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Renrui Human Resources Technology Holdings Limited

人瑞人才科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

AND

CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

SUMMARY OF ANNUAL RESULTS

	For the year ended		Change
	31 December		
	2022	2021	
RESULTS	RMB'000	RMB'000	
Revenue	3,638,203	4,739,146	-23.2%
Operating profit	11,445	116,816	-90.2%
Profit for the year	6,856	102,348	-93.3%
(Loss)/profit attributable to the equity holders of the Company	(7,303)	101,667	N/A
Net cash generated from/(used in) operating activities	118,905	(89,962)	N/A
NON-HKFRS MEASURES			
Adjusted profit attributable to the equity holders of the Company ⁽¹⁾	5,711	108,503	-94.7%
Adjusted net margin attributable to the equity holders of the Company (%) ⁽²⁾	0.2	2.3	-2.1
<i>Notes:</i>			
(1) Adjusted profit attributable to the equity holders of the Company refers to the (loss)/profit attributable to the equity holders of the Company excluding share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme and the impact of amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments, with appropriate adjustments. Adjusted profit attributable to the equity holders of the Company is not a measure required by or presented in accordance with HKFRS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS. Please refer to the paragraph headed "Non-HKFRS Measures" under "MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL REVIEW" in this announcement for more details.			
(2) Adjusted net margin attributable to the equity holders of the Company is calculated as the adjusted profit attributable to the equity holders of the Company as a percentage of the revenue for the year.			

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: HK\$0.24 per Share).

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

2022 has been a challenging year. Affected by the macro-economy environment, the staffing demand from some of our clients declined, and at the same time the Group has faced difficulty in effectively arranging recruitment and other human resources services for the clients. Besides, the Cooperation Agreement entered into by the Company and a major customer relating to information verification and client service representative flexible staffing services has expired in mid-January 2022. These factors have impacted the financial performance of the Group. That said, revenue from comprehensive flexible staffing other than that from the Cooperation Agreement continued to grow. In 2022, the Group recorded a revenue of approximately RMB3,638.2 million, representing a decrease of approximately 23.2% compared to 2021. Revenue other than that generated from the Cooperation Agreement has increased by approximately 23.0% year-on-year from approximately RMB2,877.0 million in 2021 to approximately RMB3,538.3 million in 2022.

It is the Group's long-term strategy to develop by adhering to the principle of tech-driven human resources services. The revenue generated from organic digital technology and cloud services business in 2022 amounted to approximately RMB288.1 million, representing an increase of 195.7% compared to 2021. We announced in March 2022 and completed in September 2022 the acquisition of a company, which was engaged in providing information technology and digital talent services with 4,353 information technology and software development technical personnel and served over 160 clients in more than 80 cities across the PRC as of 31 December 2022. The Acquisition enhanced the capability of the Group to continuously provide specialized services in digitalisation for clients and boosted revenue from digital technology and cloud services under the segment of comprehensive flexible staffing services by approximately 453.2% to RMB538.9 million in 2022 as compared to 2021.

By virtue of its high-quality professional services and leading innovation capabilities, in 2022, the Group obtained the Capability Maturity Model Integration Level 5 certification (CMMI5), the highest level in the global software field, and officially became a member of the eighth council of Shanghai Software Industry Association, which marked our elevated capability in continuous development of digital products and in project management. In addition, the Group's efforts in assisting the digital transformation and upgrading of enterprises have gained extensive recognition from industry peers and clients. With our advantages in innovative one-stop solutions for client service scenarios such as customer service centers, outbound call centers, and information verification centers, as well as our professional service, we were awarded the "Top Ten Service Outsourcing Organizations" by the China Electronics Chamber of Commerce. We also won the award of "2022 Best Ecosystem Mover" at the 2022 InfoQ Geek Media Conference, and the "New Talent Award" issued by the Ant Group at Ecosystem-based Employment Conference. Being the first private human resources enterprise as a

work station of postdoctoral scientific researchers in China, we have assisted two postdoctoral fellows from Renmin University of China in studies on the topics of “The Digital Talent Gap” and “Research on Turnover of Emotional Workers” in 2022. By enhancing the in-depth integration of industry, academic, research and application for synergetic innovation, we aim to achieve technological innovation and substantial development of the industry, thereby contributing to the national strategy of strengthening the country with talents.

Advance in information technology and digital talent services market through organic growth and mergers and acquisitions

As its long-term strategic planning, the Group has been adhering to the development of tech-driven human resources services and intends to consolidate its leading position in human resources solutions sector, expand its operation and accelerate technology productization. We set up talent industry groups, focusing on industries with huge demand for digital talents including new energy vehicles, intelligent manufacturing, banks and other financial institutions and others. A dedicated recruitment centre for digital talents has also been established in Suzhou, providing multi-skilled talents for our clients’ business development. The Group recorded an increase in revenue generated from the organic digital technology and cloud services business in 2022 of approximately 195.7% as compared to that in 2021.

The Group accelerated its expansion in digital businesses and acquired Shanghai Sirui in 2022. The number of organic comprehensive flexible staffing employees for digital technology and cloud services business increased from 885 as at 31 December 2021 to 2,033 as at 31 December 2022 and the Acquisition further increased the number by 4,353 to 6,386. Established in 2013, Shanghai Sirui has built robust customer coverage and expansion capabilities with a stable renewal rate for existing customers. In 2021 and 2022, it sourced more than 100 new customers, covering a wide range of industries including finance, advanced manufacturing, high-tech, internet, big data and healthcare. Given the higher entry barrier in the information technology and software outsourcing business, such business has a relatively high gross margin. Based on CIC’s information, the gross margin of the information technology and software outsourcing businesses ranges from 15% to 25%. According to CIC, market size of information technology and software outsourcing services is expected to reach approximately RMB1,255.8 billion in 2026, representing a CAGR of approximately 13.4% from 2021 to 2026. Operating under the same business philosophy as the Group’s comprehensive flexible staffing services, Shanghai Sirui adopts a customer-oriented service philosophy and delivers efficient and high-quality services, so as to help its customers solve the pain points of business and rapidly achieve business goals and digital transformation.

Actively embrace change and implement cost control measures

To swiftly respond to the challenging economic environment and the expiry of the Cooperation Agreement, we adopted cost control measures including consolidation of service locations by closing offices in certain cities and integrating services in these cities into larger regional service centres. These measures have improved operational efficiency and better allocated our resources in the strategic development areas, resulting in the improvement of the Group’s profit level in the second half of 2022.

The Group has reviewed its businesses to identify target growth areas, and has resolved to separately manage high-margin information technology related positions and non-information technology professional positions with greater service value as digital talent outsourcing (DTO) services. We set up a Digital Talent Recruitment Centre (DTRC) and a DTO Service Department for centralised delivery and management, to improve the efficiency of personnel and service specialisation. In respect of other more traditional businesses including general service outsourcing, our focus will be to improve operational efficiency, upgrade service experience for the existing customers, continuously innovate in products and services and develop new customers and target positions.

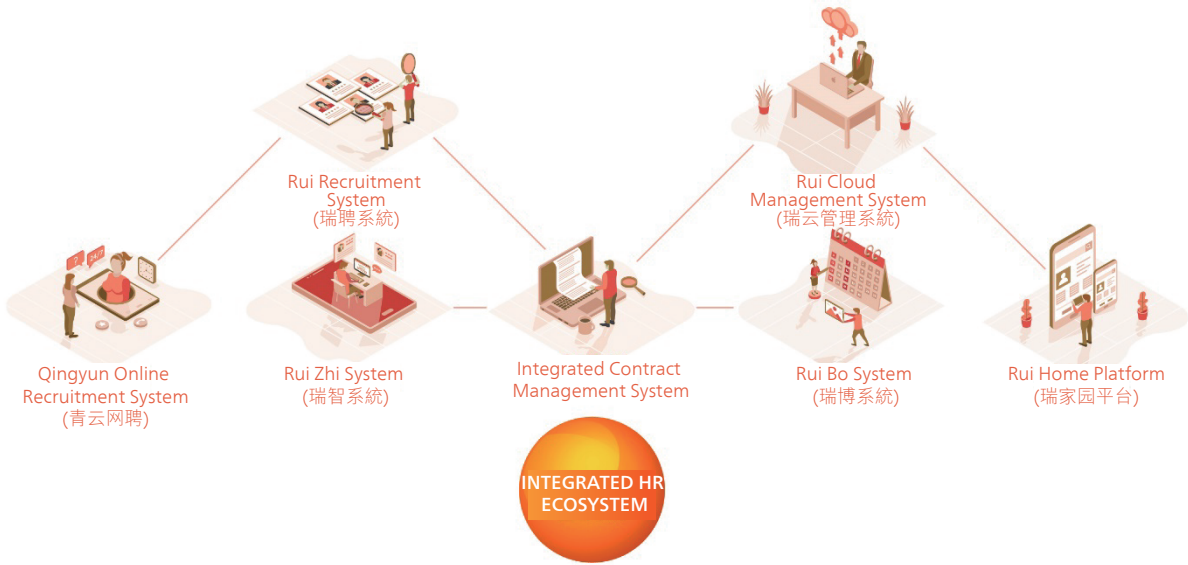
Continuously invest in R&D and lead industry service efficiency through innovation

In response to the external digitalisation trend, the Group has made more spending on research and development (R&D) to upgrade the one-stop human resources ecosystem to facilitate digital business development, resulting in an increase in R&D expenditure from RMB18.1 million in 2021 to RMB32.6 million in 2022.

Continuing to build our competitive advantage through technology, the Group has started the development of an integrated management platform “Rui Zhi System” that was designed for DTO operation to better serve its DTO customers. The platform aims at higher efficiency, lower cost and stronger security through digitalising the management for personnel and business. The project management and recruitment modules have been launched as at 31 December 2022, to address the specific needs for information technology and digital talents positions by improving the accurate matching in resume library through display of technical advantages, project experience and technical skills of each candidate. In addition, a workbench has been incorporated into the platform to provide users with an easy-to-use list of placements and service process management. More modules, such as personnel service, job invitation, and data analysis, are expected to be fully operational in the near future.

In order to better serve the requirements of customers for digital operation and customer services, we embarked on the development of an integrated management platform “Rui Bo System”, for digital operation and customer services in the second half of 2021, which has been put into operation since the first half of 2022. The platform realized digitalised management in multiple respects, including attendance checks with automated payroll function, project cost accounting, profit projection and interface with our finance SAP system. Such functions would promote business management efficiency, reduce operating costs, and improve risk control and security. We have also developed an information security intelligent verification platform to provide customers with integrated solutions of intelligent and manual verification, realise technology productization and meet customers’ information verification needs for higher efficiency with lower costs.

Furthermore, Xiang Recruitment Platform has been upgraded and renamed as “Qingyun Online Recruitment System (青云网聘)”, which could provide more accurate recruitment services, improve the accuracy of job matching through artificial intelligence (AI) technology and big data analysis, and provide better user experience for corporate clients and candidates.



