THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Renrui Human Resources Technology Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE EQUITY INTERESTS IN THE TARGET COMPANY

Capitalized terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 35 of this circular.

The Company has obtained written approvals for the Acquisition from the Relevant Shareholders, who constitute a closely allied group of shareholders of the Company, holding 80,377,195 Shares, representing approximately 51.29% of the issued share capital of the Company. As a result, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be convened to approve the Acquisition. This circular is being despatched to the Shareholders for information purpose only.

26 September 2022

CONTENTS

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

"Acquisition"	purchase of the Equity Interests by the Purchaser at the Consideration pursuant to the Sale and Purchase Agreement;
"Announcement"	the announcement of the Company dated 8 March 2022 in relation to, among other things, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder;
"associate"	shall have the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"CAGR"	compound annual growth rate;
"CIC"	China Insights Industry Consultancy Limited, a market research expert and an Independent Third Party;
"CIC Report"	the industry report issued on 24 February 2022 prepared by CIC as commissioned by the Company;
"close associate"	shall have the meaning ascribed to it under 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);
"Completion"	completion of the Acquisition;
"connected person"	shall have the meaning ascribed to it under the Listing Rules;
"Consideration"	total consideration of the Acquisition, being RMB408,020,000 (equivalent to approximately HK$502,933,636);
"Core Management Members"	core members of the management of the Target Company as named in the Sale and Purchase Agreement, being seven persons in total;
"Director(s)"	the director(s) of the Company;
"Enlarged Group"	the Group and the Target Group upon the Completion;

"Equity Interests"	46.0% of the equity interests in the Target Company to be purchased by the Purchaser pursuant to the Sale and Purchase Agreement;
"Existing Equity Pledge"	the pledge created over the entire equity interests in the Target Company held by the Seller in favour of China Minsheng Bank Co., Ltd., Dalian branch, securing a facility in the amount of RMB280 million made available to the Seller;
"Founders"	Mr. ZHANG Jianguo (張建國), Ms. ZHANG Jianmei (張健梅) and Mr. ZHANG Feng (張峰);
"GDP"	gross domestic product;
"Global Offering"	the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019;
"Group"	the Company together with its subsidiaries;
"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;
"Independent Third Parties"	third party(ies) independent of, and not connected with, the Company and its connected persons;
"Latest Practicable Date"	22 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining information contained in this circular;
"Listing"	the listing of the Shares on the Stock Exchange on 13 December 2019;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Minority Equity Transfer"	sale of 1.91% of the equity interests in the Target Company by the Seller to Tianjin Ruiyi pursuant to the equity transfer agreement entered into by the Seller and Tianjin Ruiyi on 2 September 2022;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules;

"Net Proceeds"	net proceeds from the Global Offering, amounting to approximately HK$992.2 million;
"Neusoft Group"	Neusoft Group* (東軟集團股份有限公司), a company established under laws of the PRC on 17 June 1991, which is listed on the Shanghai Stock Exchange (stock code: 600718) and held as to approximately 14.0% by the Seller as at the date of this circular;
"OC SaaS"	Organizational Capacity SaaS (Software as a Service) launched by the Group in July 2021 under the name of "Rui Xiang Cloud (瑞享雲)", which is a human resources management platform based on the digitalization of organizational capabilities;
"Parties"	parties to the Sale and Purchase Agreement, namely the Purchaser and the Seller, and each a "Party";
"percentage ratio"	shall have the meaning in Rule 14.04(9) of the Listing Rules;
"PRC"	the People's Republic of China and for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan;
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises, as promulgated and, from time to time, amended or supplemented by the Ministry of Finance of the PRC;
"Purchaser"	Shanghai Ruiying Human Resources Technology Group Co., Ltd.* (上海瑞應人才科技集團有限公司), a company established under laws of the PRC on 18 February 2022, and an indirect wholly-owned subsidiary of the Company;
"Relevant Shareholders"	Mr. ZHANG Jianguo (張建國), Ms. ZHANG Jianmei (張健梅), Mr. ZHANG Feng (張峰), LC Fund V and LC Parallel Fund V, each a Shareholder;
"Renrui Human Resources Group"	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

"Restated Articles"	restated articles of association of the Target Company executed by the Purchaser, the Seller and Tianjin Ruiyi on 7 March 2022 in accordance with the Sale and Purchase Agreement, which was subsequently superseded by the restated articles of association of the Target Company executed by the Purchaser, the Seller and Tianjin Ruiyi on 2 September 2022;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the equity sale and purchase agreement entered into by the Purchaser and the Seller on 7 March 2022, as amended by supplemental agreement dated 2 June 2022 and second supplemental agreement dated 29 July 2022;
"SAMR"	the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局);
"Seller"	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司), a company established under laws of the PRC on 15 November 2011;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	holder(s) of the Shares;
"Share(s)"	ordinary share(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder "	shall have the meaning ascribed to it under the Listing Rules;
"Target Company"	Shanghai Sirui Information Technology Co., Ltd.* (上海思芮信息科技有限公司), a company established under laws of the PRC on 7 November 2013;
"Target Group"	the Target Company together with its subsidiaries;
"Tianjin Ruiyi"	Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership)* (天津芮屹企業管理諮詢中心(有限合夥)), a limited partnership established under laws of the PRC on 27 August 2020, an employee stock ownership vehicle, which, to the best knowledge of the Directors after making all reasonable enquiries, is an Independent Third Party as at the date of this circular;
"Transaction Documents"	the Sale and Purchase Agreement, the Restated Articles and certain ancillary documents;

"Valuer"	Vigers Business Appraisal and Valuation Limited, a professional asset valuer and an Independent Third Party; and
"%"	per cent.

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

For the purposes of this circular, unless the context otherwise requires or expressly specified, an exchange rate of HK$1.00 to RMB$0.81128 has been used for currency translation, where applicable. Such exchange rate is for illustration purpose only and does not constitute any representation that any amount in HK$ or RMB has been, could have been or may be converted at such rate.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.

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)

Executive Directors:
Mr. Zhang Jianguo
Mr. Zhang Feng
Ms. Zhang Jianmei

Non-executive Directors:
Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors:
Ms. Chan Mei Bo Mabel
Mr. Shen Hao
Mr. Leung Ming Shu

Registered office in the Cayman Islands:
Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal place of business in Hong Kong:
14/F, Golden Centre
188 Des Voeux Road Central
Hong Kong

26 September 2022

To the Shareholders

Dear Sir and Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE EQUITY INTERESTS IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Company announced that on 7 March 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Seller, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, 46.0% of the equity interests in the Target Company at a total consideration of RMB408,020,000 (equivalent to approximately HK$502,933,636).

The Target Group is an information technology and software outsourcing service provider committed to providing digital transformation and information technology services to customers. The Completion is subject to the fulfilment (or, as the case may be, waiver) of conditions. Upon the Completion, the Purchaser will be entitled to appoint majority of the board of directors of the Target Company. As the Purchaser will possess the power over the Target Company to direct its relevant activities, the Target Company will become a non-wholly owned subsidiary of the Company and financial results of the Target Company will be consolidated into the Group's financial statements.

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company has obtained written approvals for the Acquisition from the Relevant Shareholders, who constitute a closely allied group of shareholders of the Company, holding 80,377,195 Shares, representing approximately 51.29% of the issued share capital of the Company. As a result, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be convened to approve the Acquisition.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition, the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Group; (iii) management discussion and analysis of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) other general information required to be disclosed under the Listing Rules, for information purpose only.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as below:

Date

7 March 2022 (as amended on 2 June 2022 and 29 July 2022)

Parties

(a) the Purchaser, an indirect wholly-owned subsidiary of the Company; and

(b) the Seller.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller and its ultimate beneficial owner are Independent Third Parties.

Purchase of the Equity Interests

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, the Equity Interests.

Please refer to the section headed "Information of the Target Group" below for further information of the Target Group.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration of RMB408,020,000 (equivalent to approximately HK$502,933,636) will be settled by the Purchaser in two instalments in the following manner:

(a) first instalment (the "**First Instalment**"): RMB183,609,000 (equivalent to approximately HK$226,320,136), being 45% of the Consideration, payable within five business days after the date (the "**First Completion Date**") on which all conditions precedent for the First Instalment are satisfied or waived; and

(b) second instalment (the "**Second Instalment**"): RMB224,411,000 (equivalent to approximately HK$276,613,500), being 55% of the Consideration, payable within five business days after the date (the "**Second Completion Date**") on which all conditions precedent for the Second Instalment are satisfied or waived.

In the event that the Purchaser fails to pay the Seller in full within five business days after the payment is due by reason of the Purchaser's wilful delay, the Purchaser shall pay the Seller a penalty for overdue payment at a daily rate of 0.05% of the overdue amount. For the avoidance of doubt, any delay in payment not resulting from the Purchaser's wilful delay or reasons within control of the Purchaser shall not constitute a material breach by the Purchaser under the Sale and Purchase Agreement.

The Consideration will be settled by the Company using the unutilized Net Proceeds and its internal resources. Please refer to the section headed "CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING" in the Announcement for more details.

The Consideration was agreed upon on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller after taking into account, among others:

(a) the estimated fair value of the Equity Interests as at 31 December 2021 (the "**Valuation Date**") of approximately RMB414.0 million (equivalent to approximately HK$510.0 million) arrived at using market approach as set out in the valuation report prepared by the Valuer. Further information on the valuation is set out in the section headed "Valuation" below;

(b) the unaudited consolidated financial information of the Target Group for the year ended 31 December 2021; and

(c) the strategic implication of the Acquisition to the Company as mentioned in the section headed "Reasons for and Benefits of the Acquisition" below.

The Directors noted that the Valuer had taken into account the cash and cash equivalent of RMB154 million of the Target Company as at 31 December 2021 in arriving at the fair value of the Equity Interests as at the Valuation Date, while a dividend payment of RMB120 million was subsequently made by the Target Company in March 2022. The Directors were aware of and had agreed to such dividend payment before the Purchaser entering into the Sale and Purchase Agreement.

In arriving at the Consideration, the Directors had taken into account a number of factors including those listed in the above. As part of negotiating the terms and conditions of the Acquisition, it is important to note that by acquiring less than 50% equity interests, the Group is able to achieve consolidation of the Target Group's financial results by controlling the majority of the composition of the board of directors of the Target Company. In addition, while the estimated fair value as set out in the valuation report served as a relevant reference point, it could only reflect the historical performance of the Target Group and therefore the Directors had also considered the strategic values the Acquisition would bring to the Group. In particular, in line with the Group's repositioning for strategic upgrade to seize the digital transformation development opportunities by expanding the information technology and digital talents outsourcing business announced early this year, the Group is expected to benefit from the following key strategic values after the Acquisition: (i) rapid access to business opportunities in the high growth potential of the information technology and software outsourcing services market as opposed to organic growth through self-development due to high entry barrier; (ii) improvement of the Group's gross profit margin as the gross profit margin of the information technology and software outsourcing services industry is usually relatively higher than that of outsourcing services in other industries; (iii) immediate expansion of vast customer base and talent resources developed by the Target Group over a number of years; (iv) enhancement of the Group's technology capability and technology product portfolio by leveraging on the Target Group's strong software development capabilities; and (v) achievement of business synergies through collaboration between the Group and the Seller (which is a pioneer in the industry) as shareholders of the Target Group. Based on the research conducted by the Company together with input from an industry consultant, target businesses of suitable size with comparable quality and available for sale are limited in the market.

Taking into account all of the above factors as a whole, the Directors are of the view that the Consideration is fair and reasonable.

Conditions Precedent

Pursuant to the Sale and Purchase Agreement, payment of the First Instalment is subject to the fulfillment or waiver of conditions precedent, including, without limitation, the following:

(a) the Purchaser has completed due diligence against the Target Group in legal, financial and other aspects, results of which are satisfactory;

(b) the Sale and Purchase Agreement and the Restated Articles have been duly executed by the Purchaser, the Seller and Tianjin Ruiyi;

(c) all necessary internal approvals required for the Target Company and the Seller to conduct the Acquisition (including but not limited to authorizations, consents or approvals from the board of directors, shareholders or any third parties (if applicable)) have been obtained and remain valid;

(d) Tianjin Ruiyi has waived its right of first refusal and any other priority rights in respect of the Equity Interests;

(e) subject to the requirements under Rule 14.86 of the Listing Rules that a general meeting of the Company may be required to be convened to approve the Acquisition (instead of by way of written approval), all necessary authorizations, consents or approvals required for the Purchaser to conduct the Acquisition, including but not limited to the approval by the Board and the written approval by a closely allied group of shareholders with more than 50% voting rights of the Company approving the Acquisition and dispensing the requirement to convene a general meeting, have been obtained and remain valid;

(f) as at the First Completion Date, there has been no material adverse changes or any injunction orders or orders with similar effect which may prohibit or restrict any Party from entering into the Acquisition and there has been no claims or assertion made, being made or to be made by any third parties that may result in any restriction on the conduct of the Acquisition;

(g) as at the First Completion Date, the Seller has not breached any of the obligations and undertakings relating to it under the Transaction Documents;

(h) the representations and warranties given by the Seller remain true, accurate, complete and not misleading and there are no facts, events or circumstances which would render the representations and warranties given by the Seller untrue or inaccurate in any respect as at the First Completion Date;

(i) the deregistration of the Existing Equity Pledge with the competent local branch of the SAMR has been completed;

(j) the Seller has delivered to the Purchaser closing deliverables evidencing completion of the conditions precedent relating to it for the First Instalment (including but not limited to the executed Restated Articles and the Sale and Purchase Agreement as executed by the Seller);

(k) the Purchaser has delivered to the Seller closing deliverables evidencing completion of the conditions precedent relating to it for the First Instalment (including but not limited to the Sale and Purchase Agreement as executed by the Purchaser);

(l) the Target Company has disposed of the 237,078 shares in Kangmei Pharmaceutical Co., Ltd. held by it and the relevant sale proceeds has been settled in full;

(m) the labor contracts and confidentiality agreements containing non-competition undertakings and intellectual property protection obligations, each with a term of not less than three years from 1 May 2022, have been executed by the Core Management Members and Tianjin Sirui Information Technology Co., Ltd.* (天津思芮信息科技有限公司) ("**Tianjin Sirui**"), a wholly-owned subsidiary of the Target Company, in the form and substance satisfactory to the Purchaser;

(n) the Target Company has formulated relevant proposal to properly handle certain business dealings with one of its customers; and

(o) the business plan of the Target Company has been agreed by the Purchaser,

(together, the "**First Instalment Conditions Precedent**").

Pursuant to the Sale and Purchase Agreement, payment of the Second Instalment is subject to the fulfillment or waiver of conditions precedent, including, without limitation, the following:

(a) branches of Dalian Sirui Information Technology Co., Ltd.* (大連斯銳信息技術有限公司), a wholly-owned subsidiary of the Target Company, have been established in Chengdu, Hangzhou, Nanjing, Shenzhen, Wuhan and Xi'an;

(b) all necessary written consents or waivers required under the material contracts of the Target Group containing change of control clauses and yet to be fully performed have been obtained from the relevant counterparty (if applicable);

(c) the Target Company and the relevant members of the Target Group (if applicable) have passed the relevant shareholders resolutions or board resolutions, among other things, approving the appointment of the legal representative, directors, supervisors, general manager, chief financial officer, chief human resources officer and other members of senior management of the Target Company and the legal representatives, directors, supervisors, general managers and chief financial officers of the other members of the Target Group, with reference to the operation arrangement of the Target Company prior to the Completion as confirmed by the Purchaser and the registration or filing of such appointment at the competent local branch of the SAMR has been completed (as applicable);

(d) the authorized signatories for the Target Group's bank accounts have been removed and replaced (if any);

(e) the antitrust approval for the Acquisition has been granted by the SAMR;

(f) the Target Group has obtained compliance letters/ exemption certificates/ interview confirmations issued by the competent government authorities on social insurance and housing provident fund and the Target Group has paid up for any additional contributions required by such government authorities (if any);

(g) the Target Company has obtained a renewed and valid High and New Technology Enterprise Certificate* (高新技術企業證書) issued by the relevant government authorities;

(h) as at the Second Completion Date, there has been no material adverse changes or any injunction orders or orders with similar effect which may prohibit or restrict any Party from entering into the Acquisition and there has been no claims or assertion made, being made or to be made by any third parties that may result in any restriction on the conduct of the Acquisition;

(i) as at the Second Completion Date, the Seller has not breached the obligations and undertakings relating to it under the Transaction Documents;

(j) the representations and warranties given by the Seller remain true, accurate, complete and not misleading and there are no facts, events or circumstances which would render the representations and warranties given by the Seller untrue or inaccurate in any respect as at the Second Completion Date;

(k) the Seller has delivered to the Purchaser closing deliverables evidencing completion of the conditions precedent relating to it for the Second Instalment;

(l) the Purchaser has delivered to the Seller closing deliverables evidencing completion of the conditions precedent relating to it for the Second Instalment;

(m) the Seller and Tianjin Ruiyi have executed the relevant equity transfer agreement and the Minority Equity Transfer has been completed;

(n) completion of registration and/or filing relating to the Acquisition, the Minority Equity Transfer, the Restated Articles (or simplified articles of association of the Target Company in accordance with the Sale and Purchase Agreement) and the legal representative, directors, supervisors, general manager and chief financial officer (if applicable) of the Target Company as appointed or nominated by the Purchaser at the competent local branch of the SAMR;

(o) despatch of the circular (containing an accountant's report of the Target Company without any modified opinion) relating to the Acquisition pursuant to the Listing Rules. In the event that the accountant's report without any modified opinion is not available, a general meeting of the Company has been convened and the Shareholders have approved the Acquisition pursuant to the Listing Rules;

(p) the execution of the information technology professionals supply services framework agreement by the Company and the relevant associates of the Seller in the form and substance satisfactory to the Purchaser;

(q) the recruitment process outsourcing business contracts, signed in the name of the Target Company as detailed in the Sale and Purchase Agreement, have been transferred and undertaken by the appropriate members of the Target Group holding the requisite human resources services licence and supplemental agreements effecting such change have been executed;

(r) "production and operation of radio and television programs" has been removed from the business scope of Tianjin Sirui;

(s) personnel authorised to approve the use of company seal, financial chop and USB Key for members of the Target Group have been re-appointed or replaced in accordance with the internal rules and regulations of the relevant member of the Target Group;

(t) supplemental agreement supplementing the capital increase agreement of the Target Company entered into by the Target Company, the Seller and Tianjin Ruiyi on 15 September 2020 has been executed by the Target Company, the Seller and Tianjin Ruiyi, in the form and substance satisfactory to the Purchaser;

(u) each of the Purchaser and the Seller has satisfied the conditions to maintain a bank account for the Purchaser to make and the Seller to receive the payment; and

(v) the First Instalment Conditions Precedent continue to be fulfilled,

(together, the "**Second Instalment Conditions Precedent**").

