In recognition of the contributions made by the employees of our Group towards our growth and success, on 1 April 2022, a total of 102 eligible participants were offered 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 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. 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. 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.

Details of these participants and movements of the options granted during the Reporting Period are as follows:

Categories of Grantee	Date of grant	Outstanding balance as at 1 January 2024	Exercised during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding balance as at 30 June 2024
Directors							
1. Mr. Hu	1 April 2022	2,868,968 ⁽¹⁾	–	717,242 ⁽²⁾	–	–	2,868,968
2. Mr. Chen Xiuwei	1 April 2022	1,350,754 ⁽²⁾	–	675,377 ⁽²⁾	–	–	1,350,754
Employee participants							
Other Employees	1 April 2022	13,603,980 ⁽³⁾	–	4,056,504 ⁽³⁾	–	3,377 ⁽⁷⁾	13,600,603
Total		17,823,702	–	5,449,123	–	3,377	17,820,325

Notes:

- (1) Subject to the vesting conditions stated in note (4) 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 (4) being met, 50% of the options shall vest on each of the first and second anniversary of the date of grant.

Corporate Governance and Other Information

- (3) Subject to the vesting conditions stated in note (4) being met, out of these 13,603,980 options granted, (i) for 1,296,000 options, 75% of the options shall vest on the first anniversary of the date of 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 9,682,604 options, 25% of the options shall vest on each of the first, second, third and fourth anniversary of the date of grant.
- (4) 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.
- (5) Save as disclosed above, the options are not subject to any other exercising conditions or performance targets.
- (6) The weighted average closing price of the Shares immediately before the dates on which the options were vested was HK\$5.90.
- (7) The options lapsed during the Reporting Period due to resignation of the relevant employee(s).

In relation to the estimated fair value of the options at the date of grant and the accounting standard and policy adopted, please refer to note 39 to the consolidated financial statements in the 2023 Annual Report.

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 report, was allotted and issued to Beauty Bear, which is wholly-owned by Teeroy Trust.

2.1 Beauty Bear Share Option Scheme

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 30 June 2024 was 35,325,900. From the adoption date of the Beauty Bear Share Option Scheme and up to 30 June 2024, no option has been granted or agreed to be granted under the Beauty Bear Share Option Scheme.

Corporate Governance and Other Information

2.2 The RSA Scheme

On 1 April 2022, 2,222,222 award Shares (as adjusted to 6,000,000 Shares after the Capitalisation Issue, as defined in the Prospectus), representing approximately 1.70% of the issued Shares as at the date of this report, were granted to Mr. Hua, an employee of the Group, at a vesting price of HK\$0.01 per Share⁽¹⁾. Such vesting 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 awards were granted.

On 12 January 2024, 3,251,389 awards were granted to two Directors, namely Mr. Chen Xiuwei and Mr. Cao Weijun, and 243 employees of the Group to subscribe for 3,251,389 Shares, representing approximately 0.92% of the issued Shares as at the date of this report, at a purchase price of HK\$0.01 per Share. Save as disclosed above, no other award had been granted or agreed to be granted under the RSA Scheme as at 30 June 2024. The number of Shares in respect of which awards are available for grant under the RSA Scheme as at 1 January 2024 and 30 June 2024 was 29,325,900 and 26,087,611 respectively. The exercise period of the awards shall be 10 years from the date of grant. The closing price of the Shares immediately before the date on which the awards were granted during the Reporting Period was HK\$7.45.

Details of the participant and movements of the awards granted during the Reporting Period are as follows:

Categories of Grantee	Date of grant	Outstanding balance as at 1 January 2024	Granted during the Reporting Period	Exercised during the Reporting Period	Vested during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding balance as at 30 June 2024
Directors								
1. Mr. Chen Xiuwei	12 January 2024	–	10,500 ⁽²⁾⁽⁴⁾	–	–	–	–	10,500
2. Mr. Cao Weijun	12 January 2024	–	19,500 ⁽²⁾⁽⁴⁾	–	–	–	–	19,500
Employee participants								
1. Mr. Hua	1 April 2022	6,000,000 ⁽²⁾⁽⁴⁾	–	3,000,000 ⁽²⁾	1,500,000 ⁽²⁾	–	–	3,000,000
2. Other Employees	12 January 2024	–	3,221,389 ⁽²⁾⁽⁴⁾	–	–	–	13,100 ⁽⁷⁾	3,208,289
Total		6,000,000	3,251,389	3,000,000	1,500,000	–	13,100	6,238,289

Notes:

- (1) As the grant of the awards was prior to the Listing and the coming into effect of the new Chapter 17 of the Listing Rules, the relevant requirements under Rule 17.03D in respect of 1% individual limit is not applicable.
- (2) 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.