	2022
Average revenue generated per internal employee¹ (RMB'000/person)	3,290
Average number of comprehensive flexible employees under management per internal employee² (person)	189
Turnover rate of comprehensive flexible employees³	9.8%

Notes:

1. Average revenue generated per internal employee = revenue for the year / ((number of internal employees as at 31 December of the year + number of internal employees as at 31 December of the previous year) / 2).
2. Average number of comprehensive flexible employee under management per internal employee = ((number of comprehensive flexible staffing employees as at 31 December of the year + number of comprehensive flexible staffing employees as at 31 December of the previous year) / 2) / ((number of internal employees of comprehensive flexible staffing segment as at 31 December of the year + number of internal employees of comprehensive flexible staffing segment as at 31 December of the previous year) / 2). The figure does not take into account data relating to Shanghai Sirui and digital operation and customer services business.
3. Turnover rate of comprehensive flexible employees = the average of the monthly turnover rate for the 12 months of the year. The figure does not take into account data relating to Shanghai Sirui.

The Group's average revenue generated per internal employee amounted to RMB3,290 thousand in 2022 and the staff turnover rate for comprehensive flexible staffing employees was approximately 9.8% for the Group. Our outsourcing management efficiency (measured by the number of outsourcing staff managed by one Group employee) stood at 189, among which the per capita management number of general service outsourcing was higher than that of digital talents due to position features.

Solidify leading position on general service outsourcing business

In 2022, the Group's general service outsourcing business revenue accounted for approximately 76.3% of the Group's total revenue, which was an integral part of our business. The revenue generated from the general service outsourcing business for the year ended 31 December 2022 was approximately RMB2,774.4 million, representing a decrease of 34.9% from 2021. Excluding the impact of the expiry of the Cooperation Agreement, the increase in revenue generated from general service outsourcing business in 2022 would have been approximately 11.4% as compared to 2021.

With the help of the fine-tuned and more integrated management platform and a more efficient team, we are actively attracting additional clients while maintaining long-term and stable cooperation with existing customers. Our advantages in rapid mass recruitment and efficient staff management are expected to help us stay as industry leader in general service outsourcing business.

Outlook

China's GDP increased by approximately 3.0% in 2022 as compared to that in 2021, according to the National Bureau of Statistics, with growth target of 5.0% projected for 2023, indicating a promising future for the economy. On 30 June 2022, the General Office of the Ministry of Human Resources and Social Security issued "Notice on Carrying out Actions for Human Resources Service Organizations to Stabilize and Assist Employment" (the "Notice"). The Notice pointed out that all cities should closely focus on employment planning to promote the development of the human resources service industry and use the scale and quality of employment services as the primary standard for measuring the effectiveness of industry development. It promotes innovative development of flexible employment services and supports human resources service organizations using digital technology.

The digital transformation trend of Chinese enterprises has accelerated. The Communist Party of China Central Committee and the State Council recently rolled out a plan for digital development aiming to achieve significant progress by 2025, including interconnectivity in digital infrastructure, a significantly improved digital economy, and major breakthroughs achieved in digital technology innovation. By 2035, China is expected to be one of the global leaders in digital development and to build digital capabilities in the economic, political, cultural, social and ecological areas. As a pioneer in facilitating companies on digitalisation, the Group will actively pursue opportunities in information technology and digital talent services market, expanding its market share and improving margins. We will continue to actively integrate the acquired digital businesses into our organisation, achieving synergies, and increase market share in these fast-growing and high-margin areas. We will also upgrade the integrated HR ecosystem from time to time to better serve customers' needs and improve efficiency. The Directors are positive about the long-term sustainable growth potential of the Group in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the total revenue of the Group amounted to approximately RMB3,638.2 million, representing a decrease of approximately 23.2% as compared to approximately RMB4,739.1 million for the year ended 31 December 2021. Such decrease was primarily due to the decrease in the revenue generated from the Group's general service outsourcing business under the comprehensive flexible staffing services segment following the expiry of the Cooperation Agreement, which was partially offset by the Group's rapid growth in revenue from digital technology and cloud services. Revenue other than that generated from the Cooperation Agreement has increased by approximately 23.0% year-on-year from approximately RMB2,877.0 million in 2021 to approximately RMB3,538.3 million in 2022.

The Group's revenue and results of operations by respective business segments for the year ended 31 December 2022 are as follows:

	2022		2021	
	Revenue	% of total	Revenue	% of total
	RMB'000	revenue	RMB'000	revenue
Comprehensive flexible staffing	3,574,036	98.2	4,621,714	97.5
Professional recruitment	45,430	1.3	90,040	1.9
Other human resources solutions	18,737	0.5	27,392	0.6
Total	3,638,203	100.0	4,739,146	100.0

Adhering to our strategy of focusing on serving large-scale clients, we recorded a revenue of approximately RMB1,274.1 million from our top five clients for the year ended 31 December 2022, accounting for approximately 35.0% of the total revenue for the year, with the largest client accounting for approximately 12.4% of the total revenue for the year. We have been continuously optimizing our client structure and mitigating the high concentration risk of single large client.

Comprehensive Flexible Staffing

The revenue generated from comprehensive flexible staffing services for the year ended 31 December 2022 amounted to approximately RMB3,574.0 million, representing a decrease of approximately 22.7% as compared to that of approximately RMB4,621.7 million for the year ended 31 December 2021. The number of comprehensive flexible staffing employees as at 31 December 2022 was 30,833, including 23,698 from general positions, 749 from professional position, 2,033 from digital and information technology related position and 4,353 from digital and information technology related position from Shanghai Sirui, representing a decrease as compared to 50,447 comprehensive flexible staffing employees as at 31 December 2021. We recruited 26,199 comprehensive flexible staffing employees in 2022 including 2,288 digital and information technology talents, representing a decrease as compared to 58,199 comprehensive flexible staffing employees recruited in 2021. The decrease in the number of comprehensive flexible staffing employees was mainly due to the fact that: (i) the expiry of the Cooperation Agreement has led to a halt in the demand for the relevant recruitment; (ii) the staffing demand from clients was slowing down and the the Group has experienced difficulty in arranging recruitment for the clients in light of the general market condition; and (iii) we have started to further develop digital technology and cloud services according to the strategic direction of the Group, of which the unit price and service fee premium per comprehensive flexible staffing employee is much higher than that of general service outsourcing, while the number of employees required per month by a single customer is less than that of general service outsourcing due to difference in business nature. In the future, the Group will continue to broaden the income sources of higher value business segments to improve overall margin and at the same time grow the overall revenue scale steadily.

As aforementioned, we have categorized our comprehensive flexible staffing services business into different types of services comprising general service outsourcing, digital technology and cloud services, and digital operation and customer services, in order to better allocate our resources to serve the diverse and evolving needs of our clients.

The following table sets forth our revenue by service type for the years indicated:

	For the year ended 31 December			
	2022		2021	
	Revenue	% of total	Revenue	% of total
	RMB'000	revenue	RMB'000	revenue
General service outsourcing	2,774,405	77.6	4,263,142	92.2
Digital technology and cloud services	538,934	15.1	97,423	2.1
Digital operation and customer services	260,697	7.3	261,149	5.7
Total in comprehensive flexible staffing services	3,574,036	100.0	4,621,714	100.0

In 2022, we made strategic headway in our digital-enabled professional services business (comprising digital technology and cloud services and digital operation and customer services) with its revenue contribution as a percentage of the total revenue amounted to approximately 22.0% for 2022, growing from approximately 7.6% for 2021. Since the second half of 2021, the Group has undertaken business strategic upgrade with emphasis being laid on the development of digital technology and cloud services. As at 31 December 2022, the number of the employees for the Group's information technology and digital talent services reached approximately 6,386, including 2,033 from existing business and 4,353 from Shanghai Sirui, representing an increase of approximately 5,501 from approximately 885 as at 31 December 2021, and the revenue generated from digital technology and cloud services was approximately RMB538.9 million, representing an increase of approximately 453.2% as compared to that of 2021, including approximately RMB288.1 million from existing business and approximately RMB250.8 million contributed by Shanghai Sirui.

The turnover rate of comprehensive flexible staffing employees was approximately 9.8% in 2022, representing an increase from approximately 7.4% in 2021, which was mainly due to the temporary fluctuation brought by external environment. We will strengthen our efforts in continuous optimisation of the ecosystem platform, investment in data-driven analytics, and enhancement of standardisation of the project management process of comprehensive flexible staffing to achieve sophisticated online project management and online monitoring of key operating indicators.

Professional Recruitment

For the year ended 31 December 2022, revenue from professional recruitment amounted to approximately RMB45.4 million, representing a decrease of approximately 49.6% as compared to approximately RMB90.0 million for the year ended 31 December 2021, among which, revenue from recruitment of digital talents amounted to approximately RMB19.3 million, representing an increase of approximately 93.1% as compared to approximately RMB10.0 million for the year ended 31 December 2021. We successfully made 10,829 placements for our clients in 2022, representing a decrease from approximately 40,649 placements made in 2021, which was mainly due to economic downturn, causing the customers to become more cautious in expanding staff and leading to a fall in the recruitment need. However, demand of digital talents has increased with approximately 1,160 placements completed in 2022. Since 2019, we have gradually extended professional recruitment from serving clients with continuous bulk employment needs to recruiting positions with high value and high unit price. By providing professional recruitment services to high-value clients, we have begun to improve our ability to identify candidates who are accurate match for our clients of professional recruitment so as to establish a competitive barriers. Our average professional recruitment fee per placement increased from approximately RMB2,180.1 in 2021 to approximately RMB4,195.3.

Other HR Solutions

We provide training and development courses which are tailored to the specific situations and needs of our clients has made it difficult for the Group to centralize customers' employees to provide offline training services. Accordingly, the total revenue generated from corporate training for the year ended 31 December 2022 amounted to approximately RMB0.1 million, representing a decrease of RMB0.9 million as compared to approximately RMB1.0 million for the year ended 31 December 2021.

Labour dispatch services are of lower value and are not our principal business for future development. For the year ended 31 December 2022, the total revenue generated from labour dispatch services amounted to approximately RMB4.2 million, representing a decrease of approximately RMB1.8 million as compared to approximately RMB6.0 million for the year ended 31 December 2021.

Other services include HR services consultation, talent assessment and tailored employee management solutions. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans on certain projects. For the year ended 31 December 2022, revenue generated from other services amounted to approximately RMB14.4 million, representing a decrease of approximately RMB6.0 million as compared to the total amount of approximately RMB20.4 million for the year ended 31 December 2021.

Cost

Our cost primarily comprises employee benefit expenses, traveling expenses, subcontracting costs, other taxes and surcharges and others, which mainly comprise depreciation and amortisation, interview related communication costs, and rental and property management fees.

For the year ended 31 December 2022, the Group's total cost amounted to approximately RMB3,453.5 million, representing a decrease of approximately RMB1,033.9 million or approximately 23.0% as compared to that of approximately RMB4,487.4 million for the year ended 31 December 2021. The decrease in costs was mainly attributable to a decrease of approximately RMB1,038.3 million in expenses involving employee benefit and reimbursement for travel expenses due to the decrease in the number of comprehensive flexible employees.

The average labour cost of each comprehensive flexible staffing employee managed by us for our clients was approximately RMB9,067 per month in 2022, representing an increase from approximately RMB8,098 per month in 2021. This was mainly due to the increase in the number of information technology and digital personnel in 2022, whose salaries were relatively high among comprehensive flexible staffing employees.