Each Party shall use its best endeavors to procure the fulfillment of the First Instalment Conditions Precedent and Second Instalment Conditions Precedent.

First completion shall take place on the First Completion Date and second completion shall take place on the Second Completion Date in accordance with the Sale and Purchase Agreement.

On 8 March 2022, all of the First Instalment Conditions Precedent had been fulfilled and accordingly, the first completion took place on 8 March 2022, being the First Completion Date. The payment of the First Instalment was made by the Company to the Seller within five business days from the First Completion Date.

The Directors confirm that as at the Latest Practicable Date, save for conditions (a), (b), (e), (f), (g), (p), (q), (r) and (t), all the other Second Instalment Conditions Precedent had not been fulfilled or waived. Condition (o) of the Second Instalment Conditions Precedent shall be fulfilled upon despatch of this circular. The second completion is expected to take place by 30 September 2022, upon when, the Company will settle the Second Instalment in accordance with the Sale and Purchase Agreement.

Tianjin Ruiyi is an employee stock ownership vehicle established to administer the restricted share incentive scheme adopted by the Target Company in August 2020 (the "**Share Incentive Scheme**"), which holds 9.09% of the equity interests in the Target Company as at the date of this circular. It has been the intention of the Seller and Tianjin Ruiyi that Tianjin Ruiyi would acquire further equity interests in the Target Company from the Seller under the Share Incentive Scheme around the same time when the Purchaser and the Vendor commenced negotiation on the proposed Acquisition, as a separate transaction and regardless of whether the Acquisition would be consummated or not. Given that (i) Tianjin Ruiyi is an existing shareholder of the Target Company, whose consent is required for the Purchaser to complete the Acquisition and who would also be a party to the Restated Articles; (ii) the Purchaser would like to have more certainty and visibility on the shareholding structure upon completion of the Acquisition; and (iii) it would not be commercially sensible to re-open the negotiation on the proposed transfer of the equity interests in the Target Company to Tianjin Ruiyi after the completion of the Acquisition since the parties had intended to do so from the outset, the Purchaser and the Seller agreed that the sale of approximately 1.91% of the equity interests in the Target Company by the Seller to Tianjin Ruiyi would be one of the Second Instalment Conditions Precedent (as set out in condition in (m) above) under the Sale and Purchase Agreement. Subsequently, the Seller and Tianjin Ruiyi entered into an equity transfer agreement on 2 September 2022, and the completion of the Minority Equity Transfer contemplated thereunder is expected to take place by 30 September 2022.

Pursuant to a supplemental agreement dated 2 September 2022 and entered into by the Target Company, the Seller and Tianjin Ruiyi supplementing the capital increase agreement entered into by the same parties on 15 September 2020 in relation to Tianjin Ruiyi's subscription of the 9.09% of the equity interests in the Target Company, the Share Incentive Scheme was repealed and no longer effective. Save as the Minority Equity Transfer, the Share Incentive Scheme would have no other impact on the Company's shareholding in the Target Company.

Completion

Upon the Completion, the equity interests in the Target Company will be held by the Purchaser, the Seller, and Tianjin Ruiyi as to approximately 46.0%, 43.0%, and 11.0%, respectively. Upon the Completion, the Purchaser will be entitled to appoint majority of the board of directors of the Target Company. As the Purchaser will possess the power over the Target Company to direct its relevant activities, the Target Company will become a non-wholly owned subsidiary of the Company and financial results of the Target Company will be consolidated into the Group's financial statements.

Equity Pledge

According to the Sale and Purchase Agreement, as soon as possible but not later than 10 business days after the First Instalment is paid by the Purchaser to the Seller, the Seller shall execute an equity pledge agreement to pledge the Equity Interests in favor of the Purchaser as security for due performance of the Seller's obligations, representations, warranties and undertakings under the Sale and Purchase Agreement. The Seller undertakes not to create any pledge over the Equity Interests after the First Instalment is paid by the Purchaser to it in accordance with the Sale and Purchase Agreement save as the aforementioned equity pledge.

On 21 March 2022, the Parties executed an equity pledge agreement, under which, the Seller pledged the Equity Interests in favor of the Purchaser as security for the Seller's obligations, representations, warranties and undertakings to transfer the Equity Interests to the Purchaser in accordance with the Sale and Purchase Agreement. The equity pledge agreement shall expire upon the Completion or termination of the Sale and Purchase Agreement (whichever is earlier).

Transitional Period

During the period from the date of the Sale and Purchase Agreement to the Second Completion Date, the Seller shall procure the Target Group to maintain its ordinary course of business, and shall maintain and protect the Target Company's assets, rights, goodwill, and relationships with third parties (including but not limited to major customers). Certain corporate actions in relation to the Target Group (including but not limited to changes in shareholding structure other than the Minority Equity Transfer, mergers and acquisitions, re-organization, distribution of dividends, creation of encumbrance on assets or equity interests, provision of financial assistance, liquidation and winding-up, changes in the constitutional documents and actions that may potentially diminish the value of the Target Group) shall not be carried out unless the Parties agree otherwise. Save as above, the Seller shall consult the Purchaser on any matter that may have a material adverse effect on the Target Group's business activities prior to the Second Completion Date.

Post-completion Undertakings

According to the Sale and Purchase Agreement, the Seller undertakes that, among others:

(a) In the event that the net profit of the Target Company decreases as a result of the Minority Equity Transfer, the Parties shall negotiate and come up with a solution and ensure the annual performance target of the Target Company is met.

(b) The Seller shall ensure there is no adverse impact on the business cooperation between the Target Group as a whole and its largest customer as a result of the Acquisition within three years after the Completion.

(c) Upon the Completion, the Purchaser shall have the option to further acquire all or part of the equity interests held by the Seller in the Target Company and the option to transfer all or part of the equity interests held by it to the Seller, if both Parties have such intention and subject to terms and conditions to be separately agreed upon.

(d) Upon the Completion and subject to the Restated Articles, in the event that the Seller proposes to transfer the equity interests held by it in the Target Company, to a party other than Tianjin Ruiyi or the Seller's affiliates, the Purchaser shall have the right of first refusal and such transfer shall be subject to the Purchaser's prior written consent.

(e) Upon the Completion, in the event that either Party proposes to directly or indirectly dispose of the equity interests it holds in the Target Company, the other Party shall enjoy tag along rights on the same conditions, subject to further agreement between the Parties.

(f) Upon the Completion, in the event that the equity interests held by the Purchaser or its affiliates in the Target Company are sufficient to allow the financial results of the Target Company being consolidated into the Group's financial statements, the articles in relation to the shareholders and board of directors contained in the articles of association of the Target Company shall be adjusted as appropriate.

Termination

The Purchaser and the Seller may terminate the Sale and Purchase Agreement by mutual agreement.

The Purchaser may elect to terminate the Sale and Purchase Agreement before the Completion by notice in writing under the following circumstances, among others (the "**Purchaser Termination Conditions**"):

(a) the First Instalment Conditions Precedent have not been fulfilled or waived within 90 days after the date of the Sale and Purchase Agreement;

(b) the Second Instalment Conditions Precedent have not been fulfilled or waived within 90 days after the First Completion Date;

(c) there is a material breach by the Seller of any representations, warranties, undertakings and/or obligations relating to it under the Sale and Purchase Agreement, and such breach has not been rectified within a reasonable period of time (not longer than 30 days) after being notified by the Purchaser;

(d) any of the Transaction Documents has been terminated and as a result the objective of the Sale and Purchase Agreement could not be materialized;

(e) any governmental, regulatory, judiciary authority or stock exchange:

(i) has initiated or threatened to initiate an action or investigation that restricts, prohibits or otherwise challenges the entry into or performance of the Acquisition;

(ii) has threatened any legal actions against entering into the Acquisition;

(iii) has failed to grant requisite approvals for the Acquisition or matters relating to the Acquisition (if applicable) within the statutory timeframe;

(iv) has proposed or implemented any laws, regulations or decrees after the date of the Sale and Purchase Agreement that would prohibit, materially restrict or materially delay entering into or performing the Acquisition or the operation of the Target Company; and

(f) prior to the Second Completion Date, the Seller has caused a material adverse change to the Target Company which is not rectified within 30 days.

The Seller may elect to terminate the Sale and Purchase Agreement before the Completion by notice in writing under the following circumstances, among others (the "**Seller Termination Conditions**"):

(a) the Second Instalment Conditions Precedent have not been fulfilled within 90 days after the First Completion Date by reason of the Purchaser;

(b) there was a material breach by the Purchaser of any representations, warranties, undertakings and/or obligations relating to it under the Sale and Purchase Agreement, and such breach has not been rectified within a reasonable period of time (not longer than 30 days) after being notified by the Seller; and

(c) if any payment could not be made in accordance with the Sale and Purchase Agreement for more than 30 days by reasons beyond control of the Seller and the Purchaser (for the avoidance of doubt, the Purchaser and the Seller shall negotiate to see if the issue could be solved before the expiration of the aforementioned period).

As more time is needed than originally expected to complete the Second Instalment Conditions Precedent, on 2 June 2022, the Purchaser and the Seller entered into a supplemental agreement to the Sale and Purchase Agreement to amend condition (b) of the Purchaser Termination Conditions to "the Second Instalment Conditions Precedent have not been fulfilled or waived by 31 July 2022 after the First Completion Date", and condition (a) of the Seller Termination Conditions to "the Second Instalment Conditions Precedent have not been fulfilled by 31 July 2022 after the First Completion Date by reason of the Purchaser". On 29 July 2022, the Purchaser and the Seller entered into a second supplemental agreement to the Sale and Purchase Agreement to further amend condition (b) of the Purchaser Termination Conditions to "the Second Instalment Conditions Precedent have not been fulfilled or waived by 31 October 2022 after the First Completion Date", and condition (a) of the Seller Termination Conditions to "the Second Instalment Conditions Precedent have not been fulfilled by 31 October 2022 after the First Completion Date by reason of the Purchaser". Save for the above amendments, all the other terms and conditions of the Sale and Purchase Agreement remain unchanged and shall continue in full force and effect in all respects. Please refer to announcements of the Company dated 2 June 2022 and 29 July 2022 for more details.

Upon termination of the Sale and Purchase Agreement, the Restated Articles, equity pledge agreement and any other agreements executed pursuant to the Sale and Purchase Agreement shall terminate at the same time, and the Seller shall return to the Purchaser any Consideration already paid by the Purchaser (if applicable) with interest accrued at a deposit rate generally available at a commercial bank for the same period of time within three business days of such termination. Save as above, the Parties shall have no further rights and obligations under the Sale and Purchase Agreement, unless provided otherwise under the Sale and Purchase Agreement.

Indemnity

The Party who has breached any obligation, representation, warranty and undertaking relating to it under the Sale and Purchase Agreement undertakes to indemnify and compensate the non-defaulting Party for any and all losses, damages or liabilities suffered and costs or expenses incurred as a result of such breach.

In addition, the Seller undertakes to indemnify and compensate the Purchaser and the Target Group (as applicable) for any and all losses exceeding RMB1 million as a result of any breach or non-compliance with applicable laws and regulations by any member of the Target Group prior to the Second Completion Date in relation to contributions to social insurance and housing provident fund for employees, taxes and state-owned assets appraisal and filing procedure (if applicable) in accordance with the Sale and Purchase Agreement.

VALUATION

In assessing the fairness and reasonableness of the Consideration, the Company has engaged the Valuer, Vigers Business Appraisal and Valuation Limited, to carry out a valuation of the fair value of the 46% equity interests in the Target Company as at 31 December 2021. The Valuer has confirmed that it is independent from the Company, the Target Group and the Seller. The Valuer is certified with the relevant professional qualifications required to perform the valuation and the principal valuer involved has more than 10 years of experience in conducting valuation services.

According to the valuation report issued by the Valuer on 20 February 2022, the fair value of the Equity Interests as at the Valuation Date was appraised at RMB414.0 million (equivalent to approximately HK$510.0 million) using market approach. Set out below is a summary of certain information contained in the valuation report and key issues discussed between the Company and the Valuer during preparation of the valuation report.

Principal Assumptions

The valuation report was prepared based on the following principal assumptions:

(a) there will be no material adverse change in the political, legal, fiscal or economic condition in the PRC in which the Target Company operates;

(b) the Target Company will retain the key management, competent personnel and technical personnel to support its ongoing operation;

(c) market trend and conditions for the Target Company in related areas will not deviate significantly from the economic forecasts in general;

(d) the general management practice of the Target Company including but not limited to accounting policy and dividend policy, will have no significant deviation from the current practice adopted by the Target Company; and

(e) based on the information provided by the Company, the Target Company had non-operating assets amounting to RMB5.0 million as at the Valuation Date.

The Valuer also assumed the reasonableness of information provided and relied to a considerable extent on such information in arriving at the Valuer's opinion of value.

Valuation Methodology

Common valuation approaches include asset approach, income approach and market approach. Asset approach provides an indication of value by aggregating the market values of the subject company's assets and liabilities. Market approach provides an indication of value by comparing the asset with identical or comparable assets for which price information is available. Income approach provides an indication of value by converting future economic benefits to a present value.

As discussed with Valuer, the Valuer considered the market approach as most appropriate over the other two approaches as it was the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be. The Valuer used the market approach by referring to companies (i) listed in mature stock markets in Hong Kong and the PRC; (ii) in the same industry as the Target Company with a focus on provision of services including information technology outsourcing, human resources outsourcing, business outsourcing and software development; (iii) revenue of which are mainly generated from flexible staffing, business process outsourcing or information technology outsourcing; and (iv) profitable for the trailing 12 months before the Valuation Date, which is essential in determining the price-to-earnings multiple. Sufficient quantity of comparable companies had been identified to facilitate effective assessment.

As explained by the Valuer, the guideline transaction method, which is another commonly adopted valuation methodology under the market approach, was not selected because there were insufficient recent acquisition/disposal transactions involving private companies engaged in business similar to that of the businesses engaged by the Target Group.

An exhaustive list of five comparable companies (collectively referred to as the "**Comparable Companies**") satisfying the above selection criteria were identified, details of which are set out as below:

Stock Code	Company Name	Description
6919 HK	The Company	The Company primarily provides human resources solutions. It offers comprehensive flexible staffing, professional recruitment and other human resources services. It mainly serves customers in the PRC.
2180 HK	ManpowerGroup Greater China Limited	ManpowerGroup Greater China Limited primarily operates as a workforce solutions provider. It offers flexible staffing, headhunting, recruitment process outsourcing, and other human resource services. It mainly serves clients in the PRC.
002987 CH	Northking Information Technology Co., Ltd.	Northking Information Technology Co., Ltd. primarily offers information technology services. It provides data processing, internet finance solutions, software development and testing, and cash services. It also conducts information technology operations and support businesses.
002649 CH	Beyondsoft Corporation	Beyondsoft Corporation offers information technology services. It provides information technology outsourcing services, business process outsourcing services, and security testing, consulting services, and other services. It offers services worldwide.
354 HK	Chinasoft International Limited	Chinasoft International Limited develops and provides solutions in the PRC to government authorities and information technology service providers. It also provides information technology consulting and training services, information technology outsourcing services and stand-alone software products.

Price-to-earnings Multiple

The Valuer considered that the use of the price-to-earnings multiple ("**P/E**") was the most appropriate multiple to appraise the value of the Equity Interests as P/E is the most commonly used valuation multiple for profit-making business and earnings is one of the most direct drivers of equity value. Given the stable profitable track record of the Target Group for the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2022, as set out under the section headed "Information of the Target Group", the Company concurs with the view of the Valuer that P/E to be a suitable and appropriate valuation multiple for the valuation of the Equity Interests.

Normalized earnings represents a company's net profit excluding the non-operating and non-recurring charges or gains. In the valuation, unusual or non-recurring revenue and expenses were excluded for both the Target Company and the Comparable Companies.