Corporate Governance and Other Information

- (3) 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.

The Company will undergo a comprehensive appraisal on the performance of the grantee on an annual basis including but not limited to satisfaction of sales or performance targets and other outstanding contributions to the Group during the year, as may be determined by the Company at its sole and absolute discretion from time to time for each relevant year and pursuant to which, 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 level, no Awards of the current anniversary will be vested.

- (4) Save as disclosed in (2) and (3) above, the awards granted are not subject to any other performance targets.
- (5) The weighted average closing price of the Shares immediately before the date on which the awards were exercised was HK\$4.9.
- (6) The weighted average closing price of the Shares immediately before the date on which the awards were vested was HK\$5.90.
- (7) The awards lapsed during the Reporting Period due to resignation of the relevant employee(s).

In relation to the estimated fair value of the awards at the date of grant and the accounting standard and policy adopted, please refer to note 39 to the consolidated financial statements in the 2023 Annual Report and note 21 to the condensed consolidated financial statements in this report.

All the awarded Shares underlying the awards granted, upon vesting and purchase by the awardees, will be satisfied by the existing Shares held by Beauty Bear on trust for the benefit of the participants of the Beauty Bear Employee Incentive Plan and accordingly, no new Shares will be issued.

As at 30 June 2024, no additional Shares may be issued in respect of the options and awards granted during the Reporting Period under all Employee Incentive Plans.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 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 ⁽⁷⁾
Mr. Hu	Interest in controlled corporations ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾	136,182,407 Shares (L)	38.55%
	Beneficial owner ⁽⁶⁾	2,868,968 Shares (L)	0.81%
	Total	139,051,375 Shares (L)	39.36%
Mr. Chen Xiuwei	Beneficial owner ⁽⁶⁾	1,361,254 Shares (L)	0.39%
Mr. Cao Weijun	Beneficial owner ⁽⁶⁾	19,500 Shares (L)	0.01%

Corporate Governance and Other Information

Notes:

- (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) Beauty Bear is interested in 27,000,000 Shares. 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. Pursuant to the deed of trust signed by the Company and Teeroy Trust, Teeroy Trust will exercise the voting rights in the Company through Beauty Bear in accordance with the instructions of Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Beauty Bear.
- (4) 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.
- (5) LX Brothers is interested in 17,880,602 Shares. The entire issued share capital of LX Brothers is held by Tricor Trust, who was entrusted by the Company to hold such Shares for the purpose of the LX Brothers Employee Incentive Plan. Pursuant to the deed of trust signed by the Company and Tricor Trust, Tricor Trust will exercise the voting rights in the Company through LX Brothers in accordance with the instructions of Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by LX Brothers.
- (6) Mr. Hu, Mr. Chen Xiuwei and Mr. Cao Weijun has been granted options and/or awards with respect to 2,868,968, 1,361,254 and 19,500 outstanding Shares, respectively, under the LX Brothers Employee Incentive Plan and the Beauty Bear Employee Incentive Plan. These Shares are currently held by Teeroy Trust (see note (3) above) and Tricor Trust (see note (5) above). For details, please refer to the section headed "Employee Incentive Plans" in this report.
- (7) Calculated on the basis of 353,259,000 Shares in issue as at 30 June 2024.

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; interest in a controlled corporation	10,000 Shares (L)	100%
	LX Brothers	Beneficial owner; interest in a controlled corporation	1 Share (L)	100%
	Beauty Bear	Interest in a controlled corporation	1 Share (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 30 June 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.