Gross Profit and Gross Profit Margin

The change in our overall gross profit margin was affected by our business mix. The table below sets forth a breakdown of our gross profit and gross profit margin by business segments for the years indicated:

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Comprehensive flexible staffing	159,425	4.5	207,077	4.5
Professional recruitment	12,773	28.1	25,464	28.3
Other human resources solutions	12,502	66.7	19,248	70.3
Total	184,700	5.1	251,789	5.3

Our gross profit margin for the year ended 31 December 2022 was approximately 5.1%, representing a slight decrease from approximately 5.3% for the year ended 31 December 2021. The gross profit margin in the first half of 2022 was approximately 3.8%, and was gradually improved to approximately 6.2% in the second half of 2022.

- (a) The gross profit margin of comprehensive flexible staffing services was approximately 4.5% in 2022, remained the same as 2021. The gross profit margin has increased from approximately 3.1% in the first half of 2022 to approximately 5.7% in the second half of 2022. The gross profit margin was relatively low in the first half of 2022 mainly due to the fact that: (i) the average service premium payable per comprehensive flexible staffing employee of the general service outsourcing declined mainly due to the expiry of the Cooperation Agreement in mid-January 2022 which had a relatively higher premium; (ii) the decline in staffing demand of the internet industry, leading to a slowdown in the growth of the demand of the Group's certain customers in the internet industry for staffing services and a lower service fee or service premium; (iii) affected by the COVID-19 pandemic, digital operation and customer services business failed to grow as expected. The Xi'an Service Center (西安服務中心), which was completed and put into use in 2021, had a high vacancy rate, and the cost of idling led to a decline in gross profit margin; and (iv) one-off expenses were incurred when the Group implemented the cost reduction and efficiency enhancement measures in the first half of 2022. The increase in gross profit margin in the second half of 2022 was mainly due to the rapid organic growth and revenue increase from the Acquisition in the digital technology and cloud services business that featured higher gross profit margin, contributing to the increase in the gross profit. In addition, cost reduction and efficiency improvement measures have brought positive effects.

- (b) The gross profit margin of professional recruitment services slightly decreased from approximately 28.3% in 2021 to approximately 28.1% in 2022. Nevertheless, the gross profit margin of professional recruitment services increased from approximately 23.4% in the first half of 2022 to approximately 36.7% in the second half of 2022. The lower profit margin in the first half of the year was mainly due to temporary decline of the recruitment needs of the customers in light of the COVID-19 pandemic since the beginning of 2022, which has lowered the revenue from recruitment for the Group while the fixed costs related to professional recruitment services remained. The improved profit margin in the second half was attributed to the increased average recruitment fee per placement bolstered by higher demand for information technology and digital-related talents which generated higher recruitment fees.
- (c) The gross profit margin of other human resources solutions decreased from approximately 70.3% in 2021 to approximately 66.7% in 2022, which was mainly impacted by COVID-19 pandemic, leading to a fall in the recruitment need while the personnel costs remained unchanged.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise employee benefit expenses, marketing and promotion expenses, travelling and entertainment expenses and others (which mainly comprise depreciation and amortisation, utilities and office expenses and rental and property management fees).

Our selling and marketing expenses for the year ended 31 December 2022 amounted to approximately 50.2 million, representing a decrease of approximately 23.4% as compared to approximately RMB65.5 million for the year ended 31 December 2021. This was mainly due to the fact that: (i) there was a decline in clients' recruitment needs in light of COVID-19 pandemic in 2022, resulting in a corresponding decrease in the marketing expenses of the Group for attracting job seekers; and (ii) our professional recruitment has increased the proportions for digital talents and professional positions with high value. The recruitment process is more accurate, thereby reducing the marketing expenses spent on attracting job applicants. The two said factors have rendered the marketing expenses in 2022 decreased by RMB14.5 million from 2021. Moreover, as affected by COVID-19 pandemic in 2022, sales staff had to prioritize working remotely and communicating online with customers, giving rise to a decrease of approximately RMB2.2 million in travel and entertainment expenses as compared to 2021. Our selling and marketing expenses as a percentage of revenue was approximately 1.4% for 2022, remaining unchanged from 2021.

R&D Expenses

Our R&D expenses primarily comprise employee benefit expenses, utilities and office expenses, depreciation and amortisation and other expenses incurred in connection with the research and development of platform, software and technologies.

In response to the enterprise digitalisation trend and to solidify our position as a leader in technology-driven HR services, more spending was made on the development of our integrated HR ecosystem. The R&D expenses for the year ended 31 December 2022 amounted to approximately RMB32.6 million, representing an increase of approximately 80.1% as compared to approximately RMB18.1 million for the year ended 31 December 2021. This was mainly due to: (i) the successful development and operation of “Rui Bo System” in the first half of 2022, being an integrated management platform for digital operation and customer services business which materialised digitalisation management in multiple aspects including attendance, salary calculation, project costing and profit margin calculation in our self-built service centers; (ii) the development of “Rui Zhi System”, an integrated management platform designed for DTO operation, starting from the second half of 2022, to better manage the digital technology and cloud services business and better serve the customers with improved recruitment efficiency, reduced costs in contract staff management and enhanced security. The first phase of the recruitment module has been put into operation, and the second phase of the service management module is under development; (iii) the development of an information security intelligent verification platform to provide customers with integrated solutions of intelligent and manual verification, improving the Group’s efficiency in information verification and meeting customers’ needs to reduce costs; and (iv) the upgrading of Xiang Recruitment Platform which was renamed as “Qingyun Online Recruitment System (青云网聘)”, so as to encourage more corporate users to post job vacancies with a better user experience, thereby attracting more resumes submitted by job seekers. Such a platform could also improve the accuracy of job matching through AI and big data analysis. Our R&D expenses as a percentage of revenue increased from approximately 0.4% in 2021 to approximately 0.9% in 2022.

Administrative Expenses

Our administrative expenses primarily comprise employee benefit expenses, listing expenses, depreciation and amortisation, professional service fees and other expenses.

Our administrative expenses for the year ended 31 December 2022 amounted to approximately RMB116.5 million, representing an increase of approximately 16.2% as compared to approximately RMB100.3 million for the year ended 31 December 2021, which was mainly because (i) the employee benefit expenses for our management personnel increased by approximately RMB14.3 million as compared to that of approximately RMB55.8 million in 2021; and (ii) the financial results of Shanghai Sirui have been consolidated into the Group’s financial statements upon completion of the Acquisition. Our administrative expenses as a percentage of revenue increased from approximately 2.1% for the year ended 31 December 2021 to approximately 3.2% for the year ended 31 December 2022.

HR

As at 31 December 2022, we had a total of 31,910 employees based in various cities in the PRC. The table below sets forth the total number of employees by function as at 31 December 2022:

Functions	Number of Employees	% of total Employees
Internal Employees		
– Senior management	4	0.0%
– R&D	48	0.2%
– Sales and marketing	122	0.4%
– Project management/execution	565	1.8%
– Others <i>(Note 1)</i>	110	0.3%
Subtotal	849	2.7%
Comprehensive flexible staffing employees	26,480	83.0%
Total	<u>27,329</u>	<u>85.6%</u>
Shanghai Sirui <i>(Note 2)</i>		
– Internal employees	228	0.7%
– Comprehensive flexible staffing employees (IT-related and digital)	4,353	13.6%
Total including Shanghai Sirui	<u>31,910</u>	<u>100.0%</u>

Notes:

1. Others mainly include back-office support staff, such as legal department, finance department, HR department and joint venture cooperation department.
2. Financial results of Shanghai Sirui have been consolidated into the Group's financial statements upon completion of the Acquisition in September 2022.

Other Income

Our other income for the year ended 31 December 2022 amounted to approximately RMB38.4 million, representing a decrease of approximately 20.3% as compared to approximately RMB48.2 million for the year ended 31 December 2021. Other income primarily comprises government grants and income from investment and wealth management, in particular, the financial support funds from certain government authorities, which served as an incentive to HR companies to serve local enterprises and to invest in R&D of company software and systems. The decrease in other income in 2022 was primarily attributable to the decrease in financial support funds from government authorities given the decrease in the revenue of the Group for 2022.

Other (Losses)/Gains, Net

For the year ended 31 December 2022, other losses, net amounted to approximately RMB13.2 million, while other gains, net for the year ended 31 December 2021 amounted to approximately RMB5.5 million. The recorded other net losses were mainly due to the changing market environment and the increase in operating costs in 2022, which resulted in net fair value loss in the companies the Group invested in as a result of revaluation, and the losses related to changes in fair value of certain investment and wealth management products.

Reversal of/(Provision for) Net Impairment Losses on Financial Assets

For the year ended 31 December 2022, the reversal of net impairment gains on financial assets amounted to approximately RMB0.9 million, as compared to the provision for the net impairment losses on financial assets of RMB4.8 million for the year ended 31 December 2021. Such change was mainly due to the expected economic recovery at the end of 2022, resulting in a decrease in the expected credit loss rate. As such, based on the ageing of the trade and bills receivables balance as at 31 December 2022 and the subsequent settlement, we provided the reversal of the impairment of trade and bills receivables, amounting to approximately RMB0.9 million.

Operating Profit

Operating profit of the Group amounted to approximately RMB11.4 million for the year ended 31 December 2022, representing a decrease of approximately 90.2% as compared to approximately RMB116.8 million for the year ended 31 December 2021.

Finance Income

Our finance income for the year ended 31 December 2022 amounted to approximately RMB3.9 million, representing a decrease of approximately 40.9% from approximately RMB6.6 million for the year ended 31 December 2021. This was primarily attributable to the decrease in interest income generated from bank deposits due to the decrease in idle funds upon utilisation of the Net Proceeds as scheduled.

Finance Costs

Our finance costs for the year ended 31 December 2022 amounted to approximately RMB5.1 million, representing a slight increase as compared to approximately RMB4.9 million for the year ended 31 December 2021.

Share of results of joint ventures and associates accounted for using the equity method

The net gain attributable to the results of joint ventures and associates for the year ended 31 December 2022 was approximately RMB2.7 million, representing an increase of approximately RMB0.8 million as compared to that for the year ended 31 December 2021. The net gain attributable to the results of joint ventures and associates for the year ended 31 December 2022 comprised (i) investment gain of approximately RMB3.7 million generated from investments in Binhai Xunteng, Zhencheng Technology and Renrui New Career; and (ii) investment loss of approximately RMB1.0 million incurred from investment in Wanma Technology.

Profit before Income Tax

Due to the changes in the aforementioned items, our profit before income tax for the year ended 31 December 2022 amounted to approximately RMB12.9 million, representing a decrease of approximately 89.3% as compared to the profit before income tax of approximately RMB120.4 million for the year ended 31 December 2021.

Profit for the Year

Profit for the year ended 31 December 2022 amounted to approximately RMB6.9 million, representing a decrease of approximately 93.3% as compared to the profit of approximately RMB102.3 million for the year ended 31 December 2021.

(Loss)/profit attributable to the equity holders of the Company

The loss attributable to the equity holders of the Company for the year ended 31 December 2022 was approximately RMB7.3 million, as compared to the profit attributable to the equity holders of the Company of approximately RMB101.7 million for the year ended 31 December 2021. In the first half of 2022, the loss attributable to the equity holders of the Company was approximately RMB25.4 million, and the profit attributable to the equity holders of the Company in the second half of 2022 was approximately RMB18.1 million. Despite facing such challenges as the pandemic and the expiry of the Cooperation Agreement in the first half of the year, we have adjusted timely to implement cost control measures and optimize organization structure, and continued to enhance digital talent professional services with high value through the two-wing strategy of organic growth and acquisition. The profitability of the Company has resumed in the second half of the year.