The P/E of each of the Comparable Companies was arrived at based on the share price as at the Valuation Date and the latest available normalized earnings per share for the trailing 12 months before the Valuation Date. Details are set out as below:

Stock Code	**Company Name**	**P/E**
6919 HK	The Company	7.2
2180 HK	ManpowerGroup Greater China Limited	13.0
002987 CH	Northking Information Technology Co., Ltd.	26.4
002649 CH	Beyondsoft Corporation	17.8
354 HK	Chinasoft International Limited	25.5
Average P/E		**18.0**

Control Premium

Control Premium ("**CP**") is the premium that an investor is willing to pay in addition to a marketable minority equity value to obtain a controlling interest in a business subject. The published market price of each of the identified Comparable Companies was calculated on the basis of a minority stake of the subject company; therefore, an adjustment was made to reflect the degree of control associated with the Equity Interests. In the valuation, the Valuer has applied a CP of 12.0% as sufficient to reflect the Company's control of the Equity Interests over relevant corporate activities of the Target Company, including election of directors or management, formulation of dividend policy and corporate strategies, which was arrived at with reference to a list of disclosed market transactions in Hong Kong, namely the acquisitions of majority control and/or privatization of companies listed on the Stock Exchange from 2018 to 2020. For each disclosed market transaction, CP is calculated as the offer price per share divided by current price per share, minus one. For each sample year, an average value of CP was estimated. The Valuer selected the minimum average CP among the three sample years as the CP to be applied for prudence sake.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. In the valuation, the Valuer estimated the discount for lack of marketability ("**DLOM**") of the Equity Interests to be 30.0%, with reference to the cash generating ability of the Target Company.

Valuation Results

The average P/E of the Comparable Companies (the "**Average P/E**") was applied to the normalized net profit of the Target Company for the year ended 31 December 2021 based on the unaudited consolidated financial statements of the Target Company for the year ended 31 December 2021 prepared in accordance with the PRC GAAP (the "**Normalized Net Profit**"), with adjustments made in relation to non-operating cash position, non-operating assets and non-operating liabilities of the Target Company as at the Valuation Date based on the unaudited consolidated financial statements of the Target Company for the year ended 31 December 2021 prepared in accordance with the PRC GAAP, which was further adjusted with DLOM and CP, to arrive at the fair value of the Equity Interests. Details are set out as below:

Valuation Results	*RMB million except for Average P/E (Approximately)*
Normalized Net Profit	55.0
Average P/E	18.0
Normalized Net Profit x Average P/E	990.0
Add: Idle cash of the Target Company as at the Valuation Date	154.0
Add: Non-operating assets of the Target Company as at the Valuation Date	5.0
Less: Non-operating liabilities of the Target Company as at the Valuation Date	0.0
Valuation of the 100% equity interests in the Target Company	1,148.0
Valuation of the 46% equity interests in the Target Company	528.0
Valuation of the 46% equity interests in the Target Company adjusted with CP and DLOM	**414.0**

PRINCIPAL TERMS OF THE RESTATED ARTICLES

On 7 March 2022, the Purchaser, the Seller and Tianjin Ruiyi executed the Restated Articles in accordance with the Sale and Purchase Agreement, which was subsequently superseded by the restated articles of association of the Target Company executed by the Purchaser, the Seller and Tianjin Ruiyi on 2 September 2022. The principal terms of the Restated Articles are set out as below:

Business Scope

Subject to approval from relevant authority if necessary, the business scope of the Target Company includes, among others, information technology, technical services and consultation and technology development.

Registered Capital

The total registered capital of the Target Company is RMB55 million, which shall be settled in cash and held by the Purchaser, the Seller, and Tianjin Ruiyi as to approximately 46.0%, 43.0%, and 11.0%, respectively.

Reserved Matters

In accordance with the Restated Articles, certain reserved matters shall be approved by shareholders holding not less than two-thirds of the voting rights in the Target Company, including (i) in relation to the Target Company: approval of the report of the board of directors and the supervisors, change of registered capital, issuance of corporate bonds, merger, division, dissolution or change of corporate form, amendment to the Restated Articles, provision of guarantee to the shareholders or their affiliates, provision of financial assistance to a third party in an amount not less than RMB12 million, and change of principal business which currently comprise human resources services, business process outsourcing, human resources information related services, information technology outsourcing and information technology related services; and (ii) in relation to the Target Company or any of its subsidiaries, disposal, transfer or leasing of or creation of encumbrances on (not in connection with the company's business operation) any of its business or assets or any material part thereof in an amount not less than RMB12 million, acquisition of business or assets or any material part thereof in an amount not less than RMB20 million, and seeking a listing on any stock exchange.

Restriction on Transfers

(a) Save for the Minority Equity Transfer, any transfer of the equity interests in the Target Company between the Seller and Tianjin Ruiyi is subject to the Purchaser's prior written consent, which shall not be withheld if such transfer will not affect the Purchaser's controlling interest in the Target Company. Each of the shareholders of the Target Company may transfer the equity interests held by it in the Target Company to its affiliates, provided that such transfer will not affect the Purchaser's controlling interest in the Target Company.

(b) In accordance with the Restated Articles, (i) in the event that the Seller proposes to transfer the equity interests held by it in the Target Company to a third party, the Purchaser shall have the right of first refusal and such transfer shall be subject to the Purchaser's prior written consent under certain circumstances; (ii) in the event that Tianjin Ruiyi proposes to transfer the equity interests held by it in the Target Company to a third party, the Seller and the Purchaser shall have the right of first refusal in proportion to their respective shareholding in the Target Company and such transfer shall be subject to the prior written consent of the Seller and the Purchaser under certain circumstances, provided that the Purchaser shall maintain its controlling interest in the Target Company and financial results of the Target Company shall continue to be consolidated into the Group's financial statements; and (iii) in the event that the Purchaser proposes to transfer the equity interests held by it in the Target Company to a third party, the Seller shall have the right of first refusal and such transfer shall be subject to the Seller's prior written consent under certain circumstances.

Board Composition and Management

The board of directors of the Target Company shall comprise five directors. The Purchaser is entitled to appoint three directors (including the chairman of the board) and the Seller is entitled to appoint two directors. The term of office for each director (including the chairman of the board) shall be three years, which is renewable upon re-appointment by the relevant appointing party.

The Target Company shall have three supervisors, with one to be appointed by the Purchaser, one by the Seller and the other as employee representative. The term of office for each supervisor shall be three years, which is renewable upon re-appointment by the relevant appointing party.

The Target Company shall have one general manager, one deputy general manager, one chief financial officer, one deputy chief financial officer and one chief human resources officer. The Purchaser is entitled to appoint the general manager, the chief financial officer and the chief human resources officer and the Seller is entitled to appoint the deputy general manager and the deputy chief financial officer. The term of office for the general manager shall be three years, which is renewable upon re-appointment by the relevant appointing party.

Distribution of Dividends

In principle, the Target Company shall distribute 30% of its profits in the preceding year as dividends to its shareholders in proportion to their respective contribution to the paid-in capital of the Target Company, subject to applicable laws and regulations.

Term of Operation

The Target Company shall have a term of operation of 20 years from the date of issue of business license.

The existing business license of the Target Company was issued on 24 November 2021 and the term of business operation is valid from 7 November 2013 to 6 November 2033. According to the PRC Company Law (中華人民共和國公司法), upon expiry of the term of business operation, it is at the discretion of the then shareholders of the Target Company to amend the Restated Articles to extend the term for business operation and renew the business license upon application made with the local SAMR, if the parties intend to do so. Commerce & Finance Law Offices, the Company's PRC legal advisor, is not aware of any material legal obstacle preventing the then shareholders of the Target Company from taking such actions as at the date of this circular.

INFORMATION OF THE PARTIES

Information of the Purchaser

The Purchaser is an indirect wholly-owned subsidiary of the Company and is established to acquire the Equity Interests and conduct the business of provision of information technology and software outsourcing services.

Information of the Group

The Group is a fast-growing pioneer in the human resources solutions sector in the PRC and a strategic partner for a number of industry leaders, primarily engaged in the provision of comprehensive flexible staffing services, professional recruitment, and other human resources solutions. The Group has reinvented traditional human resources business process with digitalization and new technology innovation. Its one-stop ecological system allows the Group to serve its customers across the PRC in a result-oriented manner and effectively solves large-scale talent recruitment and management problems in the PRC. The Group operates over 60 branches and subsidiaries across the PRC with business coverage in over 300 cities.

Information of the Seller

The Seller is an investment holding company established under laws of the PRC on 15 November 2011. The single largest shareholder of the Seller is Dalian Kangruidao Management Consulting Center (Limited Partnership)* (大連康睿道管理諮詢中心(有限合夥)) ("**Dalian Kangruidao**"), which holds approximately 29.65% of the equity interests in the Seller. Dalian Neusoft Siwei Technology Development Co., Ltd.* (大連東軟思維科技發展有限公司) ("**Neusoft Siwei**") is the fourth largest shareholder of the Seller, holding approximately 10.82% of the equity interests in the Seller. Dalian Kangruidao holds approximately 99.0% of Neusoft Siwei. Therefore, Dalian Kangruidao effectively controls approximately 40.47% of the equity interests in the Seller. Dr. Liu Jiren effectively controls Dalian Kangruidao. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Dr. Liu Jiren is an Independent Third Party. The Seller holds 90.91% of the equity interests in the Target Company as at the date of this circular.

Information of the Target Group

The Target Company is a company established under laws of the PRC on 7 November 2013. The Target Group is an information technology and software outsourcing service provider committed to providing digital transformation and information technology services to customers. The customer-oriented service model, together with its innovation and technical capabilities, enables the Target Group to provide solutions and end-to-end integrated process services to customers in various industries, respond swiftly to customer needs, deliver efficient and high-quality services, help its customers solve the pain points of business and achieve business goals and digital transformation quickly. Leveraging on years of experience in and deep knowledge of the information technology industry, as at 31 March 2022, it had about 3,900 information technology and software development technical personnel and had served over 160 customers across the PRC with business coverage in over 80 cities.

The Target Group boasts a broad and stable customer base, comprising a number of industry-leading companies and companies with great growth potential in industries such as finance, high-tech, internet, healthcare and advanced manufacturing. The Target Group carries out diverse strategic cooperation with major customers, offers full-cycle industry tailored solutions and actively explores innovative cooperation initiatives. The Target Group is equipped with industry tailored solution capabilities in the fields of neo-healthcare software product development and social service network systems, mobile internet, artificial intelligence, Internet of Things, and big data, and has mastered core implementation ability in e-commerce, property management, third-party payment and other fields, which can further expand its industry customer coverage. With its quality industry tailored solutions and cost control capabilities, the Target Group is able to achieve a relatively high gross profit margin and build resilience to market fluctuations and uncertainties.

The Target Group has 12 supporting platforms across the PRC in Shenyang, Dalian, Beijing, Qingdao, Shanghai, Nanjing, Guangzhou, Shenzhen, Foshan, Wuhan, Chengdu and Xi'an, and established research and development centers located in seven cities including Shenyang, Guangzhou, Beijing, Shanghai, Nanjing, Chengdu and Qingdao, with a view to giving full play to the advantages of nation-wide layout and strengthening regional industry penetration. Such layout is conducive to the launch of self-developed products and feasibility study of new technology, in addition to the development of the Target Group's digital operation services, so as to better serve the customers.

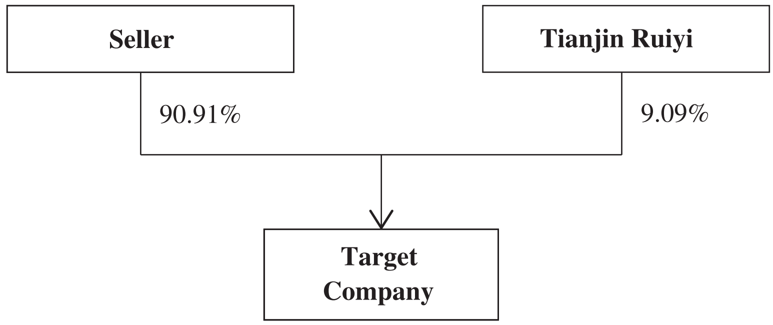
The audited financial statements of the Target Group for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 prepared in accordance with the HKFRSs are set out in Appendix II to this circular. Set out below is a summary of the key financial information of the Target Group extracted therefrom except adjusted net profit after tax:

	For the year ended 31 December			**For the three months ended**
	2019	**2020**	**2021**	**31 March 2022**
	(audited)	*(audited)*	*(audited)*	*(audited)*
	RMB (million)	*RMB (million)*	*RMB (million)*	*RMB (million)*
Revenue	593.9	572.0	716.3	215.6
Profit (before tax)	47.7	65.5	42.2	3.6
Profit (after tax)	45.0	58.6	40.6	3.5
Adjusted net profit after tax (unaudited) *(Note)*	45.0	66.4	59.9	9.1

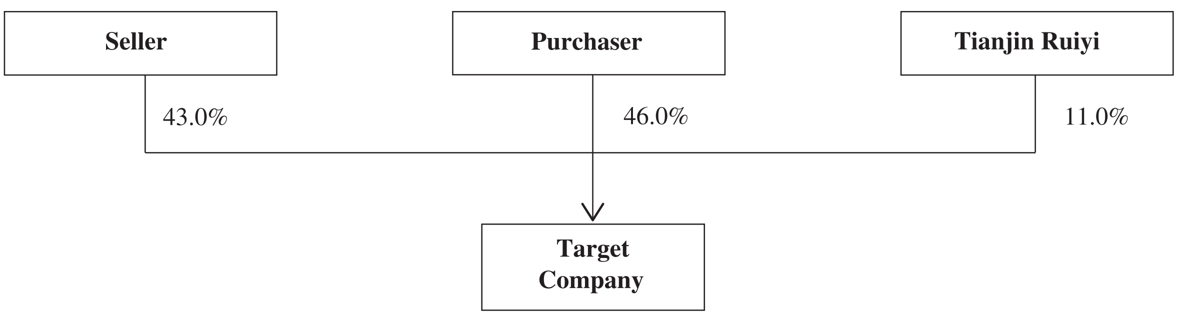
Note: The Target Group defines adjusted net profit as the net profit for the year/period excluding the share-based payment expenses under the Share Incentive Scheme. It is believed that the non-HKFRS measure of adjusted net profit may facilitate the comparison of financial performance of the Target Group by eliminating the impact of items that are not considered indicative of the actual performance of the Target Group's business. Adjusted net profit eliminates the effect of the share-based payment expenses under the Share Incentive Scheme, which does not relate to the ordinary course of business of the Target Group and is non-recurring in nature. It is also believed that this non-HKFRS measure provides more useful information to investors of the Target Group and others in understanding and evaluating its consolidated results of operation in the same manner as its management and in comparing financial results across periods. However, the presentation of adjusted net profit may not be comparable to other measures presented by other companies with similar title. The use of this non-HKFRS measure has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for, analysis of results of operation or financial condition of the Target Group as reported under HKFRS.

The audited consolidated net asset value of the Target Group as at 31 March 2022 prepared in accordance with the HKFRSs was approximately RMB190.2 million (equivalent to approximately HK$234.5 million).

The shareholding structure of the Target Company as at the date of this circular is as follows:



The shareholding structure of the Target Company upon the Completion shall be as follows:



FINANCIAL EFFECT OF THE ACQUISITION ON THE ENLARGED GROUP

Upon the Completion, the equity interests in the Target Company will be held by the Purchaser, the Seller, and Tianjin Ruiyi as to approximately 46.0%, 43.0%, and 11.0%, respectively. Upon the Completion, the Purchaser will be entitled to appoint majority of the board of directors of the Target Company. As the Purchaser will possess the power over the Target Company to direct its relevant activities, the Target Company will become a non-wholly owned subsidiary of the Company and financial results of the Target Company will be consolidated into the Group's financial statements. It is expected that the Company will be able to record additional revenue stream from the Target Group upon the Completion.

The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumption taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out in Appendix IV to this circular for illustration purpose only.

Assets and Liabilities

The total assets and total liabilities of the following table sets forth the financial effects of the Acquisition on the Enlarged Group identified in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming the Completion had taken place on 30 June 2022, as compared to the financial position of the Group as at 30 June 2022:

	The Group as at 30 June 2022	The Target Group as at 31 March 2022	Pro forma adjustments	Upon the Completion (pro forma Enlarged Group)	Change
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*%*
Net assets	1,238,287	190,150	(32,703)	1,395,734	12.7%
Total assets	1,697,094	351,864	(36,383)	2,012,575	18.6%
Total liabilities	458,807	161,714	(3,680)	616,841	34.4%

Earnings

Following the Completion, the Target Company will become a subsidiary of the Company and the financial results, including but not limited to the revenue, costs and profit of the Target Group will be consolidated into the consolidated financial statements of the Group starting from the Completion. The net profit (after tax) of the Group for the financial year ended 31 December 2021 was approximately RMB102.3 million. The net profit (after tax) of the Target Group for the year ended 31 December 2021 and the three months ended 31 March 2022 was approximately RMB40.6 million and RMB3.5 million, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group consistently seeks opportunities to increase its scale and profitability with a view to optimizing return for the Shareholders. The Directors believe that the Acquisition would increase the Group's overall competitiveness and add to its growth momentum by expanding its business layout to meet the ever-changing demands which is crucial amid market uncertainty.

As a 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 and expand its operation and accelerate technology productization leveraging on its existing resources, technical capabilities and strategic direction. The Acquisition represents a good opportunity for the Group to accelerate its expansion in the information technology and software outsourcing services industry and facilitates the Group's strategic upgrade. The Acquisition would help the Group further promote the productization of technology and gain rapid access to business opportunities in light of the digital transformation of enterprises in the PRC, and provide information technology support services and value-added SaaS (Software as a Services) on the side of the customers so as to establish a closer business cooperation with customers, leading to a higher service value and an increase in the gross profit margin of the Group, as well as expand in specialized industry and increase in scale through mergers and acquisitions. Through the combination of the Target Group's technical capabilities and the Group's expertise in the provision of comprehensive human resources services, the Group can quickly establish a competitive advantage in the industry, expand its high-quality customer base, and achieve greater economic benefits.