Corporate Governance and Other Information

DEBENTURES

The Company did not issue any debentures for the six months ended 30 June 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 30 June 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 ⁽¹²⁾
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) (上海通輻信息技術合夥企業(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⁾	39,594,368 Shares (L)	11.21%
Mr. Liu Qiangdong Richard ("Mr. Liu")	Beneficiary of a trust ⁽⁵⁾	39,594,368 Shares (L)	11.21%
Mr. Chen Wei	Interest in a controlled corporation ⁽⁶⁾	36,897,191 Shares (L)	10.44%
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⁾	36,897,191 Shares (L)	10.44%
Beauty Bear	Beneficial owner ⁽⁷⁾	27,000,000 Shares (L)	7.64%
Teeroy Trust	Trustee ⁽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 ⁽⁹⁾	6,000,000 Shares (L)	1.70%
	Total	24,528,528 Shares (L)	6.94%
LX Brothers	Beneficial owner ⁽¹¹⁾	17,880,602 Shares (L)	5.06%
Tricor Trust	Trustee ⁽¹¹⁾	17,880,602 Shares (L)	5.06%

Notes:

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

Corporate Governance and Other Information

- (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 which holds 39,594,368 Shares is wholly-owned by JD.com Investment Limited, which in turn is wholly-owned by JD.com. As at 31 March 2024, JD.com is controlled, in terms of voting power, as to 70.5% by Mr. Liu through Max Smart Limited and Fortune Rising Holdings Limited. Max Smart Limited, a company incorporated in BVI, is wholly-owned by UBS Nominees Limited on behalf of The Max Smart Trust, with UBS Trustees (B.V.I.) Limited as the trustee and Mr. Liu as a beneficiary. Fortune Rising Holdings Limited, a company incorporated in BVI, holds shares of JD.com for the purpose of transferring such shares to the plan participants under JD.com's share incentive plan. Mr. Liu is the sole director and sole shareholder 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 36,897,191 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. The voting rights of Beauty Bear are exercised by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by Beauty 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 report.
- (8) Little Bear is owned as to 8.78% by Mr. Hu, 51.56% by Mr. He, 24.91% by Mr. Tang and 14.75% by Mr. Cao, 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 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. Mr. Hua has been granted award shares with respect to 6,000,000 outstanding Shares under the RSA Scheme of Beauty Bear Employee Incentive Plan, in which 3,000,000 Shares were vested to, and purchased by Mr. Hua on 26 June 2024 and 3,000,000 Shares are currently 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 report.
- (10) 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. The voting rights of LX Brothers are exercised by Mr. Hu. By virtue of the SFO, Mr. Hu is deemed to be interested in the Shares held by LX Brothers. 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 report.
- (11) Calculated on the basis of 353,259,000 Shares in issue as at 30 June 2024.

Save as disclosed herein, as at 30 June 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.

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.

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 (including sale of treasury shares) during the Reporting Period. As at 30 June 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"). During the six months ended 30 June 2024, the Group utilised the Net Proceeds in accordance with the method and schedule set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2024 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2024 (RMB million)	
To improve customer experience to satisfy the evolving customer demands:	45	138.55	92.49	26.98	65.51	31 December 2025
(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.	30	92.37	56.28	21.50	34.78	31 December 2025
(ii) To continue to refurbish and upgrade decommissioned IT devices to extend their service life and upgrade their performance and improve customer experience	10	30.79	21.60	4.80	16.80	31 December 2025
(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	5	15.39	14.61	0.68	13.93	31 December 2025

Corporate Governance and Other Information

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2024 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2024 (RMB million)	
To expand customer base and our market share in targeted markets:	25	76.98	63.75	16.91	46.84	31 December 2028
(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	12.5	38.49	30.96	14.44	16.52	31 December 2028
(ii) To enhance our brand awareness and industry influence through online and offline marketing and brand promotion, and increase awareness and engagement of customers	12.5	38.49	32.79	2.47	30.32	31 December 2028
— to increase our online customer acquisition by engaging in search engines and social media advertising	9	27.71	23.38	1.86	21.52	31 December 2028
— to cover our increased advertising expenditure to strengthen our brand awareness	3.5	10.78	9.41	0.61	8.80	31 December 2028
For system upgrade and product development	15	46.18	44.56	0.90	43.66	31 December 2028
(i) to further enhance technology capabilities and upgrade system infrastructure to improve our operational efficiency, asset management efficiency and asset utilisation rate	11	33.87	32.24	0.90	31.34	31 December 2028
— to recruit research and development staff	9.5	29.25	28.47	0.85	27.62	31 December 2028
— to invest in system server resources and software licence fee	1.5	4.62	3.77	0.05	3.72	31 December 2028
(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	2	6.16	6.16	0.00	6.16	31 December 2028
— to recruit IoT engineers and IoT product managers and pay for their salaries	1.3	4.00	4.00	0.00	4.00	31 December 2028
— to purchase smart hardware devices, related consumables and server resources	0.7	2.16	2.16	0.00	2.16	31 December 2028