Non-HKFRS Measures

To supplement the consolidated financial statements which are presented in accordance with the HKFRS, we also presented adjusted net profit and adjusted profit attributable to the equity holders of the Company as additional financial measures, which are not required by, nor presented in accordance with, the HKFRS. The following table reconciles our non-HKFRS financial measures in each year presented to the financial measures prepared in accordance with HKFRS:

	2022	2021
Profit for the year	6,856	102,348
Share-based payment expenses under the Post-IPO		
Share Option Scheme	5,638	5,942
Amortisation of intangible assets resulting from acquisition	10,045	844
Impairment of goodwill	16,372	—
Net fair value gains or loss in relation to equity investments	(12,876)	571
Less: income tax effect on above amortisation	(2,067)	(211)
Adjusted net profit	<u>23,968</u>	<u>109,494</u>
(Loss)/profit is attributable to equity holders of the Company	(7,303)	101,667
Share-based payment expenses under the Post-IPO		
Share Option Scheme	5,638	5,942
Amortisation of intangible assets resulting from acquisition	10,045	844
Impairment of goodwill	16,372	—
Net fair value gains or loss in relation to equity investments	(12,876)	571
Less: income tax effect on above amortisation	(2,067)	(211)
Less: adjustments attributable to non-controlling interests	(4,098)	(310)
Adjusted profit attributable to the equity holders of the Company	<u>5,711</u>	<u>108,503</u>

In evaluating the business, the Board considers and uses non-HKFRS financial measures, such as adjusted net profit and adjusted profit attributable to the equity holders of the Company as supplemental measures to review and assess the Company's operating performance. We believe that the non-HKFRS financial measures may facilitate the comparison of our financial performance by eliminating the impact of items that we do not consider indicative of the actual performance of

our business upon assessment and judgment of the Board. We also believe that such non-HKFRS measures provide more useful information to investors of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across periods. However, our presentation of non-HKFRS financial measures may not be comparable to other measures presented by other companies with similar labels. The use of non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

Net Current Assets

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total current assets	1,496,219	1,652,635
Total current liabilities	641,124	657,643
Net current assets	855,095	994,992

Our net current assets as at 31 December 2022 amounted to approximately RMB855.1 million, representing a decrease of approximately 14.1% as compared to approximately RMB995.0 million as at 31 December 2021. This was mainly due to a combination of the following factors: (i) an increase in trade receivables and notes receivable of approximately RMB195.0 million; (ii) the payment of RMB421.7 million for the Acquisition, the second installment of consideration for acquiring Shanghai Lingshi and the investment in Kumao Robot; and (iii) the redemption of certain investment grade corporate bonds and bond funds purchased with idle funds of approximately RMB102.0 million (financial assets at FVOCI and financial assets at fair value through profit or loss).

Trade and Notes Receivables

Our trade and notes receivables as at 31 December 2022 increased by approximately 25.6% to approximately RMB955.9 million as compared to approximately RMB761.0 million as at 31 December 2021. This was mainly due to a combination of factors comprising (i) the increase in account receivables of RMB372.9 million arising from the Acquisition, which was partially offset by the decrease by approximately RMB190.0 million in receivables of the general service outsourcing business resulting from decrease in its revenue; and (ii) the decrease in expected credit loss as at 31 December 2022 of approximately RMB4.4 million as compared to 2021.

The following table sets forth the turnover days of trade receivables for the years indicated:

	For the year ended	
	31 December	
	2022	2021
Trade and notes receivables turnover days ⁽¹⁾	87	44
Adjusted trade and notes receivables turnover days ⁽²⁾	80	49

Notes:

- (1) Calculated as the average balance of trade and notes receivables at the beginning and end of a year divided by revenue in the year then multiplied by the number of days (i.e. 365 days in a year).
- (2) Calculated as the average balance of trade and notes receivables (excluding the labour costs arising from the provision of labour dispatch services) at the beginning and end of a year divided by revenue in the year then multiplied by the number of days in the year.

For the year ended 31 December 2022, our trade and notes receivables turnover days was 87 days, and the adjusted trade and notes receivables turnover days was 80 days, representing an increase as compared to 2021, mainly because (i) the credit period granted to clients of digital technology and cloud services business is generally within 90 days, longer than the previous maximum credit period of 70 days for the general service outsourcing business; and (ii) the credit period for Shanghai Sirui is generally within 155 days and the completion of the Acquisition has resulted in a longer credit term of overall trade and bills receivable. The actual collection period for most clients is within the credit period of 10 days to 155 days.

Prepayments, Deposits and Other Receivables

Prepayment, deposits and other receivables primarily consist of rental deposits and prepayments to third-party suppliers, insurance and utilities expenses.

As at 31 December 2022, our prepayments, deposits and other receivables amounted to approximately RMB40.4 million, representing an increase of approximately 4.3% as compared to approximately RMB38.8 million as at 31 December 2021, which was mainly attributable to an increase in prepayments, deposits and other receivables of approximately RMB6.3 million upon the Acquisition, which was partially offset by (i) the decrease in the balance of prepaid marketing fee by approximately RMB1.7 million compared to that as at 31 December 2021, being affected by the decline in customer recruitment demand; and (ii) the decrease of approximately RMB3.6 million in prepayments for commercial insurance compared to that as at 31 December 2021 resulting from a decrease in the number of comprehensive flexible staffing employees.

Financial Assets at FVOCI

As at 31 December 2022, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB5.4 million, decreasing from RMB102.1 million as at 31 December 2021, which was mainly due to the redemption of certain investment-grade bonds and bond funds by the Group.

Financial assets at fair value through profit or loss

As at 31 December 2022, the balance of financial assets at fair value through profit or loss in current assets amounted to approximately RMB114.7 million, which represented our purchase of investment-grade bond funds with part of idle funds.

As at 31 December 2022, the balance of financial assets at fair value through profit or loss in non-current assets amounted to approximately RMB34.3 million, which was mainly related to minority investment.

Trade and Other Payables

As at 31 December 2022, our trade and other payables amounted to approximately RMB498.0 million, representing a decrease of approximately 15.4% as compared to RMB588.9 million as at 31 December 2021. The decrease was mainly attributable to the decrease in the balance of accrued salaries and benefits by approximately RMB78.2 million due to the decrease in number of comprehensive flexible staffing employees.

Our suppliers usually grant credit periods of less than one month to us, which is settled by us monthly upon receipt of invoices.

Current Income Tax Liabilities

As at 31 December 2022, our current income tax liabilities amounted to approximately RMB10.5 million, representing a decrease of approximately 40.7% as compared to approximately RMB17.7 million as at 31 December 2021, which was mainly due to the decrease in profit before income tax.

Borrowings

The borrowings of the Group has increased by approximately RMB90.2 million from RMB5.0 million as at 31 December 2021 to RMB95.2 million as at 31 December 2022, which mainly due to the outstanding bank borrowings of approximately RMB95.2 million of Shanghai Sirui resulting from consolidation of its financial results upon completion of the Acquisition.

Property, Plant and Equipment

As at 31 December 2022, the carrying value of our property, plant and equipment was approximately RMB65.1 million, representing a decrease of approximately 42.5% from approximately RMB113.2 million as at 31 December 2021. Such change was mainly due to a combination of the following factors: (i) the Group implemented cost reduction and efficiency enhancement measures in 2022, closing certain service locations and reducing the scale of some office space, resulting in the disposal of property, plant and equipment totalling approximately RMB28.2 million; and (ii) depreciation expenditures in 2022 were approximately RMB44.5 million, which was partially offset by (i) the establishment of the recruitment and delivery centre in Suzhou and related renovations works contributing to an increase in property, plant and equipment of approximately RMB20.8 million; and (ii) the property, plant and equipment of Shanghai Sirui amounted to approximately RMB6.2 million as at 31 December 2022.

Intangible Assets

As at 31 December 2022, the carrying amount of our intangible assets was approximately RMB420.0 million, representing an increase from approximately RMB91.3 million as at 31 December 2021. This was mainly due to the increase of RMB88.9 million in intangible assets and RMB265.6 million in goodwill through the Acquisition, which was partially offset by (i) an impairment of goodwill of approximately RMB16.4 million upon the revaluation on Shanghai Lingshi and Lingshi Yuntian in light of the changing market environment and increased operating costs; and (ii) the amortization expenses of Shanghai Sirui, Shanghai Lingshi and Lingshi Yuntian of approximately RMB10.0 million.

Investments in Joint Ventures Accounted for Using the Equity Method

As at 31 December 2022, the balance of investment in joint ventures accounted for using the equity method was approximately RMB25.3 million, representing an increase of approximately 17.1% from approximately RMB21.6 million as at 31 December 2021, which was mainly due to the profit recorded by Binhai Xunteng and Zhencheng Technology in 2022.

Investment in Associates Accounted for Using the Equity Method

As at 31 December 2022, the balance of investment in associates accounted for using the equity method amounted to RMB5.9 million, representing the Group's investments in Renrui New Career, an associate of the Company established jointly with Kumao Robot.

Deferred Income Tax Assets

As at 31 December 2022, the carrying amount of our deferred income tax assets was approximately RMB16.2 million, representing an increase as compared to approximately RMB12.2 million as at 31 December 2021, which was mainly due to the deferred income tax assets arising from loss of certain subsidiaries of the Company in 2022.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years indicated:

	For the year ended 31	
	December	2021
Revenue growth	-23.2%	67.5%
Gross margin	5.1%	5.3%
Adjusted current ratio (times) ⁽¹⁾	1.6	1.6
Non-HKFRS:		
Adjusted net margin attributable to the equity holders of the Company ⁽²⁾	0.2%	2.3%

Notes:

- (1) Adjusted current ratio is calculated as the adjusted current assets divided by the current liabilities at the end of each financial year. The adjusted current assets is defined as the current assets excluding the Net Proceeds received and unutilised, where applicable.
- (2) Adjusted net margin attributable to the equity holders of the Company (non-HKFRS) is calculated as the adjusted profit attributable to the equity holders of the Company as a percentage of the revenue for the same year. Adjusted profit attributable to the equity holders of the Company (non-HKFRS) is defined as the profit or loss attributable to the equity holders of the Company for the year excluding share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme and the impact of amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments, with appropriate adjustments. Please refer to the paragraph headed “Non-HKFRS Measures” under “MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL REVIEW” in this announcement for more details.

Adjusted Current Ratio

As at 31 December 2022, our current ratio decreased from approximately 2.6 as at 31 December 2021 to approximately 2.3, which was due to the decrease in current assets of approximately RMB156.4 million. The decrease in current assets was mainly due to the same reasons as disclosed under the paragraph headed “Net Current Assets”.

The adjusted current ratio after deducting the unutilised Net Proceeds from the global offering remained at approximately 1.6, same as at 31 December 2021, demonstrating that the short-term solvency of the Group has not changed and remained solid.

Liquidity and Capital Resources

In 2022, we met our capital requirements principally through our business operations and the Net Proceeds.