Benefits of the Acquisition

The Acquisition is expected to bring the following benefits to the Group:

Strengthen the business layout and implement strategic upgrade of the Group in light of the prospects of the information technology and software outsourcing services industry, with a large market size and a relatively high gross profit margin

The Acquisition is an important step in implementing the Group's long-term strategy and will bring to the Group a sophisticated team of industry experts, rich industry-specific knowledge and a track record in serving the information technology and software outsourcing services industry, so as to rapidly and systematically expand the Group's service capability and human capital in the provision of information technology and software outsourcing services, which will further strengthen the Group's business layout and achieve strategic upgrade.

The information technology and software outsourcing services industry has relatively high entry barrier as it requires personnel with professional knowledge and qualifications, and often faces various pressures in relation to talents, technology, customers, management, and capital. According to the CIC Report, the gross profit margin of the information technology and software outsourcing services industry, being approximately 15% to 25%, is usually relatively higher than that of outsourcing services in other industries, and thus the Acquisition is expected to contribute to the improvement of the Group's gross profit margin.

As detailed in the section headed "Overview of the information technology and software outsourcing services market in the PRC" below, due to the high growth potential of such industry, the Acquisition will help the Group further enhance its competitive advantages to achieve growth in business scale and expansion in market share.

Against the background of acceleration of digital transformation of the PRC economy, the Group intends to seize the development opportunity created by digital transformation needs of enterprises, and continue to strengthen the outsourcing services for information technology positions, which is the principal business undertaken by the Target Group and is operated under same business model as the Group's flexible staffing services, save that the focus is to staff the employees on information technology related positions. In addition to provision of staffing employees, the Target Group also delivers information technology solutions to customers with fees charged on project basis. Revenue generated from such services accounted for less than 10% of the total revenue generated by the Target Group for each of the years ended 31 December 2019, 2020 and 2021. It is expected that the business of delivering information technology solutions will be expanded after the Acquisition and may develop into a stand-alone business segment in the future, upon when the Group will consider the possibility of starting a new line of business focusing on delivery of information technology solutions and products, differentiating from its existing business of flexible staffing services.

Increase the Group's business scale, industry coverage and professional service capabilities leveraging on the Target Group's strong competitive advantages

The Target Group has demonstrated robust customer coverage and expansion capabilities. It recorded a stable renewal rate for existing clientele in the past three years and has seen a fast and efficient growth in new customers, acquiring more than 100 new customers in 2020 and 2021, which will help further increase the scale of the Group's customer base.

The Target Group has been deeply involved in the information technology and software outsourcing services industry for a number of years and has accumulated high-quality and abundant information technology talent resources. As a leading domestic industry-research integration enterprise recognized by the Ministry of Education of the PRC, and through leveraging on the Seller's talent resources in its higher education and training operation, the Target Group further enhanced its talent recruitment and retention capabilities. The number of talents in the Target Group's talent database stands at over 255,000 as at 31 March 2022, which will facilitate the expansion of the Group's business scale for information technology and software outsourcing services.

The Target Group is specialized in providing information technology and software outsourcing services for industries including finance, advanced manufacturing, high-tech, internet, big data and healthcare, which will help expand the Group's customer segments and optimize industry tailored solutions for different types of customers. The strong information technology service and technology development capabilities of the Target Group will further strengthen the core competitiveness of the Group in technology and human capital and enhance the Group's industry influence, which is a key step in implementing the Group's vision and long-term strategy.

Enhance technology capability and technology products portfolio

The strong software development capabilities of the Target Group is expected to facilitate the Group in providing customers with full-chain customized service products including professional services and technical services, enriching service matrix and strengthening service productization, with a view to achieving steady and healthy growth.

For instance, the research and development products launched by the Target Group can be integrated with the Group's self-developed OC SaaS to enrich the product matrix of OC SaaS, improve customer experience and establish connection with long-tail customers. In addition, the Group's experience in the research and development, operation and upgrade of recruitment platform could empower the recruitment systems of the Target Group, while at the same time, the Target Group's research and development expertise could help accelerate technology productization and carry out precise analysis of target audience, so as to enhance the market influence of the Group's products.

Achieve business synergy rapidly by leveraging on the extensive experience and joint effort of the Group and the Seller as shareholders

Leveraging on the extensive experience and competitive advantages of the Group in the human resources industry and that of the Seller in the information technology and software development industry, upon the Completion, the Group is able to increase its retention for information technology talents and further improve its information technology talent ecological chain covering all stages from education and development of information technology candidates up to the recruitment and hiring of information technology talents, which integrates front-end with back-end and online with offline, so as to respond to customers' needs in a more flexible and efficient manner and provide one-stop professional human resources services solutions for various industry-leading customers, which will in turn consolidate the Group's market presence.

The Seller is a pioneer engaged in the information technology and software development industry in the PRC, with rich industry experience, solid software development capabilities and high industry reputation. The Seller has established presence in various industries such as information technology, education and medical industries, which could help to enhance the Target Group's ability to retain talents and provide professional solutions. Combined with the Group's profound human resources comprehensive solution capabilities, the two most essential elements of service industry, namely integrated technology solutions and human resources supply chain, are expected to be addressed through strong support from both shareholders. Upon the Completion, the Group will further open up talent service business and talent industry chain in the information technology industry, continue to strengthen its competitive advantages, and gradually build up industry competition barriers.

Improve profitability and achieve financial growth so as to mitigate cyclical risks

The Group is expected to increase its business scale and profitability through the Acquisition. For the year ended 31 December 2021, the audited revenue of the Target Group reached RMB716.3 million, and its audited net profit reached RMB40.6 million, which is expected to help the Group achieve long-term profitable financial growth.

Furthermore, the Group is able to mitigate the cyclical risks by diversifying its source of income through the Acquisition. The Target Group can help further strengthen the Group's customer base and business upgrade, with a view to enhancing and expanding the Group's operational stability and building resilience to cyclical risks.

In light of the above, the Directors are of the view that the Sale and Purchase Agreement was entered into in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

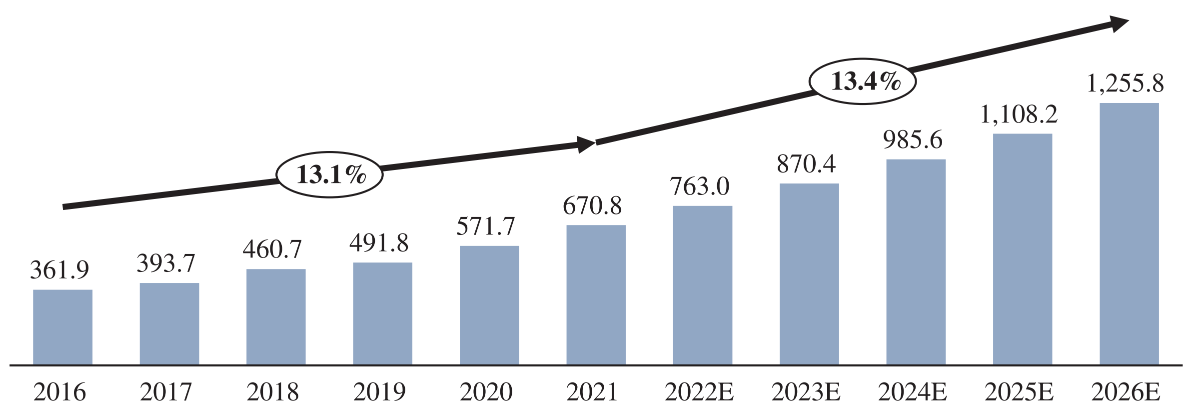
Overview of the information technology and software outsourcing services market in the PRC

According to the CIC Report, the information technology expenditure in the PRC was approximately RMB3,617 billion in 2021 and is expected to reach approximately RMB6,158 billion in 2026, representing a CAGR of 11.2%. Despite the increase in the information technology expenditure, it only accounted for approximately 3.2% of the overall GDP of the PRC in 2021, which was much lower as compared to Japan, European countries or North America, indicating a significant market potential for growth in the information technology industry.

With the rapid development of digitalization and informatization, the information technology and software outsourcing services market is quickly expanding into a broader range and is actively promoting the digital transformation of the PRC economy.

According to the CIC Report, the size of the information technology and software outsourcing services market in the PRC increased from approximately RMB361.9 billion in 2016 to approximately RMB670.8 billion in 2021, and is expected to reach approximately RMB1,255.8 billion in 2026, representing a CAGR of approximately 13.4% from 2021 to 2026. As a professional information technology business segment, information technology and software outsourcing services involves the provision of information technology solutions to a variety of industries for industrial development promotion, such as logistics and transportation.

Information Technology and Software Outsourcing Services Market Size in the PRC, 2016-2026E (RMB billion)



Source: CIC Report

The growth in the information technology and software outsourcing services industry in the PRC is mainly driven by the following factors:

(a) the increase in the information technology expenditures of the PRC government and enterprises has led to demand for more effective resources allocation and higher operation and research efficiency;

(b) digitalization and globalization has intensified the competition among the PRC enterprises, who are required to hire more information technology talents at a controlled cost;

(c) the PRC enterprises' demand for external information technology experts has increased in order to reinforce their information technology infrastructure and systems to cope with dynamic market conditions; and

(d) amid the intensive market competition and fluctuating market trends, the PRC enterprises need to respond to the ever-changing market in a more flexible way to maintain their competitive edges.

CONTINUING CONNECTED TRANSACTIONS

On 21 September 2022, the Company and Neusoft Education Technology Co. Limited ("**Neusoft Education**") executed the technical personnel supply services framework agreement, setting out the framework governing the provision of technical personnel supply services by Neusoft Education and its subsidiaries (collectively, "**Neusoft Education Group**") to the Enlarged Group. Since Neusoft Education is an associate of the Seller, the transactions contemplated under the agreement would constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Completion. Please refer to the announcement of the Company dated 21 September 2022 for more details.

The Target Group has been sourcing technical personnel, including student secondees, from the Neusoft Education Group in its ordinary course of business. Technical personnel are sourced to provide information technology and software development outsourcing services to the Target Group or its clients. Through such cooperation, the Target Group could identify potential talents and future employees based on the performance of the student secondees and other technical personnel, whereby expanding its recruitment channels and strengthening its talent reserves. Nevertheless, with the enhancement of the Target Group's own recruitment capabilities, the Target Group has been striving to develop its own recruitment channels and minimise reliance on the Neusoft Education Group in the supply of technical personnel over the years, as reflected in the decline in the proposed annual caps for the transactions contemplated as compared to the historical transaction amounts, as set out in the announcement of the Group dated 21 September 2022.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval may be obtained by written shareholders' approval in lieu of convening a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition; and (b) written approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Acquisition.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders is materially interested in the Sale and Purchase Agreement and the transactions contemplated thereunder. As such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the date of this circular, written approvals have been obtained from the Relevant Shareholders, who constitute a closely allied group of shareholders of the Company, holding 80,377,195 Shares, representing approximately 51.29% of the issued share capital of the Company. As a result, pursuant to Rule 14.44 of the Listing Rules, no general meeting will be convened to approve the Acquisition.

The Relevant Shareholders comprise the following:

(i) The Founders, in aggregate holding 58,626,700 shares of the Company, representing approximately 37.41% of the total issued share capital of the Company;

(ii) LC Fund V, L.P. ("**LC Fund V**"), holding 20,266,244 shares of the Company, representing approximately 12.93% of the total issued share capital of the Company; and

(iii) LC Parallel Fund V, L.P. ("**LC Parallel Fund V**"), holding 1,484,251 shares of the Company, representing approximately 0.95% of the total issued share capital of the Company.

The Relevant Shareholders should constitute a closely allied group of shareholders of the Company under Rule 14.45 of the Listing Rules for the reasons below:

(i) The Founders are founders of the Group and entered into an acting in concert deed on 18 January 2019.

(ii) The Company had undergone four rounds of pre-IPO investments, i.e. series A investment, series B1 investment, series B2 investment, series C investment, series D1 investment and series D2 investment between 2012 and 2018.

(iii) LC Fund V and LC Parallel Fund V became shareholders of the Company since 2012 as a strategic investor in series A investment, which was the earliest batch of pre-IPO investments in the Company, and they had nominated Mr. Chen Rui as a Director since they became a shareholder of the Company.

(iv) On 16 July 2018, a shareholders' agreement was entered into between, among others, LC Fund V, LC Parallel Fund V, the Founders and the Company pursuant to which the shareholders have agreed on various matters including certain shareholders' rights in respect of the governance of the Company.

(v) Since LC Fund V and LC Parallel Fund V became shareholders of the Company, they have fostered an amicable and professional relationship with the Founders. Mr. Chen Rui has participated in all of the board meetings of the Company since LC Fund V and LC Parallel Fund V became shareholders of the Company. By virtue of his extensive experience in the venture capital field, he has been able to provide valuable inputs to the operation and management of the Group.

(vi) Up to the date of this circular, to the best knowledge of the Directors after making reasonable enquiries, LC Fund V together with LC Parallel Fund V has maintained over 10% shareholding interests in the Company since they became shareholders of the Company. As a result, the Directors consider that their investment in the Company and the Group has been of a long-term and strategic nature.

(vii) Although (1) the Founders, (2) LC Fund V and (3) LC Parallel Fund V are not parties acting in concert among themselves within the meaning of the Code on Takeovers and Mergers, they have voted unanimously on all shareholders' resolutions which they had participated in voting since they had become shareholders of the Company.

RECOMMENDATION

The Directors consider that the Acquisition, the terms of the Sales and Purchase Agreement and the transactions contemplated thereunder, are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Had a general meeting been convened to approve the Acquisition, the Board would recommend the Shareholders to vote in favor of the resolution to approve the Acquisition at such general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in the appendices to this circular.

GENERAL

The Completion is subject to the fulfillment (or, as the case may be, waiver) of conditions. As the Completion may or may not proceed, the Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

1. FINANCIAL INFORMATION

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated financial information, together with the accompanying notes to the financial statements, of the Group for the six months ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.renruihr.com):

(i) Annual report for the year ended 31 December 2019 (pages 102 to 164)

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042800766.pdf

(ii) Annual report for the year ended 31 December 2020 (pages 115 to 191):

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900591.pdf

(iii) Annual report for the year ended 31 December 2021 (pages 128 to 212):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042800586.pdf

(iv) Interim report for the six months ended 30 June 2022 (pages 44 to 82):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0922/2022092200485.pdf

2. STATEMENT OF INDEBTEDNESS

As at 31 August 2022, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had unguaranteed and unsecured bank borrowings of RMB105.0 million, unutilised banking facilities of approximately RMB110.0 million and lease liabilities in respect of its leased properties of approximately RMB57.9 million.

As at 31 August 2022, save as disclosed above, and apart from the normal trade payables, the Directors were not aware of the Enlarged Group having any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiries, are of the opinion that following the Completion, after taking into account the effect of the Acquisition and the financial resources available to the Enlarged Group, including the available credit facilities, the internally generated funds from operations, and cash and bank balances of the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the section headed "Financial and Trading Prospects of the Enlarged Group" below in Appendix I to this circular and the section headed "Management Discussion and Analysis" in the interim report of the Group for the six months ended 30 June 2022, in particular, relating to the impact of the expiry of the cooperation agreement with a major customer in mid-January 2022 and resurgence of the COVID-19 pandemic in the PRC since the beginning of this year, the Directors were not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group have been made up.

5. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Save for the Acquisition, since 31 December 2021, being the date to which the latest published audited accounts of the Group have been made up, no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Group.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the Acquisition.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Acquisition presents a great opportunity for the Group to increase its overall competitiveness and strengthen its growth momentum by expanding its business layout to meet the ever-changing demands which is crucial facing market uncertainty. Amid the challenges in the first half of 2022, including the expiry of the cooperation agreement with a major customer in mid-January 2022 and the resurgence of the COVID-19 in the PRC, the Group has been actively carrying out development plan, implementing cost control measures and focusing on customer development in key strategic areas with a view to achieving long-term sustainable growth. The Acquisition would allow the Enlarged Group to accelerate business expansion in key strategic areas, promote the productization of technology, gain rapid access to business opportunities in light of the digital transformation of enterprises in the PRC, and provide information technology support services and value-added SaaS on the side of customers so as to establish a closer business cooperation with customers, and lead to a higher service value and an increase in gross profit margin of the Enlarged Group.

The Enlarged Group is committed to expanding in the information technology and software outsourcing services industry and implementing strategic upgrade. Through the combination of the Target Group's technical capabilities and the Group's expertise in the provision of the comprehensive human resources services, the Enlarged Group is expected to be able to quickly establish a competitive advantage in the industry, expand its high-quality customer base, and achieve greater economic benefits.

Since the Target Group generates stable income and relatively higher profit margin, it is expected that substantial revenue and profits will be brought into the Enlarged Group soon after the Completion. Accordingly, the Group believes that its long-term business strategy can be substantiated and realised through the Acquisition, and that the business synergies created between the Group and the Target Group, together with the strategic cooperation among the Group, the Target Group and the Seller would allow the Enlarged Group to stand in good position as disclosed in the section headed "Reasons for and benefits of the Acquisition" under the "Letter from the Board" of this circular. The Board is optimistic about the future development in the information technology and software outsourcing business as well as the profitability of the Enlarged Group.