Corporate Governance and Other Information

Planned use of proceeds	% of Net Proceeds	Amount of Net Proceeds (RMB million)	Unutilised Net Proceed as at 1 January 2024 (RMB million)	Net Proceeds		Expected timeline for full utilisation
				utilised during the Reporting Period (RMB million)	Unutilised Net Proceeds as at 30 June 2024 (RMB million)	
(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	2	6.16	6.16	0.00	6.16	31 December 2028
— to recruit research and development staff and pay for their salaries	1.5	4.62	4.62	0.00	4.62	31 December 2028
— to purchase designated devices for the development of customers service portals with third-party business partners	0.5	1.54	1.54	0.00	1.54	31 December 2028
To strengthen our risk management capabilities	5	15.40	15.30	0.25	15.05	31 December 2028
(i) To expand the application of artificial intelligence technology, upgrade the intelligent risk control model and enhance realtime corporate credit assessment capabilities. We also plan to upgrade and optimise our intelligent credit granting, antifraud and early risk warning systems to improve the efficiency and accuracy of risk assessment	2.5	7.70	7.70	0.00	7.70	31 December 2028
(ii) To establish internal and offline risk control teams, and improve online and offline integrated risk control capabilities	2.5	7.70	7.60	0.25	7.35	31 December 2028
— to recruit risk control personnel and pay for their salaries	2	6.16	6.06	0.25	5.81	31 December 2028
— for third-party data system	0.5	1.54	1.54	0.00	1.54	31 December 2028
For working capital and general corporate purposes	10	30.79	0.00	0.00	0.00	N/A
Total	100	307.90	216.10	45.04	171.06	

Unutilised Net Proceeds were placed with commercial banks licensed in Hong Kong or the PRC. 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.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with the CG Code. During the Reporting Period, the Audit Committee consisted of three independent non-executive Directors, namely Ms. Xu Nailing, Mr. Kam Chi Sing and Mr. Yao Zhengwang. Ms. Xu Nailing, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, served as the chairman of the Audit Committee.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group’s unaudited consolidated financial information for the Reporting Period, and discussed with the management of the Company the accounting principles and practices adopted by the Group.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

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 during the Reporting Period.

INFORMATION REQUIRED TO BE DISCLOSED PURSUANT TO RULE 13.51B OF THE LISTING RULES

The changes in information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name of Director	Details of changes
Kam Chi Sing	Mr. Kam ceased to be a committee member of each of the taxation committee and the China committee of Hong Kong General Chamber of Commerce.

Save as disclosed above, as at the date of this 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.

OTHER CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at 30 June 2024, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association were amended and restated on 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>).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000 (unaudited)	RMB'000 (unaudited)
REVENUE	4	942,598	822,391
Cost of sales		(849,718)	(752,484)
GROSS PROFIT		92,880	69,907
Other income	5	13,574	8,607
Other gains and losses	6	16,946	15,922
Impairment losses under expected credit loss model, net of reversal		(5,028)	(3,541)
Distribution and selling expenses		(77,277)	(52,156)
Administrative expenses		(47,079)	(49,287)
Research and development expenses		(14,525)	(12,714)
Finance costs	7	(23,613)	(19,840)
LOSS BEFORE TAX	8	(44,122)	(43,102)
Income tax credit	9	3,539	743
LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(40,583)	(42,359)
LOSS FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		(39,792)	(42,359)
Non-controlling interests		(791)	—
		(40,583)	(42,359)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		(39,792)	(42,359)
Non-controlling interests		(791)	—
		(40,583)	(42,359)
LOSS PER SHARE	11		
— Basic (RMB)		(0.13)	(0.14)
— Diluted (RMB)		(0.13)	(0.14)

Condensed Consolidated Statement of Financial Position

as at 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment and right-of-use assets	12	763,058	795,648
Goodwill		21,204	21,204
Intangible assets		21,667	26,000
Deposits paid for acquisition of property, plant and equipment and intangible assets		3,633	440
Other receivables, deposits and prepayments	14	4,672	4,024
Restricted deposits		11,764	14,966
Deferred tax assets		12,186	10,079
Total non-current assets		838,184	872,361
Current assets			
Inventories		101,193	78,990
Trade and lease receivables	13	98,797	105,978
Other receivables, deposits and prepayments	14	164,904	152,577
Financial assets at fair value through profit or loss ("FVTPL")		84,578	69,569
Restricted deposits		9,555	10,963
Cash and cash equivalents		456,436	390,658
Total current assets		915,463	808,735
Current liabilities			
Trade payables, other payables and accruals	15	165,420	220,121
Tax liabilities		—	64
Borrowings	16	575,074	413,805
Lease liabilities		9,337	9,672
Contract liabilities		3,612	1,511
Total current liabilities		753,443	645,173
Net current assets		162,020	163,562
Total assets less current liabilities		1,000,204	1,035,923