As at 31 December 2022, we had cash and cash equivalents of approximately RMB354.4 million, representing a decrease of approximately RMB284.0 million as compared to that of approximately RMB638.4 million as at 31 December 2021. Such change was mainly due to factors comprising (i) the net cash generated from operating activities of approximately RMB118.9 million; (ii) the net cash used in investing activities of approximately RMB328.1 million due to the payments of approximately RMB421.7 million for acquisition and investment, as offset by proceeds from the redemption of certain bank investment and wealth management products; (iii) the net cash used in financing activities of approximately RMB91.3 million due to the repayment of borrowings and dividends paid to shareholders; and (iv) an increase in cash and cash equivalents of approximately RMB16.6 million due to changes in exchange rates.

Treasury Policies

The treasury and funding policies of the Group primarily focus on liquidity management and maintaining an optimum level of liquidity. Idle funds, primarily denominated in RMB, in relation to the Net Proceeds and revenue generated from our business operations in the PRC were used to purchase short-term financial products issued by reputable financial institutions and corporations to earn higher return compared with those on time deposits issued by banks or licensed financial institutions with a relatively low and controllable risk level.

CASH FLOWS

Net Cash Generated from/(Used in) Operating Activities

Net cash inflow generated from operating activities for the year ended 31 December 2022 was approximately RMB118.9 million, as compared to net cash outflow used in operating activities of approximately RMB90.0 million the year ended 31 December 2021. The change from net cash used in 2021 to net cash generated from operating activities was mainly because amid the concerns about the risk of bad debts of trade receivables brought about by the economic downturn and the need for sufficient cash flow to support digital technology and cloud services business, we have strengthened the management of the collection of trade receivables since the second half of 2022, thus speeding up the recovery of trade receivables.

Net Cash Used in Investing Activities

For the year ended 31 December 2022, net cash used in investing activities was approximately RMB328.1 million, representing an increase of approximately RMB201.9 million from approximately RMB126.2 million for the year ended 31 December 2021. The increase was mainly due to the fact that the Group accelerated the layout of strategic investments in 2022 by acquiring Shanghai Sirui and Shanghai Lingshi and investing in Kumao Robot, all of which led to a total payment of approximately RMB421.7 million. The above investment expenses were partially offset by proceeds from the redemption of investment grade corporate bonds and large-denomination bank certificates of deposit issued by bank.

Net Cash Used in Financing Activities

For the year ended 31 December 2022, net cash outflow used in financing activities was approximately RMB91.3 million, while the net cash used in financing activities for the year ended 31 December 2021 was approximately RMB108.9 million, representing a decrease of approximately RMB17.6 million. Such change was mainly due to a combination of the following factors: (i) dividend payment in cash to shareholders of approximately RMB31.4 million in 2022, representing a decrease of approximately RMB22.1 million compared to 2021; (ii) the cost reduction and efficiency measures implemented by the Group in 2022 involving the closure of seven secondary service locations including Hangzhou and digital operation and customer service centers in Luzhou and Xi'an, resulting in a rental reduction of approximately RMB6.3 million compared to 2021; and (iii) a payment of approximately RMB21.3 million was made to purchase the Company's shares in 2021, while there was no such payment made in 2022. The aforementioned decrease in net cash used in financing activities was partially offset by the financing expenses of approximately RMB31.4 million incurred by Shanghai Lingshi and Shanghai Sirui.

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2022, we had outstanding borrowings of approximately RMB95.2 million, which mainly represented the outstanding bank borrowings of Shanghai Sirui.

As at 31 December 2022, we had unutilised banking facilities of approximately RMB275.0 million.

Our bank facility is subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions. If we breach any covenants, the remaining unutilised amount may be reduced and the drawn down facilities and interest may become payable on demand. During 2022, all these covenants had been complied with by the Group.

As at 31 December 2022, our lease liabilities in respect of our leased properties amounted to approximately RMB42.6 million, representing a decrease of approximately RMB35.3 million as compared to approximately RMB77.9 million as at 31 December 2021, which was mainly due to reduced rental area.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2022 and 2021, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

CAPITAL EXPENDITURE

For the year ended 31 December 2022, our capital expenditure amounted to approximately RMB13.0 million, among which, (i) approximately RMB8.2 million was used for renovating the offices including recruitment and delivery centre in Suzhou, digital operation and customer service centre in Foshan and new offices in Wuhan; and (ii) approximately RMB4.8 million was used for development of systems and computer equipment systems.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2022, we had not entered into any material off-balance sheet commitments or arrangements.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. However, given the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents and financial assets at FVOCI it held as at 31 December 2022. For the year ended 31 December 2022, the Group recorded a net exchange gain of approximately RMB3.9 million in the consolidated income statement.

The Group did not have any significant hedging arrangements to manage foreign exchange risk but has been actively monitoring and overseeing its foreign exchange risk.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, none of the Group's assets was pledged (31 December 2021: nil).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Shanghai Ruiying, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Neusoft Holdings on 7 March 2022 for the acquisition of 46.0% equity interests in Shanghai Sirui from Neusoft Holdings at a total consideration of approximately RMB408.0 million and the Acquisition was completed on 28 September 2022. Shanghai Sirui is an information technology and software outsourcing service provider dedicated to providing digital transformation and information technology services to customers. The Company was entitled to appoint a majority of the board of directors of Shanghai Sirui and thereby had the decision-making power over the relevant activities of Shanghai Sirui. Shanghai Sirui has become a non-wholly owned subsidiary of the Company and its financial results were consolidated into the financial statements of the Group upon completion of the Acquisition. For further details, please refer to the announcements of the Company dated 8 March, 21 September, 28 September 2022 and the circular of the Company dated 26 September 2022.

The Group has no disposal of subsidiaries, associates or joint ventures of the Group which would fall to be disclosed under the Listing Rules for the year ended 31 December 2022.

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as a leading comprehensive human resources solutions provider, we plan to use the Net Proceeds for certain expansion projects. Details of such expansion projects are set out in the paragraph headed “USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING” in this announcement and the section headed “Future Plans and Use of Proceeds” in the Prospectus.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no material event affecting the Group which has occurred since 31 December 2022.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 13 December 2019 by way of global offering. The total Net Proceeds after deducting professional fees, underwriting commissions and other related listing expenses amounted to approximately HK\$992.2 million (equivalent to approximately RMB889.0 million), including the additional net proceeds of approximately HK\$70.2 million (equivalent to approximately RMB62.8 million) received from the issue and allotment of Shares upon completion of the partial exercise of the over-allotment option. Prior to the implementation of the re-allocation plan announced on 8 March 2022, the Company had utilised the Net Proceeds in accordance with the intended use set out in the Prospectus.

As set out in the announcement of the Company dated 8 March 2022, after taking into account the reasons for and the benefits of the Acquisition, in order to better utilise the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the plan for the use of the Net Proceeds and resolved to re-allocate part of the Net Proceeds for the Acquisition based on the amount of unutilised Net Proceeds as at 31 January 2022. For details, please refer to the announcement of the Company dated 8 March 2022. The Company has utilised the Net Proceeds in accordance with such re-allocation plan since then up to 31 December 2022.

The Company has utilised Net Proceeds of HK\$463.6 million for the year ended 31 December 2022. As at 31 December 2022, the Company had unutilised Net Proceeds of HK\$250.8 million.

On 28 March 2023, the Board, having reviewed the utilisation plan of the Net Proceeds and considered the reasons set out in the paragraph “Reasons for the Change of Use of Proceeds” below, has resolved to further re-allocate the intended use of the unutilised Net Proceeds. Details of the breakdown of the Net Proceeds utilised up to 31 December 2022 and the intended use of the unutilised Net Proceeds as further re-allocated are set out below:

Intended use of Net Proceeds	Original allocation of Net Proceeds (HK\$ million)	Amount of Net Proceeds unutilised as at 31 December 2021 (HK\$ million)	Balance of the unutilised Net Proceeds after the re-allocation as at 31 January 2022 (HK\$ million)	Amount of Net Proceeds utilised after the re-allocation up to 31 December 2022 (HK\$ million)	Amount of Net Proceeds utilised during the year ended 31 December 2022 (HK\$ million)	Balance of Net Proceeds unutilised after the re-allocation as at 31 December 2022 (HK\$ million)	Balance of Net Proceeds unutilised as at 31 December 2022 after further re-allocation (HK\$ million)	Intended timetable for the use of the unutilised Net Proceeds
(i) Expand our geographic coverage to better support our clients and new opportunities	198.4	74.8	30.8	20.8	27.0	10.0	39.0	By 31 December 2023
(ii) Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, information technology industry and new retail clientele	168.7	94.4	466.0	386.7	394.0	79.3	50.3	By 31 December 2024
(iii) Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	129.0	98.4	48.3	11.9	12.4	36.4	56.4	By 31 December 2023
(iv) Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	187.2	95.8	4.6	4.6	91.2	51.2	By 31 December 2024
(v) Further promote our brand and launch marketing and promotion activities	99.2	90.6	11.3	0.4	24.7	10.9	10.9	By 31 December 2023
(vi) Support our global expansion strategy in the next four years	79.4	79.4	23.0	0.0	0.0	23.0	23.0	By 31 December 2024
(vii) Working capital and general corporate purposes	99.2	89.6	0.0	0.0	0.9	0.0	20.0	By 31 December 2023
Total	992.2	714.4	675.2	424.4	463.6	250.8	250.8	

Reasons for the Change of Use of Proceeds

The reasons for the proposed re-allocation of the intended use of the unutilised Net Proceeds are as follows:

- (1) For item (ii), the Group has strategically conducted a series of acquisitions in financial service, information technology and other industries since the Listing, in particular the Acquisition completed in 2022. The Group will continue to expand the Company's industry coverage through acquisitions and organic growth and actively search for strategic investment targets that are in line with the Company's development strategy. However, in light of the current market environment where mergers and acquisitions are slowing down given the market uncertainty and volatility, the Company may not be able to identify suitable targets, if any, within the originally expected timetable; therefore it may be more desirable to allocate more funds for businesses currently undergoing fast growth, such as digital technology and cloud services. As a result, approximately HK\$29.0 million of the unutilised Net Proceeds originally allocated to item (ii) will be re-allocated to item (i), so as to better support the existing clients and capture the potential opportunities to expand industry clients, in particular in relation to industries with huge demand for digital talents. At the same time, the intended timetable for the use of the unutilised Net Proceeds for item (ii) was extended to the end of 2024 to allow more time for the Group to identify suitable targets as appropriate. In addition, as the expansion activities under item (i) were unable to be fully carried out as expected amid COVID-19 pandemic in 2022, the intended timetable for the use of the unutilised Net Proceeds for item (i) was extended to the end of 2023.
- (2) For item (iv), the Group has continuously enhanced its investment in the integrated human resources ecosystem and its data mining technology capabilities since the Listing. Nevertheless, given that substantial parts of the upgrade of the integrated human resources system, namely Rui Zhi System, Rui Bo System, and Qingyun Online Recruitment System, have been completed in 2022, the Group expects to see a decrease in investment amount required in this regard. As a result, approximately HK\$40.0 million of the unutilised Net Proceeds originally allocated to item (iv) will be re-allocated to items (iii) and (vii), with HK\$20.0 million re-allocated to each item respectively.
- (3) For item (iii), in light of the gradual recovery of macro-economic environment since the beginning of 2023 with an increasing recruitment demand for mid-to-high-end information technology and digital talents, the Group plans to strengthen its investment in its headhunting service offerings to capture such opportunities. Since the expansion activities under item (iii) were slowed down amid COVID-19 pandemic in 2022, the intended timetable for the use of the unutilised Net Proceeds for item (iii) was extended to the end of 2023. For item (vii), while the Group's principal businesses have been able to generate a sound cash flow, given the future business growth needs and the uncertainty faced in fundraising activities, the Group plans to re-allocate part of the unutilised Net Proceeds to replenish its general working capital.
- (4) Due to the impact of COVID-19 pandemic in 2022, branding and marketing and promotion activities under item (v) as well as the Company's global expansion strategy under item (vi) have experienced practical difficulty to be effectively rolled out. Therefore, while the amount of unutilised Net Proceeds allocated for such items was not adjusted, the intended timetable for the use of the unutilised Net Proceeds was postponed to the end of 2023 and 2024, respectively, which was estimated based on information currently available to the Board.