The following is the text of a report received from the independent reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RENRUI HUMAN RESOURCES TECHNOLOGY HOLDINGS LIMITED

Introduction

We report on the Historical Financial Information of Shanghai Sirui Information Technology Co., Ltd. (the "Target") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-79, which comprises the consolidated and company balance sheets as at 31 December 2019, 2020, 2021 and 31 March 2022, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on page II-4 to II-79 forms an integral part of this report, which has been prepared for inclusion in the circular of Renrui Human Resources Technology Holdings Limited (the "Company") dated 26 September 2022 (the "Circular") in connection with the acquisition of the 46% equity interests in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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The financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Target. The directors of the Target are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and for such internal control as the directors of the Target determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 200, Accountant's Reports on Historical Financial Information in Investment Circulars issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Target as at 31 December 2019, 2020 and 2021 and 31 March 2022 and the consolidated financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three months ended 31 March 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
26 September 2022

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

1. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Three months ended 31 March 2021 RMB'000 (Unaudited)	2022 RMB'000
Revenue	5	593,918	572,016	716,314	154,143	215,576
Cost of revenue	6	(480,235)	(446,886)	(593,267)	(127,138)	(189,616)
Gross profit		113,683	125,130	123,047	27,005	25,960
Selling and marketing expenses	6	(9,498)	(7,575)	(8,311)	(2,054)	(1,835)
Research and development expenses	6	(40,866)	(39,438)	(48,717)	(12,150)	(11,174)
Administrative expenses	6	(18,034)	(23,535)	(34,416)	(8,037)	(10,371)
(Provision for)/reversal of net impairment losses on financial assets	3.1(b)	(1,215)	(517)	(936)	99	(49)
Other income	9	7,912	10,218	8,756	1,162	953
Other gains/(losses), net	10	747	(470)	1,938	15	219
Operating profit		52,729	63,813	41,361	6,040	3,703
Finance income	11	99	1,950	805	445	88
Finance costs	11	(5,136)	(297)	(2)	(2)	(179)
Finance (costs)/income, net	11	(5,037)	1,653	803	443	(91)
Profit before income tax		47,692	65,466	42,164	6,483	3,612
Income tax expenses	13	(2,697)	(6,906)	(1,556)	(63)	(98)
Profit for the year/period		44,995	58,560	40,608	6,420	3,514
Profit is attributable to:						
- Equity holders of the Target		44,961	58,527	40,623	6,435	3,514
- Non-controlling interests		34	33	(15)	(15)	—
Other comprehensive income		—	—	—	—	—
Total comprehensive income for the year/period		44,995	58,560	40,608	6,420	3,514
Total comprehensive income for the year/period is attributable to						
- Equity holders of the Target		44,961	58,527	40,623	6,435	3,514
- Non-controlling interests		34	33	(15)	(15)	—

2. CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 March 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	14	2,177	985	6,090	5,891
Deferred income tax assets	15	156	204	366	269
Other non-current assets	16	142	142	142	142
Total non-current assets		2,475	1,331	6,598	6,302
Current assets					
Contract fulfilment cost	17	9,297	9,607	6,450	7,188
Trade and notes receivables	18	175,976	180,579	245,053	310,601
Prepayments and other receivables	19	21,510	3,031	5,422	6,169
Financial assets at fair value through other comprehensive income	16	7,433	23,277	2,254	283
Financial assets at fair value through profit or loss	16	100,000	25,350	5,033	—
Restricted cash	20	—	59	725	725
Cash and cash equivalents	20	28,597	174,210	152,801	20,596
Total current assets		342,813	416,113	417,738	345,562
Total assets		345,288	417,444	424,336	351,864
EQUITY					
Equity attributable to equity holders of the Target					
Share capital	21	50,000	51,500	55,000	55,000
Share premium	21	—	3,600	12,000	12,000
Shares held for share-based payment scheme	23	—	(5,100)	(17,000)	(17,000)
Other reserves	22	25,000	33,553	54,628	60,218
Retained earnings		183,868	157,545	196,418	79,932
		258,868	241,098	301,046	190,150
Non-controlling interests		134	167	—	—
Total equity		259,002	241,265	301,046	190,150

	Note	As at 31 December 2019	2020	2021	As at 31 March 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	24	14,960	—	—	—
Lease liabilities	25	172	—	1,721	1,493
Total non-current liabilities		15,132	—	1,721	1,493
Current liabilities					
Trade and other payables	26	69,680	170,110	118,556	97,250
Contract liabilities	27	68	—	52	—
Current income tax liabilities		616	5,897	2,073	2,073
Borrowings	24	20	—	—	60,000
Lease liabilities	25	770	172	888	898
Total current liabilities		71,154	176,179	121,569	160,221
Total liabilities		86,286	176,179	123,290	161,714
Total equity and liabilities		345,288	417,444	424,336	351,864

3. BALANCE SHEETS OF THE TARGET

	Note	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 March 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment		2,100	968	6,050	5,854
Deferred income tax assets		154	201	364	266
Interests in subsidiaries		5,000	5,000	7,100	7,100
Total non-current assets		7,254	6,169	13,514	13,220
Current assets					
Contract fulfilment cost		9,297	9,607	6,450	7,188
Trade and notes receivables	18	169,219	179,341	241,117	306,232
Prepayments and other receivables	19	68,638	55,322	32,429	68,738
Financial assets at fair value through other comprehensive income	16	7,433	23,277	2,254	283
Financial assets at fair value through profit or loss	16	100,000	25,350	5,033	—
Restricted cash		—	59	724	725
Cash and cash equivalents		27,379	171,026	150,645	17,555
Total current assets		381,966	463,982	438,652	400,721
Total assets		389,220	470,151	452,166	413,941
EQUITY					
Share capital	21	50,000	51,500	55,000	55,000
Share premium	21	—	3,600	12,000	12,000
Shares held for share-based payment scheme	23	—	(5,100)	(17,000)	(17,000)
Other reserves	31	25,000	33,553	54,576	60,166
Retained earnings	31	257,618	241,614	264,945	140,659
Total equity		332,618	325,167	369,521	250,825

	Note	As at 31 December			As at 31 March
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Borrowings	24	14,960	—	—	—
Lease liabilities	25	172	—	1,721	1,493
Total non-current liabilities		15,132	—	1,721	1,493
Current liabilities					
Trade and other payables	26	40,612	144,812	79,984	100,725
Contract liabilities	27	68	—	52	—
Borrowings	24	20	—	—	60,000
Lease liabilities	25	770	172	888	898
Total current liabilities		41,470	144,984	80,924	161,623
Total liabilities		56,602	144,984	82,645	163,116
Total equity and liabilities		389,220	470,151	452,166	413,941

4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Target							
	Note	Share capital	Share premium	Shares held for Restricted share incentive scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019		50,000	—	—	25,000	138,907	213,907	—	213,907
Profit for the year		—	—	—	—	44,961	44,961	34	44,995
Total comprehensive income for the year		—	—	—	—	44,961	44,961	34	44,995
Transactions with equity holders in their capacity as equity holders									
Capital contribution from non-controlling shareholders of subsidiaries	21	—	—	—	—	—	—	100	100
Total transactions with equity holders in their capacity as equity holders		—	—	—	—	—	—	100	100
Balance at 31 December 2019		50,000	—	—	25,000	183,868	258,868	134	259,002

		Attributable to equity holders of the Target							
	Note	Share capital	Share premium	Shares held for Restricted share incentive scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		50,000	—	—	25,000	183,868	258,868	134	259,002
Profit for the year		—	—	—	—	58,527	58,527	33	58,560
Total comprehensive income for the year		—	—	—	—	58,527	58,527	33	58,560
Transactions with equity holders in their capacity as equity holders									
Capital contribution	21	1,500	3,600	—	—	—	5,100	—	5,100
Share-based compensation	22	—	—	—	7,803	—	7,803	—	7,803
Appropriation to surplus reserve	22	—	—	—	750	(750)	—	—	—
Acquisitions of shares held for share-based payment scheme	23	—	—	(5,100)	—	—	(5,100)	—	(5,100)
Dividends declared	28	—	—	—	—	(84,100)	(84,100)	—	(84,100)
Total transactions with equity holders in their capacity as equity holders		1,500	3,600	(5,100)	8,553	(84,850)	(76,297)	—	(76,297)
Balance at 31 December 2020		51,500	3,600	(5,100)	33,553	157,545	241,098	167	241,265

		Attributable to equity holders of the Target							
	Note	Share capital	Share premium	Shares held for share-based payment scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		51,500	3,600	(5,100)	33,553	157,545	241,098	167	241,265
Profit for the year		—	—	—	—	40,623	40,623	(15)	40,608
Total comprehensive income for the year		—	—	—	—	40,623	40,623	(15)	40,608
Transactions with equity holders in their capacity as equity holders									
Capital contribution	21	3,500	8,400	—	—	—	11,900	—	11,900
Acquisitions of shares held for share-based payment scheme	23	—	—	(11,900)	—	—	(11,900)	—	(11,900)
Share-based compensation	22	—	—	—	19,273	—	19,273	—	19,273
Appropriation to surplus reserve	22	—	—	—	1,750	(1,750)	—	—	—
Transactions with non-controlling interests	21	—	—	—	52	—	52	(152)	(100)
Total transactions with equity holders in their capacity as equity holders		3,500	8,400	(11,900)	21,075	(1,750)	19,325	(152)	19,173
Balance at 31 December 2021		55,000	12,000	(17,000)	54,628	196,418	301,046	—	301,046

		Attributable to equity holders of the Target							
	Note	Share capital	Share premium	Shares held for share-based payment scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)									
Balance at 1 January 2021		51,500	3,600	(5,100)	33,553	157,545	241,098	167	241,265
Profit for the period		—	—	—	—	6,435	6,435	(15)	6,420
Total comprehensive income for the period		—	—	—	—	6,435	6.435	(15)	6,420
Transactions with equity holders in their capacity as equity holders									
Capital contribution	21	1,912	4,588	—	—	—	6,500	—	6,500
Acquisitions of shares held for share-based payment scheme	23	—	—	(11,900)	—	—	(11,900)	—	(11,900)
Share-based compensation	22	—	—	—	5,905	—	5,905	—	5,905
Total transactions with equity holders in their capacity as equity holders		1,912	4,588	(11,900)	5,905	—	505	—	505
Balance at 31 March 2021		53,412	8,188	(17,000)	39,458	163,980	248,038	152	248,190

	Note	Share capital	Share premium	Shares held for share-based payment scheme	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Target							
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Balance at 1 January 2022		55,000	12,000	(17,000)	54,628	196,418	301,046	—	301,046
Profit for the period		—	—	—	—	3,514	3,514	—	3,514
Total comprehensive income for the period		—	—	—	—	3,514	3,514	—	3,514
Transactions with equity holders in their capacity as equity holders									
Share-based compensation	22	—	—	—	5,590	—	5,590	—	5,590
Dividends paid	28	—	—	—	—	(120,000)	(120,000)	—	(120,000)
Total transactions with equity holders in their capacity as equity holders		—	—	—	5,590	(120,000)	(114,410)	—	(114,410)
Balance at 31 March 2022		55,000	12,000	(17,000)	60,218	79,932	190,150	—	190,150

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from/(used in) operating activities						
Cash generated from/(used in) operations	29	94,512	66,423	36,766	(83,310)	(71,827)
Income tax paid		(2,848)	(1,674)	(5,543)	(1,620)	—
Net cash generated from/(used in) operating activities		91,664	64,749	31,223	(84,930)	(71,827)
Cash flows (used in)/ generated from investing activities						
Proceeds from disposal of property, plant and equipment		—	38	15	—	—
Loan repayments received from a related party		—	15,000	—	—	—
Investment income from financial assets at fair value through profit or loss		741	562	2,044	—	213
Interest received		99	1,950	805	445	88
Purchase of property, plant and equipment		(204)	(289)	(3,070)	(42)	(284)
Purchase of financial assets at fair value through profit or loss		(397,400)	(446,350)	(515,989)	(152,050)	—
Proceeds from disposal of financial assets at fair value through profit or loss		297,400	521,000	536,188	143,890	—
Loans to a related party		(15,000)	—	—	—	—
Net cash (used in)/generated from investing activities		(114,364)	91,911	19,993	(7,757)	17

	Note	Year ended 31 December			Three months ended 31 March	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows generated from/(used in) financing activities						
Proceeds from bank borrowings		150,000	—	—	—	60,000
Proceeds from employee restricted share scheme	21, 23	—	5,100	11,900	6,500	—
Transactions with non-controlling interests		100	—	(100)	—	—
Repayments of bank borrowings		(135,020)	(14,980)	—	—	—
Dividends paid to shareholders	28	—	(100)	(84,000)	(84,000)	(120,000)
Interest paid		(3,491)	(265)	—	—	(143)
Payments of lease liabilities		(640)	(802)	(425)	(174)	(252)
Net cash generated from/(used in) financing activities		10,949	(11,047)	(72,625)	(77,674)	(60,395)
Net (decrease)/increase in cash and cash equivalents		(11,751)	145,613	(21,409)	(170,361)	(132,205)
Cash and cash equivalents at beginning of the year/period	20	40,348	28,597	174,210	174,210	152,801
Cash and cash equivalents at end of the year/period		28,597	174,210	152,801	3,849	20,596

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Shanghai Sirui Information Technology Co., Ltd. (the "Target"), established on 7 November 2013, is a limited liability company incorporated Shanghai, the People's Republic of China (the "PRC"). As at 31 March 2022, Dalian Neusoft Holdings Co., Ltd. and Tianjin Ruiyi Enterprise Management Consulting Center (Limited Partnership) ("Tianjin Ruiyi") legally held 90.91% and 9.09% equity interests in the Target, respectively.

The Target and its subsidiaries (together, the "Target Group") are principally engaged in the provision of information technology and software outsourcing services in the PRC.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with HKFRS

The Historical Financial Information of the Target Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The preparation of the Historical Financial Information in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(ii) Historical cost convention

The Historical Financial Information has been prepared on a historical cost basis, except that the revaluation of certain financial assets at fair value.

(iii) 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 reporting period beginning 1 January 2022 and have not been early adopted by the Target 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
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 — Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 — Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity where the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Target Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Changes in ownership interests

The Target Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Target Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Target Group.

When the Target Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the target had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Target and its subsidiaries were incorporated in the PRC and considered RMB as their functional currency. The Historical Financial Information is presented in Renminbi ("RMB"), which is the Target Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

• right-of-use assets	the term of lease
• computer equipment	3 years
• vehicles	5 years
• leasehold improvements	lesser of the term of the lease or the estimated useful lives of the assets
• others (i)	2-3 years

(i) Others include electrical appliances and furniture.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other gains, net" in the consolidated statements of comprehensive income.

Right-of-use assets included the rights to use certain properties under leases which are measured at cost. The initial costs of right-of-use assets include the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the term of lease on a straight-line basis.

2.6 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Financial assets

(i) Classification

The Target Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Target Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Target Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Target Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Target Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Target Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in "Other gains, net" in the consolidated statements of comprehensive income together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gains, net". Interest income from these financial assets is included in "Other income" using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains, net" and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in "Other gains, net" in the consolidated statements of comprehensive income in the period in which it arises.

Equity instruments

The Target Group subsequently measures all equity investments at fair value. Where the Target Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in "Other income" when the Target Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains, net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Target Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Target Group applies the simplified approach permitted by HKFRS 9 on trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for further details.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

While cash and cash equivalents, restricted cash and notes receivables are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Target Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Target Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.9 Contract fulfilment cost

The Target Group recognizes the inventory of contract fulfilment cost for the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The contract fulfilment cost recognized shall be amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the asset relates.

The Target Group recognizes an impairment loss in profit or loss to the extent that the carrying amount of contract fulfilment cost recognized exceeds:

- the remaining amount of consideration that the entity expects to receive in exchange for the services to which the asset relates; less
- the costs that relate directly to providing those services and that have not been recognized as expenses.

2.10 Trade receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. They are generally due for settlement within 1 year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 18 for further information about the Target Group's accounting for trade receivables and Note 3.1 for a description of the Target Group's impairment policies.

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with original maturities of the three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Share capital and shares held for share-based payment scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Certain share-base payment scheme is satisfied by the Target's restricted shares held by Tianjin Ruiyi. The total consideration of restricted shares received net of any directly attributable transaction costs is presented as "Shares held for share-based payment scheme" and deducted from total equity.

2.13 Trade and other payables

These amounts represent liabilities for services provided to the Target Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.15 Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Target is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.17 Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Target Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Target Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of certain basis acceptable by relevant government authorities, subject to a certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Target Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Target Group in independently administrated funds managed by the PRC government.

The contributions are recognised as employee benefit expenses when they are due.

2.18 Share-based payments

The Target Group has operated a restricted share incentive scheme and share-based compensation benefits are provided to employees via the restricted share incentive scheme. The Target Group receives services from employees as consideration for equity instruments of the Target. The fair value of the services received in exchange of the grant of the equity instruments is recognized as an expense in the consolidated statements of comprehensive income.

For grant of restricted shares, the total amount to be expensed is determined by reference to the fair value of the Target's shares at the grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Target revises its estimates of the number of restricted shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The restricted share incentive scheme is administered by Tianjin Ruiyi. The proceeds received net of any directly attributable transaction costs are credited to "Share capital" and "Share premium", and then presented as "Shares held for share-based payment scheme" and deducted from total equity.

2.19 Revenue recognition

Revenue is recognised when or as the control of the services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if the Target Group's performance provides all of the benefits received and consumed simultaneously by the customer. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

The Target Group provides information technology and software outsourcing services to customers. The services can be divided into two models: i) settlement based on technical personnel; and ii) settlement based on project.