Condensed Consolidated Statement of Financial Position

as at 30 June 2024

	<i>Notes</i>	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-current liabilities			
Borrowings	16	264,436	278,409
Lease liabilities		10,310	8,409
Deferred tax liabilities		7,873	9,296
Total non-current liabilities		282,619	296,114
NET ASSETS		717,585	739,809
Capital and reserves			
Share capital	17	3,158	3,158
Reserves		711,982	733,415
		715,140	736,573
Non-controlling interests		2,445	3,236
TOTAL EQUITY		717,585	739,809

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2024

	Attributable to owners of the Company								
	Paid-up capital/share capital	Share premium*	Statutory surplus reserve*	Other reserves*	Share-based payments reserve*	Accumulated losses*	Total equity	Non- controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	3,158	1,263,785	6,735	50,898	71,150	(588,414)	807,312	–	807,312
Total comprehensive expense for the period (unaudited)	–	–	–	–	–	(42,359)	(42,359)	–	(42,359)
Recognition of equity-settled share-based payments (unaudited)	–	–	–	–	35,721	–	35,721	–	35,721
At 30 June 2023 (unaudited)	3,158	1,263,785	6,735	50,898	106,871	(630,773)	800,674	–	800,674
At 1 January 2024 (audited)	3,158	1,263,785	6,735	50,898	131,602	(719,605)	736,573	3,236	739,809
Total comprehensive expense for the period (unaudited)	–	–	–	–	–	(39,792)	(39,792)	(791)	(40,583)
Recognition of equity-settled share-based payments (note 21) (unaudited)	–	–	–	–	18,332	–	18,332	–	18,332
Exercise of share awards (unaudited)	–	22,283	–	–	(22,256)	–	27	–	27
Lapsed share options (unaudited)	–	–	–	–	(12)	12	–	–	–
At 30 June 2024 (unaudited)	3,158	1,286,068	6,735	50,898	127,666	(759,385)	715,140	2,445	717,585

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

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Net cash generated from operating activities	50,252	53,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	333	2,325
Purchase of property, plant and equipment	(141,432)	(112,328)
Purchase of financial assets at FVTPL	(541)	(13,542)
Proceeds on disposal of property, plant and equipment	36,421	20,603
Redemption of financial assets at FVTPL	—	248,383
Deposits paid for acquisition of property, plant and equipment and intangible assets	(3,193)	(3,445)
Other investing activities	5,349	2,116
Net cash (used in)/generated from investing activities	(103,063)	144,112
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(23,613)	(19,840)
Repayments of borrowings	(277,508)	(278,773)
Repayments of lease liabilities	(5,094)	(4,799)
New borrowings raised	424,804	338,431
Payments of accrued issue costs	—	(3,862)
Net cash generated from financing activities	118,589	31,157
NET INCREASE IN CASH AND CASH EQUIVALENTS	65,778	228,511
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	390,658	156,274
Effect of foreign exchange rate changes	—	2,023
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by	456,436	386,808
Bank balances and cash	456,436	386,808

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 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, Cuijin Building, 10 Kaifeng Road, Maling District, Meilin Street, Futian District, Shenzhen, China.

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

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

2. BASIS OF PREPARATION

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

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

3. APPLICATION OF AMENDMENTS TO IFRSs

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

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

4. SEGMENT INFORMATION AND REVENUE

Segment Information

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

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

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

4. SEGMENT INFORMATION AND REVENUE (Continued)**Segment Information (Continued)****For the six months ended 30 June 2024**

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

For the six months ended 30 June 2023

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

4. SEGMENT INFORMATION AND REVENUE (Continued)**Geographical information**

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

Revenue

Disaggregation of revenue from contracts with customers

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

4. SEGMENT INFORMATION AND REVENUE (Continued)**Geographical information (Continued)****Revenue (Continued)***Disaggregation of revenue from contracts with customers (Continued)*

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

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

5. OTHER INCOME

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

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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Dividend income	551	489
Gain on disposal of property, plant and equipment	1,873	793
Foreign exchange gain	53	8,382
Fair value change of financial assets at FVTPL	14,469	6,258
	16,946	15,922

7. FINANCE COSTS

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

8. LOSS BEFORE TAX

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

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

9. INCOME TAX CREDIT

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

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

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

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

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

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

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

10. DIVIDEND

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

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per shares	(39,792)	(42,359)

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss and diluted per share	305,460,816	305,378,399

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

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

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for the six months ended 30 June 2024

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

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a total cost of RMB141,432,000 (six months ended 30 June 2023: RMB112,572,000).