The Group will continue to utilise the Net Proceeds in accordance with the intended use of proceeds as set out in the Prospectus, subject to the amount further re-allocated for each intended use as set out above. Save as disclosed above, the Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

ANNUAL RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	3	3,638,203	4,739,146
Cost of revenue		(3,453,503)	(4,487,357)
Gross profit		184,700	251,789
Selling and marketing expenses		(50,215)	(65,491)
Research and development expenses		(32,607)	(18,139)
Administrative expenses		(116,545)	(100,339)
Reversal/(provision) for net impairment losses on financial assets		896	(4,755)
Other income	4	38,367	48,228
Other (losses)/gains, net	5	(13,151)	5,523
Operating profit		11,445	116,816
Finance income	6	3,881	6,588
Finance costs	6	(5,108)	(4,865)
Finance (costs)/income, net	6	(1,227)	1,723
Share of results of joint ventures		3,680	1,889
Share of results of associates		(1,010)	—
Profit before income tax		12,888	120,428
Income tax expense	7	(6,032)	(18,080)
Profit for the year		6,856	102,348
(Loss)/profit is attributable to:			
– Equity holders of the Company		(7,303)	101,667
– Non-controlling interests		14,159	681
(Loss)/earnings per share (expressed in RMB per share)			
– Basic (loss)/earnings per share	8	(0.05)	0.66
– Diluted (loss)/earnings per share	8	(0.05)	0.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	RMB'000
Profit for the year	6,856	102,348
Other comprehensive income/(losses)		
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
Currency translation differences of the Company	89,426	(24,365)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences of subsidiaries	(66,963)	12,957
Changes in the fair value of financial assets at fair value through other comprehensive income	1,730	(1,126)
Other comprehensive income/(losses) for the year, net of tax	24,193	(12,534)
Total comprehensive income for the year	31,049	89,814
Total comprehensive income for the year is attributable to:		
– Equity holders of the Company	16,890	89,133
– Non-controlling interests	14,159	681

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		65,116	113,213
Intangible assets	9	419,987	91,311
Investments in joint ventures accounted for using the equity method		25,252	21,572
Investments in associates accounted for using the equity method		5,890	—
Financial assets at fair value through profit or loss		34,300	19,946
Derivative financial instruments		1,526	2,085
Other non-current assets		63,382	73,925
Deferred income tax assets		16,215	12,237
Restricted cash		—	6,002
Total non-current assets		631,668	340,291
Current assets			
Trade and notes receivables	10	955,940	760,961
Prepayments, deposits and other receivables		40,435	38,778
Contract fulfilment cost		7,847	—
Financial assets at fair value through other comprehensive income		5,376	102,105
Financial assets at fair value through profit or loss		114,743	112,177
Derivative financial instruments		10,584	—
Restricted cash		6,858	241
Cash and cash equivalents		354,436	638,373
Total current assets		1,496,219	1,652,635
Total assets		2,127,887	1,992,926

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		53	53
Share premium		2,167,837	2,199,102
Shares held for share-based payment scheme		(87,887)	(87,887)
Other reserves		(38,563)	(68,394)
Accumulated losses		(795,348)	(788,045)
		<u>1,246,092</u>	<u>1,254,829</u>
Non-controlling interests		<u>203,502</u>	<u>22,903</u>
Total equity		<u>1,449,594</u>	<u>1,277,732</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		18,057	6,789
Lease liabilities		19,112	50,762
		<u>37,169</u>	<u>57,551</u>
Current liabilities			
Trade and other payables	11	497,988	588,928
Contract liabilities		14,028	14,611
Current income tax liabilities		10,503	17,734
Financial liabilities at fair value through profit or loss		—	4,245
Borrowings		95,164	5,017
Lease liabilities		23,441	27,108
		<u>641,124</u>	<u>657,643</u>
Total current liabilities		<u>641,124</u>	<u>657,643</u>
Total liabilities		<u>678,293</u>	<u>715,194</u>
Total equity and liabilities		<u>2,127,887</u>	<u>1,992,926</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company							Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2021	53	2,252,478	(66,609)	(62,048)	(889,712)	1,234,162	1,901	1,236,063
Comprehensive income								
Profit for the year	—	—	—	—	101,667	101,667	681	102,348
Other comprehensive loss								
– Currency translation differences	—	—	—	(11,408)	—	(11,408)	—	(11,408)
– Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	—	(1,126)	—	(1,126)	—	(1,126)
Total comprehensive income	—	—	—	(12,534)	101,667	89,133	681	89,814
Transactions with equity holders in their capacity as equity holders								
Share-based compensation	—	—	—	6,188	—	6,188	—	6,188
Exercise of share options	—	57	—	—	—	57	—	57
Dividends paid	—	(53,433)	—	—	—	(53,433)	—	(53,433)
Acquisitions of shares held for share-based payment scheme	—	—	(21,278)	—	—	(21,278)	—	(21,278)
Acquisition of subsidiaries	—	—	—	—	—	—	20,321	20,321
Total transactions with equity holders in their capacity as equity holders	—	(53,376)	(21,278)	6,188	—	(68,466)	20,321	(48,145)
Balance at 31 December 2021	53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732
Balance at 1 January 2022	53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732
Comprehensive income								
(Loss)/profit for the year	—	—	—	—	(7,303)	(7,303)	14,159	6,856
Other comprehensive loss								
– Currency translation differences	—	—	—	22,463	—	22,463	—	22,463
– Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	—	1,730	—	1,730	—	1,730
Total comprehensive income	—	—	—	24,193	(7,303)	16,890	14,159	31,049
Transactions with equity holders in their capacity as equity holders								
Share-based compensation	—	—	—	5,638	—	5,638	—	5,638
Exercise of share options	—	111	—	—	—	111	—	111
Dividends paid	—	(31,376)	—	—	—	(31,376)	—	(31,376)
Acquisition of subsidiaries	—	—	—	—	—	—	167,236	167,236
Capital contribution from non-controlling interests	—	—	—	—	—	—	100	100
Capital reduction in respect of non-controlling interests	—	—	—	—	—	—	(800)	(800)
Dividends of subsidiaries	—	—	—	—	—	—	(96)	(96)
Total transactions with equity holders in their capacity as equity holders	—	(31,265)	—	5,638	—	(25,627)	166,440	140,813
Balance at 31 December 2022	53	2,167,837	(87,887)	(38,563)	(795,348)	1,246,092	203,502	1,449,594

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cash flows generated from/(used in) operating activities		
Cash generated from/(used in) operations	139,883	(66,329)
Income tax paid	(20,978)	(23,633)
Net cash generated from/(used in) operating activities	118,905	(89,962)
Cash flows used in investing activities		
Payment for acquisition of subsidiaries, net of cash acquired	(401,742)	(53,533)
Purchase of property, plant and equipment	(11,495)	(33,557)
Purchase of intangible assets	(2,123)	(3,237)
Purchase of financial assets at fair value through profit or loss	(230,000)	(586,328)
Purchase of financial assets at fair value through other comprehensive income	—	(350,154)
Proceeds from disposal of property, plant and equipment	3,802	912
Proceeds from disposal of financial assets at fair value through profit or loss	210,000	452,762
Investment income from financial assets at fair value through profit or loss	4,441	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	102,027	436,488
Cash paid for investing in associates	(6,900)	—
Interest received	3,881	10,491
Net cash used in investing activities	(328,109)	(126,156)
Cash flows used in financing activities		
Proceeds from exercise of share options	111	57
Proceeds from bank borrowings	13,460	—
Repayments of bank borrowings	(43,477)	—
Capital contribution from non-controlling shareholders of subsidiaries	100	—
Acquisition of shares held for share-based payment scheme	—	(21,278)
Payment of lease liabilities	(27,879)	(34,226)
Interest paid	(1,379)	(52)
Capital reduction in respect of non-controlling	(800)	—
Dividends of subsidiaries	(96)	—
Dividends paid to company's shareholders	(31,376)	(53,433)
Net cash used in financing activities	(91,336)	(108,932)
Net decrease in cash and cash equivalents	(300,540)	(325,050)
Cash and cash equivalents at beginning of the year	638,373	967,225
Effects of exchange rate changes on cash and cash equivalents	16,603	(3,802)
Cash and cash equivalents at end of the year	354,436	638,373

Notes

1 General information

Renrui Human Resources Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 14 October 2011 as an exempted company with limited liability. The registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company, an investment holding company, and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of comprehensive flexible staffing services, professional recruitment services and other human resources (“**HR**”) solutions services in the People’s Republic of China (the “**PRC**”). The ultimate controlling parties of the Company are Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei (collectively, the “**Controlling Equity Holders**”).

The Company completed its initial public offering and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2019 (the “**Listing**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with HKFRS and disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except that the revaluation of financial assets at fair value through other comprehensive income (“**FVOCI**”), financial assets at fair value through profit or loss (“**FVPL**”), financial liabilities at fair value through profit or loss and derivative financial instruments are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Amendments to AG 5 Merger Accounting for Common Control Combinations
- Covid-19-Related Rent Concessions beyond 2021 (amendments)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting year beginning on or after
HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies (amendments)	Accounting periods beginning on or after 1 January 2023
HKAS 8- Definition of Accounting Estimates (amendments)	Accounting periods beginning on or after 1 January 2023
HKAS 12- Deferred tax related to assets and liabilities arising from a single transaction (amendments)	Accounting periods beginning on or after 1 January 2023
HKFRS 17- Insurance Contracts (new standard)	Accounting periods beginning on or after 1 January 2023
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current (amendments)	Accounting periods beginning on or after 1 January 2024
HK Int 5 (Revised)- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	HK Int 5 (Revised) has incorporated the references to Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Noncurrent Liabilities with Covenants. Both amendments are to be applied as a package and are effective for annual reporting periods beginning on or after 1 January 2024
Amendments to HKFRS 10 and HKAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	A date to be determined by the IASB

3 Segment information and revenue

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

Comprehensive flexible staffing

The comprehensive flexible staffing segment mainly comprises general services outsourcing, digital technology and cloud services and digital operation and customer services, which offers personnel upon customers' needs or performs certain business function outsourced by customers to the Group. The Group is responsible for recruiting and managing workers contracted with the Group to satisfy customers' related service needs at various business development stages.