For settlement based on technical personnel, the customers are usually billed on a monthly basis for the service fee calculated based on a pre-agreed amount or unit rate per technical personnel. The Target Group controls services before transferring to the customers and is primarily responsible for fulfilling the contracts to ensure the quality and stability of the available technical personnel. The Target Group is subject to the risks associated with employment of the technical personnel. Revenue is recognised on a gross basis over time as the customers simultaneously receive and consume the benefits provided by the Target Group's performance.

For settlement based on project, the Target Group is responsible for providing IT solutions to customers, and the deliverables of the IT solutions need to be accepted by customers. Revenue is recognised at the point in time when the customers accepted the deliverables, while the cost incurred before the acceptance of the deliverables is recognized as contract fulfilment cost.

Contracts with customers may include multiple performance obligations. For such arrangements, the Target Group allocates revenue to each performance obligation based on its relative standalone selling price. The Target Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Target Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Target Group's performance and the customer's payment.

A contract asset is the Target Group's right to consideration in exchange for services that the Target Group has transferred to a customer. A receivable is recorded when the Target Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers service to the customer, the Target Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Target Group's obligation to transfer services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

2.20 Leases

The Target Group leases various properties. Property leases are typically made for fixed periods of one to three years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Target Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts may contain both lease and non-lease components. The Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Target Group under residual value guarantees
- the exercise price of a purchase option if the Target Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Target Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Target Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Target Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Target Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Payments associated with short-term leases of with a lease term of 12 months or less without a purchase option and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small items of office furniture.

2.21 Dividends distribution

Dividends distribution to the shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the Target's shareholders, where appropriate.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Target Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are net presented by deducting the grant in arriving at the carrying amount of the asset and are recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

2.23 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 11 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income, see Note 9 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including:

(a) it is technically feasible to complete the software so that it will be available for use;

(b) management intends to complete the software and use or sell it;

(c) there is an ability to use or sell the software;

(d) it can be demonstrated how the software will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and

(f) the expenditure attributable to the software during its development can be reliably measured.

Other development costs that do not meet those criteria are expensed as incurred.

There were no development costs meeting these criteria and capitalised as intangible assets as of 31 December 2019, 2020 and 2021 and 31 March 2022 respectively.

3 Financial risk management

The Target Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Target Group's financial performance. The Target Group currently does not use any derivative financial instruments to hedge certain risk exposures in the years ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2021 and 2022 respectively.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Target Group entities' functional currency. The functional currency of the Target Group operating in the PRC is RMB.

The Target Group operates mainly in the PRC with most of the transactions settled in RMB.

As at 31 December 2019, 2020, 2021 and 31 March 2022, the majority of the Target Group's assets and liabilities were denominated in RMB and the management considers that the business is not subject to any significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Target Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Target Group has no significant interest-bearing assets except for cash and cash equivalents, restricted cash measured at amortised cost and wealth management products purchased from banks measured at FVPL.

The Target Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Target Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Target Group to fair value interest-rate risk.

At 31 December 2019 and 31 March 2022, if interest rates on borrowings had been 10% higher/lower with all other variables held constant, the net profit for the year ended 31 December 2019 and the three months ended 31 March 2022 would have been RMB 444,150 and RMB 12,325 lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

The Target Group's exposure to changes in interest rates is also attributable to its lease liabilities, details of which has been disclosed in Notes 24. Lease liabilities carried at floating rates expose the Target Group to cash flow interest rate risk whereas those carried at fixed rates expose the Target Group to fair value interest rate risk.

At 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group's lease liabilities were all carried at fixed rates, which did not expose the Target Group to cash flow interest rate risk.

(b) Credit risk

Credit risk is managed on a Group basis. The Target Group's credit risk arises from cash and cash equivalents, restricted cash, financial assets at fair value through other comprehensive income as well as credit exposures to customers, including outstanding receivables.

(i) Cash and cash equivalents and restricted cash

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since most of them are deposited at state-owned banks and other multinational medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade and notes receivables

To manage risk arising from trade receivables, the Target Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the management performs ongoing credit evaluations of its customers. The credit period granted to the customers is typically of 10 to 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Target Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses are determined based on historical default rates and also incorporate forward looking information. The Target Group identifies GDP growth rate, unemployment rate and growth rate of total retail sales of consumer goods as the key economic variables impacting the expected credit losses.

On that basis, the loss allowance for trade receivables as at 31 December 2019, 2020 and 2021 and 31 March 2022 was determined as follows:

31 December 2019	**within 1 year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.14%	88.32%	100.00%	0.69%
Gross carrying amount	176,044	1,096	—	177,140
Loss allowance	246	968	—	1,214

31 December 2020	**within 1 year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.25%	35.59%	100.00%	0.88%
Gross carrying amount	178,620	1,731	526	180,877
Loss allowance	447	616	526	1,589

31 December 2021	**within 1 year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.40%	90.71%	100.00%	0.97%
Gross carrying amount	244,657	1,109	414	246,180
Loss allowance	971	1,006	414	2,391

31 March 2022	**within 1 year**	**Between 1 and 2 years**	**Over 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expected loss rate	0.42%	85.56%	100.00%	0.55%
Gross carrying amount	309,513	478	4	309,995
Loss allowance	1,300	409	4	1,713

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group assessed the identified credit losses of notes receivables were immaterial.

(iii) Other receivables

For other receivables, the Target Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 31 December 2019, 2020 and 2021 and 31 March 2022, the loss allowance of other receivables were RMB 25,000, RMB 32,000, RMB 46,000 and RMB 71,000, respectively.

Movement on the Target Group's loss allowance for impairment of trade receivables and other receivables was as follows:

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Opening loss allowance at 1 January	24	1,239	1,621
Increase in loss allowance recognised in profit or loss during the year	1,215	517	936
Receivables written off during the year as uncollectible	—	(135)	(120)
Closing loss allowance at 31 December	1,239	1,621	2,437

	2021	**2022**
	RMB'000	*RMB'000*
	(Unaudited)	
Opening loss allowance at 1 January	1,621	2,437
(Decrease)/increase in loss allowance recognised in profit or loss during the period	(99)	49
Receivables written off during the period as uncollectible	(2)	(702)
Closing loss allowance at 31 March	1,520	1,784

(iv) Financial assets at fair value through other comprehensive income

For financial assets at fair value through other comprehensive income, the Target Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group assessed the credit risk of investment in notes receivables to be low given they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Liquidity risk

The Target Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet its daily operation working capital.

The table below analyses the Target Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the consolidated balance sheet, as the impact of discount is not significant.

Contractual maturities of financial liabilities	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total contractual cash flows**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Borrowings	21	22	16,719	16,762
Trade and other payables*	6,127	—	—	6,127
Lease liabilities	782	173	—	955
	6,930	195	16,719	23,844
At 31 December 2020				
Trade and other payables*	93,185	—	—	93,185
Lease liabilities	173	—	—	173
	93,358	—	—	93,358
At 31 December 2021				
Trade and other payables*	28,701	—	—	28,701
Lease liabilities	1,007	1,020	793	2,820
	29,708	1,020	793	31,521
At 31 March 2022				
Borrowings	60,582	—	—	60,582
Trade and other payables*	25,062	—	—	25,062
Lease liabilities	1,007	1,033	529	2,569
	86,651	1,033	529	88,213

* Excluding non-financial liabilities of accrued payroll and welfare and value-added tax ("VAT") and surcharges.

3.2 Fair value estimation

The table below analyses the Target Group's financial instruments carried at fair value as at 31 December 2019, 2020 and 2021 and 31 March 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Target Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group had certain financial assets carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVPL.

Recurring fair value measurements

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	7,433	7,433
Financial assets at fair value through profit or loss (Note 16)	—	—	100,000	100,000
	—	—	107,433	107,433
As at 31 December 2020				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	23,277	23,277
Financial assets at fair value through profit or loss (Note 16)	—	—	25,350	25,350
	—	—	48,627	48,627
As at 31 December 2021				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	2,254	2,254
Financial assets at fair value through profit or loss (Note 16)	733	—	4,300	5,033
	733	—	6,554	7,287
As at 31 March 2022				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	283	283
	—	—	283	283

There were no transfers among levels of the fair value hierarchy during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

The following table presents the changes in level 3 items including financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss for the year ended 31 December 2019, 2020, 2021 and the three months ended 31 March 2022.

	Financial assets at fair value through other comprehensive income	**Financial assets at fair value through profit or loss**
	RMB'000	*RMB'000*
At 1 January 2019	35,941	—
Addition	287,620	397,400
Disposal	(316,128)	(297,400)
At 31 December 2019	7,433	100,000

	Financial assets at fair value through other comprehensive income	**Financial assets at fair value through profit or loss**
	RMB'000	*RMB'000*
At 1 January 2020	7,433	100,000
Addition	494,980	446,350
Disposal	(479,136)	(521,000)
At 31 December 2020	23,277	25,350

	Financial assets at fair value through other comprehensive income	**Financial assets at fair value through profit or loss**
	RMB'000	*RMB'000*
At 1 January 2021	23,277	25,350
Addition	586,885	513,500
Disposal	(607,908)	(534,550)
At 31 December 2021	2,254	4,300

	Financial assets at fair value through other comprehensive income	**Financial assets at fair value through profit or loss**
	RMB'000	*RMB'000*
At 1 January 2022	2,254	4,300
Addition	34,566	148,500
Disposal	(36,537)	(152,800)
At 31 March 2022	283	—

The Group manages the valuation of level 3 instruments for financial reporting purposes and manages the valuation exercise of the instruments on a case by case basis. At least once every year, the management would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As at 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group had certain financial assets carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVPL and notes receivables measured at FVOCI.

The fair value of financial assets is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Target Group for similar financial instruments.

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Target Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current and deferred income tax

The Target Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. At 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB 51,364,000, RMB 34,167,000, RMB 15,920,000 and RMB 9,052,000, respectively. The outcome of their actual utilisation may be different from management's estimation.

(b) Fair value of share-based compensation expenses

The Target Group set up the restricted share incentive scheme and granted restricted share units to employees. The fair value of the restricted share units is determined by the discounted cash flow model at the grant date, and is expected to be expensed over the respective vesting period. Significant estimates on assumptions, including discount rate, terminal revenue growth rate and terms, are made by the management and third-party valuers.

In addition, the Target Group is required to estimate the expected percentage of grantees that will remain in employment with the Target Group. Changes in these estimates and assumptions could have a material effect on the amount of such restricted share units expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

(c) Impairment of trade receivables

The Target Group's management determines the provision for impairment of trade receivables based on the expected credit losses which use a lifetime expected loss allowance for trade receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition as well as forward looking estimates at the end of reporting period, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

5 Segment information and revenue

The Target Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker (the "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. As a result of this evaluation, the Target Group was determined that it has one operating segment.

The CODM assesses the performance of the operating segment mainly based on segment revenues. Thus, segment result would present revenues, which is in line with CODM's performance review.

(i) The Target Group's revenue:

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Information technology and software outsourcing services	593,918	572,016	716,314	154,143	215,576

(ii) The Target Group derived revenue from the transfer of services over time and at a point in time in the following lines:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Timing of revenue recognition					
At a point in time	13,292	24,998	25,854	6,831	4,218
Over time	580,626	547,018	690,460	147,312	211,358
	593,918	572,016	716,314	154,143	215,576

(iii) Information about major customers

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

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Group and its subsidiaries	344,957	264,123	347,567	75,545	104,585

(iv) Liabilities related to contracts with customers

The Target Group recognised the following liabilities related to contracts with customers:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities — Information technology and software outsourcing services	68	—	52	—

Contract liabilities represent non-refundable advanced payments received from customers for services that have not yet been provided to the customers, which are expected to be satisfied during one year or less.

All of the Target Group's revenue is made directly with the customers and are usually billed on a monthly basis. For other services, the periods of the services are generally within one year. As a practical expedient under HKFRS 15, transaction price allocated to these unsatisfied contracts is not disclosed.

During the years ended 31 December 2019 and 2021, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

6 Expenses by nature

The following expenses include cost of revenue, selling and marketing expenses, research and development expenses and administrative expenses:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Employee benefit expenses (Note 7)	391,254	415,819	577,287	123,772	184,401
Subcontracting costs	131,757	75,867	78,541	20,216	18,780
Travelling and entertainment expenses	12,258	11,536	14,344	2,445	4,580
Other taxes and surcharges	2,979	3,247	4,277	986	1,219
Utilities and office expenses	3,767	4,985	2,219	815	1,174
Recruitment expenses	357	542	2,099	118	868
Lease and property management expenses	2,754	2,537	3,020	700	921
Depreciation and amortisation (Note 14)	1,511	1,444	811	273	483
Professional service fee	235	499	727	45	29
Others	1,761	958	1,386	9	541
	548,633	517,434	684,711	149,379	212,996

7 Employee benefit expenses

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries and bonus	340,066	373,432	487,521	103,247	154,022
Social insurance and housing fund	45,110	25,884	59,922	12,260	20,047
Other employee welfares	6,078	8,700	10,571	2,360	4,742
Share-based payments (Note 23)	—	7,803	19,273	5,905	5,590
	391,254	415,819	577,287	123,772	184,401

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 included one chief executive whose emoluments were reflected in the analysis shown in Note 8. The emoluments payable to the remaining four individuals during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022 were as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Basic salaries, housing allowances, share options, other allowances and benefits in kind	1,556	3,306	7,981	2,599	2,730
Contribution to pension scheme	142	13	165	39	44
Discretionary bonuses	1,282	1,708	1,731	424	423
	2,980	5,027	9,877	3,062	3,197

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Emolument bands (in HK dollar)					
HK$500,001 — HK$1,000,000	4	—	—	3	3
HK$1,000,001 — HK$1,500,000	—	—	—	1	1
HK$1,500,001 — HK$2,000,000	—	4	—	—	—
HK$2,500,001 — HK$3,000,000	—	—	1	—	—
HK$3,000,001 — HK$3,500,000	—	—	3	—	—
	4	4	4	4	4

During the years ended 31 December 2019, 2020 and 2020 and the three months ended 31 March 2021 and 2022, no emoluments were paid by the Target Group to any of the director or the highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

8 Director's and chief executive's emoluments

The remuneration of the director and the chief executive is set out below:

For the year ended 31 December 2019:

Name	Basic salaries, housing allowances, share options, other allowances and benefits in kind	Contribution to pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Mr. Rong Xinjie	—	—	—	—
Chief executive				
Mr. Meng Hao	495	49	508	1,052
Total	495	49	508	1,052

For the year ended 31 December 2020:

Name	Basic salaries, housing allowances, share options, other allowances and benefits in kind	Contribution to pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Mr. Rong Xinjie	—	—	—	—
Chief executive				
Mr. Meng Hao	1,903	4	602	2,509
Total	1,903	4	602	2,509

For the year ended 31 December 2021:

Name	Basic salaries, housing allowances, share options, other allowances and benefits in kind	Contribution to pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Mr. Rong Xinjie	—	—	—	—
Chief executive				
Mr. Meng Hao	4,345	57	545	4,947
Total	4,345	57	545	4,947

For the three months ended 31 March 2021:

Name	Basic salaries, housing allowances, share options, other allowances and benefits in kind	Contribution to pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Executive director				
Mr. Rong Xinjie	—	—	—	—
Chief executive				
Mr. Meng Hao	1,027	13	136	1,176
Total	1,027	13	136	1,176

For the three months ended 31 March 2022:

Name	Basic salaries, housing allowances, share options, other allowances and benefits in kind	Contribution to pension scheme	Discretionary bonuses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Mr. Rong Xinjie	—	—	—	—
Chief executive				
Mr. Meng Hao	1,091	15	136	1,242
Total	1,091	15	136	1,242

(i) Salary and bonuses of Mr. Meng Hao were borne by certain related party for the three months ended 31 March 2019, and were borne by the Target Group for the nine months ended 31 December 2019, the years ended 31 December 2020 and 2021 and the three months ended 31 March 2021 and 2022.

Salary and bonuses of Mr. Rong Xinjie were borne by certain related party for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

The emoluments shown above represents aggregate amounts paid to or receivable by the director or chief executive in respect of their services in connection with the management of the affairs of the Target or its subsidiaries undertaking.

None of the director or chief executive of the Target received or were paid any emoluments in respect of accepting office, and waived or agreed to waive any emolument for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

(ii) Director's and chief executive's retirement benefits

No director's or chief executive's retirement benefit subsisted at the end of the year/period or at any time during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

(iii) Director's and chief executive's termination benefits

No director's or chief executive's termination benefit subsisted at the end of the year/period or at any time during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

(iv) Consideration provided to third parties for making available director's service

No consideration provided to third parties for making available director's service subsisted at the end of the year/period or at any time during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

(v) Information about loans, quasi-loans and other dealings in favour of the director, controlled bodies corporate by and connected entities with such director

No loans, quasi-loans or other dealings in favour of the director, controlled bodies corporate by and connected entities with such director subsisted at the end of the year/period or at any time during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

(vi) Director's material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Target Group's business to which the Target Group was a party and in which a director of the Target had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

9 Other income

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Government grants (i)	6,274	8,236	6,090	601	20
Additional deduction of input value-added tax ("VAT") (ii)	1,115	1,548	2,110	402	669
Others	523	434	556	159	264
	7,912	10,218	8,756	1,162	953

(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 Target 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 March 2022.