During the six months ended 30 June 2024, property, plant and equipment with a carrying amount of RMB34,548,000 (six months ended 30 June 2023: RMB19,810,000) were disposed of by the Group, resulting in a gain on disposals of RMB1,873,000 (six months ended 30 June 2023: RMB793,000).

During the six months ended 30 June 2024, the Group has entered into several new lease agreements for the use of offices for 4 to 5 years (six months ended 30 June 2023: 4 to 5 years). On the lease commencement or lease renewal, the Group recognised right-of-use assets of RMB6,659,000 (six months ended 30 June 2023: RMB11,468,000) and a corresponding adjustment of the same amount to lease liabilities during the six months ended 30 June 2024. During the six months ended 30 June 2024, the Group has not terminated any lease arrangement which constituted lease modifications (six months ended 30 June 2023: the Group terminated certain lease arrangement which constituted lease modifications. The reduction of the Group's lease liabilities of RMB2,748,000 and a corresponding adjustment of the right-of-use assets of RMB2,348,000 were recognised and result in gain on termination of leases of RMB400,000 recognised in profit or loss during the six months ended 30 June 2023.).

13. TRADE AND LEASE RECEIVABLES

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

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for the six months ended 30 June 2024

13. TRADE AND LEASE RECEIVABLES (Continued)

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:

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

Note: The Group has receivables from its related parties at the end of reporting period for providing device subscription services, IT technical subscription services and device recycling income as disclosed in note 20.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Prepayment for operating expenses	20,847	23,820
Rental deposits	2,323	2,314
Advances to suppliers	60,276	36,879
Value-added tax receivables	73,000	82,208
Other deposits paid	11,029	10,038
Others	2,101	1,342
	169,576	156,601
Represented by:		
— non-current	4,672	4,024
— current	164,904	152,577
	169,576	156,601
— third parties	157,776	143,593
— related parties (note)	11,800	13,008
	169,576	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 20.

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for the six months ended 30 June 2024

15. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade payables	107,632	147,840
Other payables and accruals		
Accrued staff costs and retirement benefit scheme contributions	28,541	41,187
Advance from leasing customers under device subscription service	15,934	17,659
Other tax payables	1	2,322
Secured and other deposits received	8,129	6,853
Accrued expenses	3,786	4,260
Others	1,397	—
	57,788	72,281
	165,420	220,121
Represented by:		
— third parties	165,166	219,539
— related parties (<i>note</i>)	254	582
	165,420	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 20.

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

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

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16. BORROWINGS

During the six months ended 30 June 2024, the Group obtained new borrowings of RMB424,804,000 as additional working capital (six months ended 30 June 2023: RMB338,431,000) and made repayments of borrowings of RMB277,508,000 (six months ended 30 June 2023: RMB278,773,000).

17. SHARE CAPITAL

	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 (audited), 1 January 2024 and 30 June 2024 (unaudited)	1,000,000,000	10,000,000	8,370
Issued and fully paid			
At 1 January 2023, 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	353,259,000	3,532,590	3,158

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the condensed consolidated financial statements	9,721	14,045

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19. 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 30 June 2024:

Description	Fair value measurement using:			Total As at
	Level 1	Level 2	Level 3	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Recurring fair value measurements:				
Financial assets at FVTPL	84,578	—	—	84,578
	84,578	—	—	84,578

Disclosures of level in fair value hierarchy at 31 December 2023:

Description	Fair value measurement using:			Total As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Recurring fair value measurements:				
Financial assets at FVTPL	69,569	—	—	69,569
	69,569	—	—	69,569

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

20. RELATED PARTY TRANSACTIONS

Other than those transactions and balances disclosed in notes 13, 14, and 15 to the Interim Financial Information, the Group has following transactions with related parties:

Relationship	Nature of transactions	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Entities which a director of the Company or ex-director of LX Shenzhen has significant influence	Revenue from related parties		
	— Device subscription services	2,083	2,783
	— IT technical subscription services	69	117
	Purchase of IT equipment from related parties		
	Services received from related parties	3,357	4,566
	— Marketing and promotion services	55	44
	— Maintenance services	1,197	2,819

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:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Short-term employee benefits	2,367	1,893
Post-employment benefits	55	53
Equity-settled share-based payments expenses	3,340	9,349
	5,762	11,295

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21. 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.