Professional recruitment

The professional recruitment segment offers bulk recruitment services. The Group assists customers in searching for, identifying and recommending suitable candidates for the job vacancies. Also, the Group assists customers' hiring process, which includes candidate assessments, screening and conducting candidate interviews.

Other HR solutions

The Group provides other HR solutions such as corporate training and labour dispatch.

The CODM assesses the performance of the operating segments mainly based on segment revenues and segment gross profit. Thus, segment result would present revenue and gross profit for each segment, which is in line with CODM's performance review.

The principal operating entities of the Group are domiciled in the PRC. Accordingly, almost all of the Group's revenue are derived in the PRC.

(b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2022 was as follows:

	Year ended 31 December 2022			Total RMB'000
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	
Segment revenue	<u>3,574,036</u>	<u>45,430</u>	<u>18,737</u>	<u>3,638,203</u>
Segment gross profit	<u>159,425</u>	<u>12,773</u>	<u>12,502</u>	<u>184,700</u>
Unallocated:				
Selling and marketing expenses				(50,215)
Research and development expenses				(32,607)
Administrative expenses				(116,545)
Other income (<i>Note 4</i>)				38,367
Other losses, net (<i>Note 5</i>)				(13,151)
Reversal for net impairment losses on financial assets				896
Finance costs, net (<i>Note 6</i>)				(1,227)
Share of results of joint ventures accounted for using the equity method				3,680
Share of results of associates accounted for using the equity method				<u>(1,010)</u>
Profit before income tax				12,888
Income tax expense (<i>Note 7</i>)				<u>(6,032)</u>
Profit for the year				<u><u>6,856</u></u>

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2021 was as follows:

	Year ended 31 December 2021			Total RMB'000
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	
Segment revenue	4,621,714	90,040	27,392	4,739,146
Segment gross profit	207,077	25,464	19,248	251,789
Unallocated:				
Selling and marketing expenses				(65,491)
Research and development expenses				(18,139)
Administrative expenses				(100,339)
Other income (<i>Note 4</i>)				48,228
Other gains, net (<i>Note 5</i>)				5,523
Provision for net impairment losses on financial assets				(4,755)
Finance income, net (<i>Note 6</i>)				1,723
Share of results of joint ventures accounted for using the equity method				1,889
Profit before income tax				120,428
Income tax expense (<i>Note 7</i>)				(18,080)
Profit for the year				<u>102,348</u>

(c) Segment assets and segment liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

(d) **Disaggregation of revenue from contracts with customers**

(i) The Group derived revenue in the following types:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Comprehensive flexible staffing		
– HR services outsourcing	2,774,405	4,263,142
– Digital technology and cloud services	538,934	97,423
– Digital operation and customer services	260,697	261,149
Professional recruitment	45,430	90,040
Other HR solutions	18,737	27,392
	<u>3,638,203</u>	<u>4,739,146</u>

(ii) Information about major customers

The major customer group from whom the individual customer group's revenue for the year ended 2022 amounted to 10% or more of the Group's total revenue for the year ended 2022 was as below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer group A	<u>451,173</u>	<u>276,887</u>

4 Other income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (i)	26,083	37,557
Additional deduction of input value-added tax (“VAT”) (ii)	9,843	6,611
Interest income from financial assets at FVOCI	659	3,420
Others	1,782	640
	<u>38,367</u>	<u>48,228</u>

- (i) The government grants recorded in other income mainly represented financial support funds from local government. There were no specific conditions or other contingencies attaching to these grants, and therefore, the Group recognised the grants upon receipts.
- (ii) Pursuant to the “Announcement on Relevant Policies for Deepening the Value-added Tax Reform” (Cai Shui Haiguan [2019] No.39) (「關於深化增值稅改革有關政策的公告」(財稅海關[2019]第39號)) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the Company’s certain subsidiaries qualified for an additional 10% deduction of input VAT from output VAT from 1 April 2019 to 31 December 2021.

Pursuant to the “Announcement on Relevant VAT Policies for Promoting the Relief and Development of Difficult Industries in the Service Industry” (Cai Shui [2022] No.11) (「關於促進服務業領域困難行業紓困發展有關增值稅政策的公告」(財稅[2022]第11號)) jointly issued by the Ministry of Finance, the State Administration of Taxation, the execution has been extended to 31 December 2022.

5 Other (losses)/gains, net

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impairment of goodwill	(16,372)	—
Exchange gains - net	3,888	5,394
Net losses on disposal of wealth management products at FVOCI	(2,496)	(879)
Net fair value losses on wealth management products purchased from bank at FVPL	(11,538)	(665)
Net fair value gains/(losses) on derivative financial instruments	10,025	(581)
Fair value gains/(losses) on contingent consideration payable at FVPL	4,245	(22)
Fair value gains on contingent consideration receivable at FVPL	4,252	—
Fair value (losses)/gains from equity investment at FVPL	(5,646)	32
Gains on early termination of lease contracts	312	2,428
Net losses on disposal of property, plant and equipment, and intangible assets	(4,562)	(91)
Investment income on wealth management products at FVPL	4,826	—
Others	(85)	(93)
	<u>(13,151)</u>	<u>5,523</u>

6 Finance income and costs

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<i>Finance income</i>		
Interest income on cash and cash equivalents	<u>3,881</u>	<u>6,588</u>
Finance income	<u>3,881</u>	<u>6,588</u>
<i>Finance costs</i>		
Interest expense		
– lease liabilities	(3,565)	(4,812)
– borrowings	(1,543)	(53)
Finance costs expensed	<u>(5,108)</u>	<u>(4,865)</u>
Finance (costs)/income, net	<u>(1,227)</u>	<u>1,723</u>

7 Income tax expense

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	(11,464)	(17,730)
Deferred income tax	5,432	(350)
	<u>(6,032)</u>	<u>(18,080)</u>

Cayman Islands

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gain. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to equity holders.

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

PRC corporate income tax ("CIT")

CIT provision is made on the estimated assessable profits of entities within the Group incorporated in the PRC and is calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended 31 December 2022 and 2021 except for those as discussed below:

According to the "Notice on the Tax Policies of Further Implementation of the Western Region Development Strategy" (Cai Shui [2011] No.58) (「關於深入實施西部大開發戰略有關稅收政策問題的通知」(財稅[2011]第58號)) issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, companies set up in the western region and falling into certain encouraged industry catalogue promulgated by the PRC government will be entitled to a preferential tax rate of 15%. Certain subsidiaries within the Group were set up in the western development region and fell into the encouraged industry catalogue, and therefore they were entitled to the preferential tax rate of 15% as mentioned above.

Pursuant to the "Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry" (Cai Shui [2012] No.27) (「關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知」(財稅[2012]第27號)), certain subsidiary of the Group was entitled to a two-year exemption from income taxes followed by three year of a 50% tax reduction, commencing from the first year when taxable income amount is greater than zero. Certain subsidiary within the Group was qualified for this policy and enjoyed the exemption from income taxes between 1 January 2018 and 31 December 2019 and 50% tax reduction from 1 January 2020.

Pursuant to the “Announcement on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households” 「關於實施小微企業和個體工商戶所得稅優惠政策的公告」 (財政部稅務總局公告[2021]第12號) jointly issued by the Ministry of Finance and the State Administration of Taxation on 2 April 2021, During the period from 1 January 2021 to 31 December 2022, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 12.5% as taxable income amount for CIT calculation purpose, and shall be subject to CIT at 20% tax rate; for the portion of the annual taxable income exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, it was still in accordance with the “Notice on Implementation of Income Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No.13)” (「關於實施小微企業普惠性稅收減免政策的通知」 (財稅[2019]第13號)) jointly issued by the Ministry of Finance and the State Administration of Taxation, 50% of the taxable income shall be included in the calculation of corporate income tax, and the corporate income tax shall be paid at the rate of 20%. Certain subsidiaries of the Group established during the year ended 31 December 2021 comply with this policy and are entitled to the above-mentioned preferential tax rate of 20%.

Withholding tax on undistributed dividends

According to CIT law, distribution of profits earned by PRC companies since February 2015 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. The Group had confirmed that retained earnings of the Group’s PRC subsidiaries as at 31 December 2022 will not be distributed in the foreseeable future.

8 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding shares held for share-based payment scheme.

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to the equity holders of the Company (RMB’000)	<u>(7,303)</u>	<u>101,667</u>
Weighted average number of ordinary shares in issue (thousands)	153,033	152,884
Basic (loss)/earnings per share attributable to the equity holders of the Company (RMB per share)	<u>(0.05)</u>	<u>0.66</u>

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the year ended 31 December 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended 31 December 2022 was the same as basic loss per share.

For the year ended 31 December 2021, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 1,325,000 share options granted on 30 June 2019, 490,000 share options granted on 31 July 2019, 718,000 share options granted on 22 January 2021 and 1,810,000 share options granted on 16 July 2021 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2021. These share options could potentially dilute basic earnings per share in the future.

The diluted earnings per share for the year ended 31 December 2022 and 2021 was as following:

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to the equity holders of the Company (RMB'000)	(7,303)	101,667
Weighted average number of ordinary shares in issue (thousands)	153,033	152,884
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	—	12,795
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	153,033	165,679
Diluted (loss)/earnings per share attributable to the equity holders of the Company (RMB per share)	(0.05)	0.61

9 Intangible assets

	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
At 1 January 2021				
Cost	4,496	—	—	4,496
Accumulated amortisation	(1,352)	—	—	(1,352)
Net book amount	<u>3,144</u>	<u>—</u>	<u>—</u>	<u>3,144</u>
Year ended 31 December 2021				
Opening net book amount	3,144	—	—	3,144
Additions from acquisition of a subsidiary	—	58,673	28,000	86,673
Other additions	3,237	—	—	3,237
Amortisation charge	(899)	—	(844)	(1,743)
Closing net book amount	<u>5,482</u>	<u>58,673</u>	<u>27,156</u>	<u>91,311</u>
At 31 December 2021				
Cost	7,733	58,673	28,000	94,406
Accumulated amortisation	(2,251)	—	(844)	(3,095)
Net book amount	<u>5,482</u>	<u>58,673</u>	<u>27,156</u>	<u>91,311</u>
	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
Year ended 31 December 2022				
Opening net book amount	5,482	58,673	27,156	91,311
Additions from acquisition of a subsidiary (Note 13)	956	265,561	88,899	355,416
Other additions	2,123	—	—	2,123
Impairment of goodwill (Note 5)	—	(16,372)	—	(16,372)
Amortisation charge	(1,037)	—	(10,045)	(11,082)
Disposal	(1,409)	—	—	(1,409)
Closing net book amount	<u>6,115</u>	<u>307,862</u>	<u>106,010</u>	<u>419,987</u>
At 31 December 2022				
Cost	9,403	324,234	116,899	450,536
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(3,288)	—	(10,889)	(14,177)
Net book amount	<u>6,115</u>	<u>307,862</u>	<u>106,010</u>	<u>419,987</u>

- (i) Amortisation of intangible assets was charged to the consolidated income statement as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	10,272	844
Administrative expenses	810	899
	11,082	1,743

- (ii) Customer relationship

In 2022, customer relationships were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers. The useful life of 5 years for customer relationships is determined based on the historical renewal pattern and the industry practice. An independent valuation was performed by an independent valuer to determine the amount of the customer relationships recognised by the Group during the year ended 31 December 2022. The following table sets forth each key assumption on which the management has based its cash flow projections to determine the fair value of the customer relationships as at the acquisition date:

Shanghai Sirui Information Technology Limited ("Shanghai Sirui")	
Discount rate (%)	15%
Expected life of the intangible assets	5 years

- (iii) Goodwill

Goodwill of RMB 307,862,000 (2021: RMB58,673,000) has been allocated to the subsidiaries acquired as a whole for impairment testing as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Lingshi Yuntian and Shanghai Lingshi	42,301	58,673
Shanghai Sirui (Note 13)	265,561	—

The management performed an impairment assessment on the goodwill as at balance sheet date. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

The management conducted a comprehensive review of the operation of the Cash-Generating Unit (“CGU”) due to the changing market environment and higher operating costs in 2022, adjusted the profit forecast and recalculated the recoverable amount of the CGU as at 31 December 2022. The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 31 December 2022:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	6%-33%	8%-9%	2.5%	23%
Shanghai Sirui	15%-20%	14%-16%	2.5%	17%

According to the management’s estimation of the recoverable amount of the Lingshi Yuntian and Shanghai Lingshi with the assistance of independent valuers, which was calculated based on its value in use, an impairment loss of RMB16,372,000 for the goodwill allocated to Lingshi Yuntian and Shanghai Lingshi was recognised for the year ended 2022 (2021: nil), resulted in a reduction in the carrying amount of the goodwill from RMB58,673,000 to RMB42,301,000 as at 31 December 2022.