10 Other gains/(losses), net

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net fair value gains on financial assets at FVPL	741	562	2,099	—	237
Penalty	—	(981)	(150)	—	(27)
Exchange losses - net	—	(30)	(29)	—	(1)
Net gains/(losses) on disposal of property, plant and equipment	5	(24)	(7)	—	—
Others	1	3	25	15	10
	747	(470)	1,938	15	219

11 Finance (costs)/income

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Finance income					
Interest income	99	1,950	805	445	88
Finance income	99	1,950	805	445	88
Finance costs					
Interest expense					
— borrowings	(5,076)	(265)	—	—	(145)
— lease liabilities	(60)	(32)	(2)	(2)	(34)
Finance costs	(5,136)	(297)	(2)	(2)	(179)
Finance (costs)/ income, net	(5,037)	1,653	803	443	(91)

12 Subsidiaries

The Target Group's principal subsidiaries at 31 December 2019, 2020, 2021 and 31 March 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Target Group, and the proportion of ownership interests held equals the voting rights held by the Target Group. The place of incorporation or registration is also their principal place of business.

Name of the subsidiaries	Principal activities	Place of incorporation	Registered capital	Paid-in capital	Ownership interest held by the Group (%)				Ownership interest held by non-controlling interests (%)			
					As at 31 December			As at 31 March	As at 31 December			As at 31 March
					2019	2020	2021	2022	2019	2020	2021	2022
Beijing Sirui Information Technology Co., Ltd.	Information technology services	Beijing, China	RMB1,000,000	RMB1,000,000	100	100	100	100	—	—	—	—
Dalian Sirui Information Technology Co., Ltd.	Information technology services	Dalian, China	RMB10,000,000	RMB2,000,000	100	100	100	100	—	—	—	—
Tianjin Sirui Information Technology Co., Ltd.	Information technology services	Tianjin, China	RMB30,000,000	RMB2,000,000	100	100	100	100	—	—	—	—
Guangzhou Sirui Information Technology Co., Ltd.	Information technology services	Guangzhou, China	RMB2,100,000	RMB2,100,000	95.24	95.24	100	100	4.76	4.76	—	—
Shenyang Sirui Information Technology Co., Ltd.	Information technology services	Shenyang, China	RMB1,000,000	—	100	100	100	100	—	—	—	—
Qingdao Sirui Information Technology Co., Ltd.	Information technology services	Qingdao, China	RMB10,000,000	—	100	100	100	100	—	—	—	—
Tianjin Ruiyi	Investment holding company	Tianjin, China	RMB20,580,000	—	100	100	100	100	—	—	—	—
Tianjin Ruichang Enterprise Management Consulting Center (Limited Partnership)	Investment holding company	Tianjin, China	RMB15,840,000	—	100	100	100	100	—	—	—	—
Tianjin Ruisheng Enterprise Management Consulting Center (Limited Partnership)	Investment holding company	Tianjin, China	RMB4,750,000	—	100	100	100	100	—	—	—	—
Tianjin Ruihui Enterprise Management Consulting Co., Ltd.	Investment holding company	Tianjin, China	RMB100,000	RMB100,000	100	100	100	100	—	—	—	—

As at 31 December 2019, 2020, 2021 and 31 March 2022, all the subsidiaries that have non-controlling interests were not material to the Target Group.

13 Income tax expense

PRC corporate income tax ("CIT")

CIT provision is made on the estimated assessable profits of entities within the Target 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 2019, 2020 and 2021 and the three months ended 31 March 2022 except for those as discussed below:

Pursuant to the "Enterprise income tax law" (Order of the President No. 23) (「企業所得稅法」(主席令第二十三號)), certain subsidiaries of the Target Group in the PRC are subject to "high and new technology enterprises" as accordingly, a preferential income tax rate 15% for the year ended 31 December 2021 and the three months ended 31 March 2022.

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)), the Target 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. The target was qualified for this policy and enjoyed the 50% tax reduction form 1 January 2018.

(a) Income tax expense

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	2,849	6,954	1,718	104	1
Deferred income tax	(152)	(48)	(162)	(41)	97
	2,697	6,906	1,556	63	98

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax expense	47,692	65,466	42,164	6,483	3,612
Tax calculated at PRC CIT rate 25% of income tax rate	11,923	16,367	10,541	1,621	903
Tax effects of:					
— Tax exemption and preferential income tax rates	(5,156)	(8,632)	(2,665)	(273)	(356)
— Taxation effect of non-deductible expenses	119	1,224	3,029	911	1,427
— Utilization of tax losses for which no deferred income tax asset was previously recognised	(1,188)	(4,725)	(6,198)	(1,802)	(1,717)
— Effect of deductible temporary differences and deductible losses that are not recognised	589	6,446	4,326	1,304	1,640
— Effect of additional deduction of research and development expenses	(3,554)	(3,770)	(7,116)	(1,483)	(2,041)
— Others	(36)	(4)	(361)	(215)	242
	2,697	6,906	1,556	63	98

14 Property, plant and equipment

	Right-of-use assets property	Computer equipment	Vehicles	Leasehold improvements	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019						
Cost	1,464	4,585	—	—	8	6,057
Accumulated depreciation	—	(2,683)	—	—	(2)	(2,685)
Net book amount	1,464	1,902	—	—	6	3,372
Year ended 31 December 2019						
Opening net book amount	1,464	1,902	—	—	6	3,372
Additions	113	203	—	—	—	316
Disposals	—	—	—	—	—	—
Depreciation charge (Note 6)	(643)	(865)	—	—	(3)	(1,511)
Closing net book amount	934	1,240	—	—	3	2,177
At 31 December 2019						
Cost	1,577	4,788	—	—	8	6,373
Accumulated depreciation	(643)	(3,548)	—	—	(5)	(4,196)
Net book amount	934	1,240	—	—	3	2,177
Year ended 31 December 2020						
Opening net book amount	934	1,240	—	—	3	2,177
Additions	—	250	—	—	40	290
Disposals	—	(38)	—	—	—	(38)
Depreciation charge (Note 6)	(725)	(713)	—	—	(6)	(1,444)
Closing net book amount	209	739	—	—	37	985
At 31 December 2020						
Cost	1,577	5,000	—	—	48	6,625
Accumulated depreciation	(1,368)	(4,261)	—	—	(11)	(5,640)
Net book amount	209	739	—	—	37	985

	Right-of-use assets property	Computer equipment	Vehicles	Leasehold improvements	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Opening net book amount	209	739	—	—	37	985
Additions	2,860	567	324	1,977	203	5,931
Disposals	—	(15)	—	—	—	(15)
Depreciation charge (Note 6)	(289)	(402)	—	(102)	(18)	(811)
Closing net book amount	2,780	889	324	1,875	222	6,090
At 31 December 2021						
Cost	4,437	5,552	324	1,977	251	12,541
Accumulated depreciation	(1,657)	(4,663)	—	(102)	(29)	(6,451)
Net book amount	2,780	889	324	1,875	222	6,090
Year ended 31 March 2021						
Opening net book amount	209	739	—	—	37	985
Additions	—	43	—	—	—	43
Depreciation charge (Note 6)	(157)	(116)	—	—	—	(273)
Closing net book amount	52	666	—	—	37	755
Year ended 31 March 2022						
Opening net book amount	2,780	889	324	1,875	222	6,090
Additions	—	276	—	—	8	284
Depreciation charge (Note 6)	(238)	(81)	(23)	(121)	(20)	(483)
Closing net book amount	2,542	1,084	301	1,754	210	5,891

(i) Non-current assets pledged as security

As at 31 December 2019, 2020, 2021 and 31 March 2022, no property, plant or equipment was pledged as security for the Target Group's borrowings.

(ii) Depreciation expenses were charged to the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of revenue	1,348	1,365	753	263	457
Selling and marketing expenses	152	67	42	2	4
Administrative expenses	11	12	16	8	22
	1,511	1,444	811	273	483

15 Deferred income tax assets

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The balance comprises temporary differences attributable to:				
Loss allowances for financial assets	156	204	366	269
Total deferred tax assets	156	204	366	269

	Loss allowances for financial assets
	RMB'000
Movements	
At 1 January 2019	—
Credited to the consolidated statements of comprehensive income	156
At 31 December 2019	156
At 1 January 2020	156
Charged to the consolidated statements of comprehensive income	48
At 31 December 2020	204
At 1 January 2021	204
Charged to the consolidated statements of comprehensive income	162
At 31 December 2021	366
At 1 January 2022	366
Credited to the consolidated statements of comprehensive income	(97)
At 31 March 2022	269

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable. In 2019, 2020, 2021 and the three months ended 31 March 2022, the Target Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB51,364,000, RMB34,167,000, RMB15,920,000 and RMB9,052,000 respectively that can be carried forward to offset against future taxable income, because it was uncertain whether there would be sufficient profit to offset in the near future. The outcome of their actual utilisation may be different from management's estimation.

As at 31 December 2019, 2020, 2021 and 31 March 2022 the expiry date of such tax losses are as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiry date				
2021	16,734	5,692	—	—
2022	13,540	5,682	1,198	—
2023	19,467	19,467	4,851	386
2024	1,623	1,623	1,623	1,623
2025	—	1,703	1,703	1,008
2026	—	—	6,545	6,035
	51,364	34,167	15,920	9,052

16 Financial instruments by category

The Target Group held the following financial instruments:

Financial assets

		As at 31 December			As at 31 March
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost					
Trade and notes receivables	18	175,976	180,579	245,053	310,601
Deposits and other receivables		17,249	2,282	3,363	5,051
Other non-current assets (i)		142	142	142	142
Restricted cash	20	—	59	725	725
Cash and cash equivalents	20	28,597	174,210	152,801	20,596
Financial assets at fair value through other comprehensive income					
Notes receivables (ii)		7,433	23,277	2,254	283
Financial assets at fair value through profit or loss					
Wealth management products purchased from banks (iii)		100,000	25,350	4,300	—
Investments in listed entities		—	—	733	—
		329,397	405,899	409,371	337,398

Financial liabilities

					As at
		As at 31 December			31 March
	Note	**2019**	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost					
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	26	6,127	93,185	28,701	25,062
Borrowings	24	14,980	—	—	60,000
Lease liabilities	25	942	172	2,609	2,391
		22,049	93,357	31,310	87,453

(i) As at 31 December 2019, 2020, 2021 and 31 March 2022, other non-current assets mainly included deposits paid for lease contracts of approximately RMB 142,000 that would be repaid at the end of the relevant leasing periods.

(ii) As at 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group held total note receivables from bank of approximately RMB 7,483,000, RMB 24,568,000, RMB 3,518,000 and RMB 2,602,000 respectively, which will be due within one year, of which, RMB 7,433,000, RMB 23,277,000, RMB 2,254,000, and RMB 283,000 are measured at FVOCI, as the note receivables are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principle and interest.

(iii) As at 31 December 2019, 2020, 2021 and 31 March 2022, the Target Group held certain wealth management products purchased from banks of approximately RMB 100,000,000, RMB 25,350,000, RMB 5,033,000, and Nil respectively, which will be due or sold within one year.

During the Track Record Period, the following gains were recognised in profit or loss:

				Three months
	Year ended 31 December			31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net fair value gains from financial assets at FVPL recognised in profit or loss in other gains	741	562	2,099	237

17 Contract fulfilment cost

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract fulfilment cost	9,297	9,607	6,450	7,188

18 Trade and notes receivables

The Target Group

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	177,140	180,877	246,180	309,995
Less: provision for impairment of trade receivables	(1,214)	(1,589)	(2,391)	(1,713)
Trade receivables - net	175,926	179,288	243,789	308,282
Notes receivables	50	1,291	1,264	2,319
	175,976	180,579	245,053	310,601

The management of the Target Group considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2019, 2020, 2021 and 31 March 2022.

The Target 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			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— within 1 years	176,044	178,620	244,657	309,513
— Between 1 and 2 years	1,096	1,731	1,109	478
— Between 2 and 3 years	—	526	414	4
	177,140	180,877	246,180	309,995

Impairment and risk exposure

The Target Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables (Note 3.1).

The Target

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	170,383	179,631	242,239	305,623
Less: provision for impairment of trade receivables	(1,214)	(1,580)	(2,386)	(1,710)
Trade receivables - net	169,169	178,051	239,853	303,913
Notes receivables	50	1,290	1,264	2,319
	169,219	179,341	241,117	306,232

The management of the Target considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2019, 2020, 2021 and 31 March 2022.

The Target 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			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— within 1 years	169,287	177,383	241,719	305,145
— Between 1 and 2 years	1,096	1,722	110	478
— Between 2 and 3 years	—	526	410	—
	170,383	179,631	242,239	305,623

19 Prepayments and other receivables

The Target Group

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	4,261	749	2,059	1,118
Loans to related parties (i)	15,000	—	—	—
Other receivables	2,274	2,314	3,409	5,122
Less: provision for impairment	(25)	(32)	(46)	(71)
	21,510	3,031	5,422	6,169

(i) On 18 April 2019, Dalian Neusoft Holdings Co., Ltd. borrowed RMB 15,000,000 from the Target Group with the period from 18 April 2019 to 26 May 2020. The loan of RMB 12,000,000 was with effective interest rate 5.2623% meanwhile RMB 3,000,000 was with effective interest rate 4.16%. The loans of RMB 15,000,000 were fully repaid by Dalian Neusoft Holdings Co., Ltd. in May 2020.

As at 31 December 2019, 2020, 2021 and 31 March 2022, the fair value of other receivables of the Target Group, except for the prepayments, which were not financial assets, approximated their carrying amounts.

At 31 December 2019, 2020, 2021 and 31 March 2022, the carrying amounts of prepayments and other receivables were primarily denominated in RMB.

The Target

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	3,649	205	124	253
Other receivables	65,008	55,144	32,344	68,546
Less: provision for impairment	(19)	(27)	(39)	(61)
	68,638	55,322	32,429	68,738

20 Cash and cash equivalents and restricted cash

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	28,597	174,269	153,526	21,321
Less: restricted cash - current (i)	—	(59)	(725)	(725)
Cash and cash equivalents	28,597	174,210	152,801	20,596

(i) As at 31 December 2019, 2020, 2021 and 31 March 2022, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for certain obligations.

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	28,597	173,800	152,132	20,596
USD	—	410	669	—
	28,597	174,210	152,801	20,596

21 Share capital and share premium

	1 January 2019	Additions	31 December 2019	Additions	31 December 2020	Additions	31 December 2021	Additons	31 March 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital contribution	50,000	—	50,000	1,500	51,500	3,500	55,000	—	55,000
Share premium (a)	—	—	—	3,600	3,600	8,400	12,000	—	12,000

(a) On 10 August 2020, the Target Group adopted a restricted share incentive scheme, which was administered by Tianjin Ruiyi (Note 23). Tianjin Ruiyi subscribed share capital of RMB5,000,000 in the Target with a total consideration of RMB17,000,000.

The Target received the subscription proceeds of RMB17,000,00 from Tianjin Ruiyi in certain tranches during the period from September 2020 to November 2021. As at 31 December 2020 and 31 December 2021, the Target's share premium balances were RMB3,600,000 and RMB12,000,000, respectively.

22 Other reserves

	Surplus reserve	Share-based compensation reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	25,000	—	—	25,000
At 31 December 2019	25,000	—	—	25,000
At 1 January 2020	25,000	—	—	25,000
Appropriation to surplus reserve	750	—	—	750
Share-based compensation(Note 23)	—	7,803	—	7,803
At 31 December 2020	25,750	7,803	—	33,553
At 1 January 2021	25,750	7,803	—	33,553
Appropriation to surplus reserve	1,750	—	—	1,750
Share-based compensation(Note 23)	—	19,273	—	19,273
Transactions with non-controlling interests	—	—	52	52
At 31 December 2021	27,500	27,076	52	54,628

	Surplus reserve	Share-based compensation reserve	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	27,500	27,076	52	54,628
Share-based compensation(Note 23)	—	5,590	—	5,590
At 31 March 2022	27,500	32,666	52	60,218

(a) In accordance with the PRC regulations and the articles of the association of the PRC companies comprising the Target Group, before distributing the net profit of each year, each of the companies registered in the PRC is required to set aside 10% of its statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares, provided that the balance of such reserve is not less than 25% of the entity's registered capital after the bonus issue.

23 Share based payments

On 10 August 2020, the Target Group adopted a restricted share incentive scheme (the "Scheme"), which was administered by Tianjin Ruiyi. Tianjin Ruiyi was entitled to subscribe share capital of RMB5,000,000 in the Target with a total consideration of RMB17,000,000, while certain eligible employees of the Target Group were entitled to subscribe all equity interests in Tianjin Ruiyi with RMB17,000,000 (representing RMB3.4 per restricted share). According to the Scheme, the Target had right to purchase the eligible employees' equity interests in Tianjin Ruiyi not higher than RMB3.4 per restricted share, if the eligible employees failed to meet the service conditions or performance requirements, and such right would be terminated in tranches subject to the Target's fulfilment of initial public offering or obtaining funding from strategic investors.

As at 31 December 2020 and 2021 and 31 March 2022, the subscription proceeds received from the eligible employees of RMB 5,100,000, RMB 17,000,000 and RMB 17,000,000 were recognised as restricted shares payable in trade and other payables (Note 26).

Movements in the number of restricted shares granted were as follows:

	Number of Restricted shares
Outstanding as of 1 January 2020	—
Granted/regranted during the year	5,018,000
Forfeited during the year	(18,000)
Outstanding as of 31 December 2020	5,000,000
Regranted during the year	643,000
Forfeited during the year	(643,000)
Outstanding as of 31 December 2021	5,000,000
Regranted during the period	86,000
Forfeited during the period	(86,000)
Outstanding as of 31 March 2022	5,000,000

The fair value of each restricted share at the grant dates is determined by reference to the fair value of the Target Group's equity interests on the date of grant. The difference between the fair value of the Target Group's equity interests at the grant date and the subscription price was recognised as share-based compensation expenses. RMB7,803,000, RMB19,273,000, RMB5,905,000 and RMB5,590,000 were recognised for the years ended 31 December 2020 and 2021 and the three months ended 31 March 2021 and 2022, respectively.