The following table discloses movements of the Company's share options held by eligible directors and employees of the Group during the current period:

	Number of share options	
	1/1/2024 to 30/6/2024	1/1/2023 to 30/6/2023
Outstanding at the beginning of the period	17,823,702	17,880,602
Forfeited during the period	(3,377)	—
Outstanding at the end of the period	17,820,325	17,880,602

The Group recognised total expenses of approximately RMB7,941,000 (six months ended 30 June 2023: RMB27,445,000) relating to share option payment transactions for the six months ended 30 June 2024.

Beauty Bear Employee Incentive Plan

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.

Beauty Bear Employee Incentive Plan consists of a share option scheme (i.e. Beauty Bear Share Option Scheme) and a restricted share award scheme.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Equity-settled share option scheme of the Company (Continued)*****Beauty Bear Share Option Scheme***

No options were granted under the Beauty Bear Share Option Scheme during the six months ended 30 June 2024.

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 it shall not affect the subsisting rights of any selected participants.

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. 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.

During the six months ended 30 June 2024, the Group recognised the share-based payment expenses of RMB3,184,000 in relation to the award shares granted on 1 April 2022 (six months ended 30 June 2023: RMB8,276,000). During the six months ended 30 June 2024, 3,000,000 award shares (six months ended 30 June 2023: Nil) were exercised and nil award shares (six months ended 30 June 2023: Nil) was forfeited. The weighted average share price at the date of exercise for award shares exercised during the six months ended 30 June 2024 was HK\$0.01 (six months ended 30 June 2023: Nil). The award shares outstanding at the end of the period have a weighted average remaining contractual life of 7.83 years (30 June 2023: 8.83) and the weighted average exercise price is HK\$0.01 per share (six months ended 30 June 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.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2024

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Equity-settled share option scheme of the Company (Continued)****Restricted Share Award Scheme (Continued)**

The following table discloses movements of the Company's share awards granted on 12 January 2024 held by directors and employees during the six months ended 30 June 2024:

Details of the specific categories of awards are as follows:

	Number of share awards			Outstanding as at 30 June 2024	Expiry date	Exercise price HK\$ per share
	At 1 January 2024	Granted during the period	Forfeited during the period			
Director (note i)	–	30,000	–	30,000	12 January 2034	0.01
Employees (note i)	–	698,700	(13,100)	685,600	12 January 2034	0.01
Employees (note ii)	–	1,220,000	–	1,220,000	12 January 2034	0.01
Employees (note iii)	–	500,000	–	500,000	12 January 2034	0.01
Employees (note iv)	–	802,689	–	802,689	12 January 2034	0.01
	–	3,251,389	(13,100)	3,238,289		

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.

The estimated fair value of the award shares granted on 12 January 2024 was HK\$23,540,000 (equivalent to RMB21,400,000). During the six months ended 30 June 2024, the Group recognized the share-based payments expense of RMB7,207,000 in relation to the award shares granted on 12 January 2024. Nil award shares (six months ended 30 June 2023: Nil) was exercised and 13,100 award shares (six months ended 30 June 2023: Nil) were forfeited during the six months ended 30 June 2024. The award shares outstanding at the end of the period have a weighted average remaining contractual life of 9.53 years (30 June 2023: Nil) and the weighted average exercise price is HK\$0.01 per share (six months ended 30 June 2023: Nil).

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for the six months ended 30 June 2024

21. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Fair value of share awards 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 awards granted is measured based on the binomial option pricing model. The inputs into the model were as follow:

Grant date	12 January 2024
Share price on date of grant	HK\$7.25 per share
Exercise price	HK\$0.01 per share
Risk-free rate	3.45%
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial lattice model)	59.4%
Expected dividend yield	0%
Award life	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 the 242 eligible employees that will remain in employment with the Group at the end of the vesting period.

22. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The Interim Financial Information were approved and authorised for issue by the board of directors on 23 August 2024.