According to the management’s estimation of the recoverable amount of Shanghai Sirui with the assistance of independent valuers as at 31 December 2022, the directors of the Company determined that no impairment provision on goodwill allocated to Shanghai Sirui for the year ended 31 December 2022.

The management has undertaken sensitivity analysis on the impairment tests of goodwill allocated to Shanghai Sirui. The directors of the Group considered there is no reasonably possible change in key parameters, which would cause the carrying amount of the CGU to exceed its recoverable amount.

10 Trade and notes receivables

	As at 31 December	
	2022	2021
	RMB’000	RMB’000
Trade receivables	959,650	772,936
Less: provision for impairment of trade receivables	(8,456)	(12,918)
Trade receivables - net	951,194	760,018
Notes receivables at amortised cost	4,775	943
Less: provision for impairment of notes receivables	(29)	—
Notes receivables at amortised cost - net	4,746	943
	955,940	760,961

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2022 and 2021.

The Group generally allows a credit period of 10 to 180 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Within 3 months	786,257	757,349
– 4 months to 6 months	113,125	7,930
– 7 months to 9 months	23,993	1,170
– 10 months to 12 months	22,145	535
– Over 12 months	14,130	5,952
	959,650	772,936

The Group applies HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

11 Trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables due to third parties	37,476	21,374
Trade payables due to a joint venture	645	1,359
Accrued payroll and welfare	376,615	454,813
VAT and surcharges	56,729	70,259
Risk deposit due to customers	9,902	10,068
Payables for acquisition of subsidiaries	—	14,702
Others	16,621	16,353
	497,988	588,928

As at 31 December 2022 and 2021, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare and VAT and surcharges, which were not financial liabilities, approximated their carrying amounts due to short maturities.

As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Within 6 months	38,121	22,697
– 7 months to 12 months	—	36
	<u>38,121</u>	<u>22,733</u>

12 Dividends

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2022.

The final dividend for the year ended 31 December 2021 amounted to HKD37,570,000 (equivalent to RMB32,130,000), representing HK\$0.24 per ordinary share of the Company, out of which HKD36,688,000 (equivalent to RMB 31,376,000) paid in August 2022.

13 Business combination

Acquisitions during 2022

(i) Summary of acquisition

In March 2022, the Group entered into sale and purchase agreements (“SPA”) with a third party to acquire 46% equity interest in Shanghai Sirui at a total consideration of approximately RMB408,020,000. The acquisition was completed on 28 September 2022. Total identifiable net assets of Shanghai Sirui amounted to RMB309,695,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 9). The remaining 43% and 11% were held by two third parties separately. Upon the completion of the acquisition, the Group was entitled to appoint majority of the board of directors of Shanghai Sirui. As a result, the Group possessed the power over Shanghai Sirui to direct its relevant activities and Shanghai Sirui became a non-wholly owned subsidiary of the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
–Amount paid	<u><u>408,020</u></u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Cash and cash equivalents	20,980
Restricted cash	304
Trade and notes receivables	372,872
Prepayments, deposits and other receivables	6,284
Financial assets at fair value through other comprehensive income	56,107
Contract fulfilment cost	9,310
Property, plant and equipment	6,163
Deferred income tax asset	613
Intangible assets	89,855
Borrowings	(120,000)
Trade and other payables	(115,193)
Contract Liabilities	(35)
Lease liabilities	(1,947)
Deferred income tax liability	(13,335)
Current income tax liabilities	(2,283)
	<hr/>
Net identifiable assets	309,695
Less: non-controlling interests	(167,236)
Add: goodwill	265,561
	<hr/>
Net assets acquired	<u><u>408,020</u></u>

The acquired business contributed revenue of RMB250,813,000 and net profit of RMB9,382,000 to the Group for the period from 28 September 2022 to 31 December 2022. Had Shanghai Sirui been consolidated on 1 January 2022, the proforma revenue included in the consolidated income statement contributed by Shanghai Sirui would be RMB904,698,000. Shanghai Sirui also would contribute proforma net profit of RMB10,964,000.

The goodwill of approximately RMB265,561,000 arising from the acquisition is mainly attributable to the anticipated profitability and net cash inflows of the acquired business.

The fair value of acquired trade and notes receivables is RMB372,872,000.

(ii) Purchase consideration – cash outflow

	RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	(408,020)
Less: Balances acquired – cash and cash equivalents	20,980
	<hr/>
Net cash outflow on acquisitions	<u><u>(387,040)</u></u>

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company will be held on Friday, 9 June 2023. For the purpose of determining the Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 6 June 2023 to Friday, 9 June 2023, both days inclusive, during which period no transfer of the Shares may be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 June 2023.

CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the equity holders of the Company and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code. The Board is of the view that during the year ended 31 December 2022, the Company has complied with all applicable code provisions as set out in Part 2 of the CG Code, except for the deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the chairman and chief executive officer of the Company are held by Mr. Zhang Jianguo. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of eight Directors, and we believe there is sufficient check and balance on the Board; (ii) Mr. Zhang Jianguo and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategy and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Zhang Jianguo is the principal founder of the

Company, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning and internal communication for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether the separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2022.

The Company's relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the year ended 31 December 2022.

OTHER IMPORTANT EVENTS

On 17 June 2022, the Company granted share options to 204 grantees under the Post-IPO Share Option Scheme which entitle the grantees to subscribe for a maximum of 11,350,000 Shares, among which, options to subscribe for a total 200,000 Shares were granted to five Directors, while the remaining options were granted to 199 employees of the Group. The exercise price of the options is HK\$5.99 per Share. For further details, please refer to the announcement of the Company dated 17 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

AUDIT COMMITTEE

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Leung Ming Shu and Ms. Chan Mei Bo Mabel and one non-executive Director, namely Mr. Chow Siu Lui. Mr. Leung Ming Shu is the chairman of the Audit Committee. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of the external auditor, providing advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated financial statements for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.renuihr.com). The annual report of the Company for the year ended 31 December 2022 containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the same websites in due course.

DEFINITION

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

“Acquisition”	purchase of 46.0% equity interests in Shanghai Sirui by Shanghai Ruiying from Neusoft Holdings at a consideration of RMB408,020,000, as detailed in the announcement of the Company dated 8 March 2022;
“Annual General Meeting”	the annual general meeting of the Company to be held on Friday, 9 June 2023;
“Audit Committee”	the audit committee of the Board;
“Binhai Xunteng”	Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司);
“Board”	the board of directors of the Company;
“BPO”	business process outsourcing;

“CAGR”	compound annual growth rate;
“CIC”	China Insights Industry Consultancy Limited, an independent market research expert;
“CG Code”	Corporate Governance Code set out in Appendix 14 to the Listing Rules;
“Company”	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), an exempted company incorporated in the Cayman Islands on 14 October 2011 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6919);
“comprehensive flexible staffing”	the combined business segment of two previously disclosed business segments of the Company, namely, flexible staffing and BPO;
“comprehensive flexible staffing employees”	the employees under the business segment of comprehensive flexible staffing;
“Cooperation Agreement”	the cooperation agreement in relation to the information verification and client service representative flexible staffing services provided by the Group to a major customer, the term of which expired on 15 January 2022, as disclosed in the announcements of the Company dated 30 June 2021, 7 July 2021 and 31 October 2021;
“Director(s)”	the director(s) of the Company;
“FVOCI”	fair value through other comprehensive income;
“GDP”	gross domestic product;
“Group” or “we”	the Company together with its subsidiaries;
“HKD” or “HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“HR”	human resources;
“Kumao Robot”	Shanghai Kumao Robot Co., Ltd.* (上海庫茂機器人有限公司);
“Lingshi Yuntian”	Lingshi Yuntian Information Technology (Changzhou) Co., Ltd.* (領時雲天信息科技(常州)有限公司), which was previously known as Jiangnan Finance Technology (Changzhou) Co., Ltd.* (江南金融科技(常州)有限公司);
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
“Net Proceeds”	net proceeds from the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019, amounting to approximately HK\$992.2 million;
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司);
“Post-IPO Share Award Scheme”	post-IPO share award scheme of the Company adopted on 26 November 2019 and subsequently amended on 20 June 2020;
“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company adopted on 26 November 2019;
“PRC” or “China”	The People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Prospectus”	the prospectus of the Company dated 3 December 2019;
“Renrui New Career”	Renrui New Career Technology Services (Shanghai) Co., Ltd.* (人瑞新職科技服務(上海)有限公司);
“RMB”	Renminbi, the lawful currency of the PRC;

“R&D”	research and development;
“Shanghai Lingshi”	Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司);
“Shanghai Ruiying”	Shanghai Ruiying Human Resources Technology Group Co., Ltd.* (上海瑞應人才科技集團有限公司), an indirect wholly-owned subsidiary of the Company;
“Shanghai Sirui”	Shanghai Sirui Information Technology Co., Ltd.* (上海思芮信息科技有限公司);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wanma Technology”	Shanghai Wanmahui Network Technology Co., Ltd.* (上海萬馬匯網絡科技有限公司);
“Zhencheng Technology”	Shanghai Zhencheng Technology Co., Ltd.* (上海圳誠科技有限公司); and
“%”	per cent.

This announcement contains certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all momentary amounts shown are approximate amounts only.

If there is any inconsistency between the Chinese names of the PRC entities, enterprises or nationals and their English translations in this announcement, the Chinese names shall prevail. The English translation of the PRC entities, enterprises or nationals marked with “” are for identification purpose only.*

By order of the Board
Renrui Human Resources Technology Holdings Limited
Zhang Jianguo
Chairman and Chief Executive Officer

The PRC, 28 March 2023

As at the date of this announcement, the Board of the Company comprises Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei as executive Directors; Mr. Chen Rui and Mr. Chow Siu Lui as non-executive Directors; and Ms. Chan Mei Bo Mabel, Mr. Shen Hao and Mr. Leung Ming Shu as independent non-executive Directors.