24 Borrowings

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Bank borrowings	20	—	—	60,000
Non-current:				
Bank borrowings	14,980	—	—	—
Less: current portion of non-current borrowings	(20)	—	—	—
	14,960	—	—	—

As at 31 December 2019, bank borrowings of RMB 14,980,000 were guaranteed by Dalian Neusoft Holdings Co., Ltd. with an effective interest rate 5.225%. The amount of RMB 14,960,000 was due in 2022 and the remaining amount of RMB 20,000 was due in 2020. In 2020, the amount of RMB 14,960,000 was repaid in advance.

As at 31 March 2022, bank borrowings of RMB 60,000,000 were guaranteed by Dalian Neusoft Holdings Co., Ltd. with an effective interest rate 4.785%, and was due within one year.

25 Lease liabilities

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due:				
Within 1 year	782	173	1,007	1,007
Between 1 and 2 years	173	—	1,020	1,033
Between 2 and 5 years	—	—	793	529
	955	173	2,820	2,569
Less: future finance charges	(13)	(1)	(211)	(178)
	942	172	2,609	2,391
Present value of lease liabilities				
Within 1 year	770	172	888	898
Between 1 and 2 years	172	—	948	974
Between 2 and 5 years	—	—	773	519
	942	172	2,609	2,391

As at 31 December 2019, 2020, 2021 and 31 March 2022, the fair value of lease liabilities approximated their carrying amounts.

26 Trade and other payables

The Target Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable (Note 28)	—	84,000	—	—
Trade payables	6,127	4,085	11,701	8,062
Accrued payroll and welfare	58,272	59,056	76,798	64,223
VAT and surcharges	5,281	17,869	13,057	7,965
Restricted shares payable (Note 23)	—	5,100	17,000	17,000
	69,680	170,110	118,556	97,250

As at 31 December 2019, 2020, 2021 and 31 March 2022, all trade and other payables of the Target 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 2019, 2020, 2021 and 31 March 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Within 1 year	6,127	4,085	11,701	8,062

The Target

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dividends payable (Note 28)	—	84,000	—	—
Trade payables	6,366	10,194	13,632	42,600
Accrued payroll and welfare	33,653	32,177	41,362	37,227
VAT and surcharges	593	13,341	7,990	3,898
Restricted shares payable (Note 23)	—	5,100	17,000	17,000
	40,612	144,812	79,984	100,725

As at 31 December 2019, 2020, 2021 and 31 March 2022, all trade and other payables of the Target were unsecured and non-interest bearing. The fair values 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 2019, 2020, 2021 and 31 March 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Within 1 year	6,366	10,194	13,632	42,600

27 Contract liabilities

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Information technology and software outsourcing services	68	—	52	—

Contract liabilities represent non-refundable advanced payments received from customers for services that have not yet been provided to the customers, which are expected to be satisfied during one year or less.

28 Dividend payable

At a board meeting held on 31 July 2020, the board of the Target proposed a final dividend payment to Dalian Neusoft Holdings Co., Ltd. for the year ended 31 December 2019 of RMB 84,100,000. RMB 100,000 was paid in September 2020. As at 31 December 2020, RMB 84,000,000 was recorded as dividend payable in the consolidated balance sheet, which was subsequently fully paid in March 2021.

At a board meeting held in January 2022, the board of the Target proposed a final dividend paid to Dalian Neusoft Holdings Co., Ltd. of RMB 109,090,909 and Tianjin Ruiyi of RMB 10,909,091 for the three months ended March 2022, all of which was fully paid in March 2022.

29 Cash generated from/(used in) operations

	Year ended 31 December			Period ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	47,692	65,466	42,164	6,483	3,612
Adjustments for:					
— Depreciation of property, plant and equipment (Note 14)	1,511	1,444	811	273	483
— Share-based payments (Note 23)	—	7,803	19,273	5,905	5,590
— Provision for/(reversal of) net impairment losses on financial assets (Note 3.1(b))	1,215	517	936	(99)	49
— Interest income (Note 11)	(99)	(1,950)	(805)	(445)	(88)
— Interest expenses (Note 11)	5,136	297	2	2	179
— Interest from financial assets at FVPL (Note 10)	(741)	(562)	(2,099)	—	(237)
Operating profit before working capital changes	54,714	73,015	60,282	12,119	9,588
Change in working capital:					
— Trade and notes receivables	53,359	(20,958)	(44,254)	(76,123)	(58,571)
— Prepayments, deposits and other receivables and other non-current assets	(4,110)	3,472	(2,405)	668	(772)
— Restricted cash	—	(59)	(666)	(666)	—
— Trade and other payables	(2,117)	11,331	20,600	(18,878)	(21,282)
— Contract liabilities	47	(68)	52	—	(52)
— Contract fulfilment cost	(7,381)	(310)	3,157	(430)	(738)
Cash generated from/(used in) operations	94,512	66,423	36,766	(83,310)	(71,827)

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2021 and 2022.

	Borrowings due within 1 year	Borrowings due after 1 year	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2019	—	—	1,409	1,409
Cash flows				
— Inflow from financing activities	20	149,980	—	150,000
— Outflow from financing activities	(20)	(135,000)	(640)	(135,660)
Other non-cash movement				
— Lease addition	—	—	113	113
— Amortization of lease liability interest cost	—	—	60	60
— Reclassification	20	(20)	—	—
Net debt as at 31 December 2019	20	14,960	942	15,922
Net debt as at 1 January 2020	20	14,960	942	15,922
Cash flows				
— Outflow from financing activities	(20)	(14,960)	(802)	(15,782)
Other non-cash movement				
— Amortization of lease liability interest cost	—	—	32	32
Net debt as at 31 December 2020	—	—	172	172
Net debt as at 1 January 2021	—	—	172	172
Cash flows				
— Outflow from financing activities	—	—	(425)	(425)
Other non-cash movement				
— Lease addition	—	—	2,860	2,860
— Amortization of lease liability interest cost	—	—	2	2
Net debt as at 31 December 2021	—	—	2,609	2,609

	Borrowings due within 1 year	Borrowings due after 1 year	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
Net debt as at 1 January 2021	—	—	172	172
Cash flows				
— Outflow from financing activities	—	—	(174)	(174)
Other non-cash movement				
— Amortization of lease liability interest cost	—	—	2	2
Net debt as at 31 March 2021	—	—	—	—
Net debt as at 1 January 2022	—	—	2,609	2,609
Cash flows				
— Inflow from financing activities	60,000	—	—	60,000
— Outflow from financing activities	—	—	(252)	(252)
Other non-cash movement				
— Amortization of lease liability interest cost	—	—	34	34
Net debt as at 31 March 2022	60,000	—	2,391	62,391

30 Related parties and related party transactions

(1) Nature of related parties of the Target Group:

Name of entity	Relationship with the Company
Dalian Neusoft Holdings Co., Ltd.	Immediate shareholder of the Target
Neusoft Group and its subsidiaries (i)	Directors of Dalian Neusoft Holdings Co., Ltd. are directors of Neusoft Group
Neusoft Education Technology Co., Ltd. and its subsidiaries ("Neusoft Education Group")	Associate of Dalian Neusoft Holdings Co., Ltd.
Dalian Neusoft Technology Services Co., Ltd.	Substantial shareholder of Dalian Neusoft Holdings Co., Ltd. voting shares
Neusoft Reach Automotive Technology (Shenyang) Co., Ltd.	Associate of Neusoft Group
Shenyang Neusoft System Technology Co., Ltd.	Associate of Neusoft Group
Neusoft Medical System Co., Ltd	Associate of Neusoft Group

(i) The business process of 25 subsidiaries of Neusoft Group, Neusoft Group Co., Ltd, Shenyang Neusoft System Technology Co., Ltd., Neusoft Group (Dalian) Co., Ltd.. etc. are implemented at headquarter in Shenyang, and centrally supervised and approved by Neusoft Group. The legal entities established in different cities all across in China run and follow the same set of business processes and internal controls based in headquarter. Therefore above segments are treated as "Neusoft Group and its subsidiaries".

(2) Transactions with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Target Group are also considered as related parties.

The following significant transactions were carried out between the Target Group and its related parties during the years presented. In the opinion of the Board of the Target, the related party transactions were carried out in the normal course of business and at terms negotiated between the Target Group and the respective related parties.

(i) Rendering of services

	Year ended 31 December			**Three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Group and its subsidiaries	344,957	264,123	347,567	75,545	104,585
Dalian Neusoft Technology Services Co., Ltd.	40,609	16,560	12,837	2,655	581
Neusoft Reach Automotive Technology (Shenyang) Co., Ltd.	6,870	4,275	3,702	1,119	—
Neusoft Education Group	—	3,088	—	—	—
Shenyang Neusoft System Technology Co., Ltd.	6,477	—	—	—	—
Others	799	1,281	2,812	60	437
	399,712	289,327	366,918	79,379	105,603

(ii) Receipt of technical personnel supply services

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Education Group	121,439	57,956	54,641	14,177	16,697
Neusoft Group and its subsidiaries	4,783	2,452	2,075	—	—
	126,222	60,408	56,716	14,177	16,697

(iii) Receipt of internet service

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Group and its subsidiaries	1,848	1,364	1,962	1,010	1,234
Dalian Neusoft Holdings Co., Ltd.	—	6	—	—	—
	1,848	1,370	1,962	1,010	1,234

(iv) Receipt of rental and property management services

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Group and its subsidiaries	904	873	1,317	309	711
Others	25	165	141	8	87
	929	1,038	1,458	317	798

(v) Receipt of other services

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Neusoft Group and its subsidiaries	—	—	322	5	62
Neusoft Education Group	—	18	101	—	6
	—	18	423	5	68

(vi) Interest income

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dalian Neusoft Holdings Co., Ltd.	—	253	—	—	—

(vii) Loans to a related party

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dalian Neusoft Holdings Co., Ltd.	15,000	—	—	—	—

(viii) Repayment of loans by a related party

	Year ended 31 December			Three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dalian Neusoft Holdings Co., Ltd.	—	15,000	—	—	—

(3) Balances with related parties

The following balance was outstanding at the end of the reporting period in relation to transactions with related parties:

(i) Trade and notes receivables

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neusoft Group and its subsidiaries	93,444	100,252	100,474	133,029
Others	6,818	5,865	9,982	10,511
	100,262	106,117	110,456	143,540

(ii) Prepayments and other receivables

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neusoft Group and its subsidiaries	205	197	362	269
Neusoft Education Group	3,495	3	9	3
Dalian Neusoft Holdings Co., Ltd.	15,028	—	—	—
	18,728	200	371	272

(iii) Trade and other payables

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neusoft Education Group	39	1,070	2,050	1,449
Neusoft Group and its subsidiaries	14	14	14	68
Dalian Neusoft Holdings Co., Ltd.	—	5	—	42
Neusoft Medical System Co., Ltd.	63	—	—	26
	116	1,089	2,064	1,585

(iv) Dividend payable

	As at 31 December			As at 31 March
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Dalian Neusoft Holdings Co., Ltd.	—	84,000	—	—

(4) Compensation of key management personnel

In the opinion of the director, the director represent the key management personnel of the Target Group and details of the compensation are set out in Note 8 to the Historical Financial Information.

31 Reserve movement of the Target

	Other reserves	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	25,000	210,736	235,736
Profit for the year	—	46,882	46,882
At 31 December 2019	25,000	257,618	282,618
At 1 January 2020	25,000	257,618	282,618
Profit for the year	—	68,846	68,846
Share-based compensation	7,803	—	7,803
Appropriation to surplus reserve	750	(750)	—
Dividends declared	—	(84,100)	(84,100)
At 31 December 2020	33,553	241,614	275,167
At 1 January 2021	33,553	241,614	275,167
Profit for the year	—	25,081	25,081
Share-based compensation	19,273	—	19,273
Appropriation to surplus reserve	1,750	(1,750)	—
Balance At 31 December 2021	54,576	264,945	319,521
At 1 January 2022	54,576	264,945	319,521
Loss for the period	—	(4,286)	(4,286)
Share-based compensation	5,590	—	5,590
Dividends paid	—	(120,000)	(120,000)
At 31 March 2022	60,166	140,659	200,825

32 Commitments

The Target Group did not have any material commitments as of 31 December 2019, 2020 and 2021 and 31 March 2022.

33 Contingencies

The Target Group did not have any material contingent liabilities as of 31 December 2019, 2020 and 2021 and 31 March 2022.

34 Events occurring after the reporting period

(i) On 13 June 2022, the Target Group repaid the bank borrowings of RMB60,000,000.

(ii) According to the Scheme disclosed in Note 23, the Target had right to purchase the eligible employees' equity interests in Tianjin Ruiyi if the eligible employees failed to meet the service conditions or performance requirements (the "Purchase Right"). Pursuant to an agreement entered into by the Target, Dalian Neusoft Holdings Co., Ltd. and Tianjin Ruiyi on 2 September 2022, the Purchase Right was immediately terminated and the related restricted shares payable amounting to RMB 17,000,000 was derecognized by the Target consequently.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target in respect of any period subsequent to 31 March 2022.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022 (the "**Relevant Periods**") which shall be read in conjunction with the historical financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

Established in 2013, the Target Group is committed to providing information technology and software outsourcing services to customers. The customer-oriented service model, together with its innovation and technical capabilities, enables the Target Group to provide solutions and end-to-end integrated process services to customers in various industries, respond swiftly to customer needs, deliver efficient and high-quality services, help its customers solve the pain points of business and achieve business goals and digital transformation quickly. Leveraging on years of experience in and deep knowledge of the information technology industry, the Target Group has achieved rapid business expansion and revenue growth in the past few years. As at 31 March 2022, it boasted about 3,900 information technology and software development technical personnel and had served over 160 customers across the PRC with business coverage in over 80 cities. For the year ended 31 December 2021, the Target Group recorded a revenue of approximately RMB716.3 million, representing a year-on-year growth of approximately 25.2%. For the three months ended 31 March 2022, the Target Group recorded a revenue of approximately RMB215.6 million, representing a growth of approximately 39.9% over the same period in previous year.

The Target Group aims to continue its business growth amid the rapid development of digitalization and informatization with emerging demand from enterprises across industries, which is expected to further strengthen its competitiveness and scale of revenue.

Upon the Completion, the Target Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements.

FINANCIAL REVIEW

Revenue

For the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Target Group's revenue amounted to approximately RMB593.9 million, RMB572.0 million, RMB716.3 million and RMB215.6 million, respectively.

The Target Group's revenue for the year ended 31 December 2020 decreased by approximately RMB21.9 million, or 3.7%, as compared to the year ended 31 December 2019. The decrease in revenue was primarily attributable to a decline in demand for technical personnel from clients amid the outbreak of the COVID-19 pandemic since early 2020. The Target Group's revenue for the year ended 31 December 2021 increased by approximately RMB144.3 million, or 25.2%, as compared to the year ended 31 December 2020. The increase in revenue was primarily attributable to the increase in demand for technical personnel from clients following effective control of the COVID-19 pandemic in the PRC in 2021. The Target Group's revenue for the three months ended 31 March 2022 increased by approximately RMB61.4 million, or 39.9%, as compared to the three months ended 31 March 2021, as a result of continuing growth in demand for technical personnel from clients.

For the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the revenue generated from the largest customer, being Neusoft Group and its subsidiaries, accounted for approximately 58.1%, 46.2%%, 48.5% and 48.5% of the total revenue of the Target Group, respectively. Given that (i) one of the post-completion undertakings pursuant to the Sale and Purchase Agreement (i.e. undertaking (b)) as set out in the section headed "Principal Terms of the Sale and Purchase Agreement" provides that the Seller is obliged to ensure there is no adverse impact on the business cooperation between the Target Group and its largest customer as a result of the Acquisition within three years after the Completion; (ii) the Seller would retain 43.0% of the equity interests in the Target Company upon the Completion and therefore would have incentive to support the long-term cooperation between the Target Company and Neusoft Group and its subsidiaries; and (iii) the Target Company and Neusoft Group commenced business cooperation since the establishment of the Target Company and have developed and maintained a stable and long-term business relationship ever since, the Directors are of the view that Neusoft Group and its subsidiaries would continue to engage services provided by the Target Company in the foreseeable future.

At the same time, the Target Group has been striving to seize market opportunities arising from the digital transformation of enterprises in the PRC by expanding customer base and deepening industry solutions, thereby gradually reducing reliance on the largest customer. The Target Group focuses on a variety of industries and has been optimizing customer portfolio on an ongoing basis to increase revenue generated from independent customers. For the years ended 31 December 2019, 2020 and 2021, the Target Group sourced approximately 50 independent new customers each year. For the three months ended 31 March 2022, the Target Group sourced a total of approximately 24 independent new customers.

The following table shows the breakdown of revenue of the Target Group by industries of end customers (as a percentage to the total revenue) during the Relevant Periods:

	For the year ended 31 December			For the three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	Percentage	*Percentage*	*Percentage*	*Percentage*	*Percentage*
				(Unaudited)	
Finance	24.5%	28.6%	31.1%	32.8%	25.6%
High-tech	22.4%	19.3%	19.8%	20.7%	23.6%
Internet	24.8%	20.4%	21.4%	21.0%	21.3%
Advanced manufacturing	9.3%	10.8%	7.6%	7.9%	9.2%
Property management	3.4%	2.6%	5.6%	2.0%	6.4%
Automobile	4.9%	6.2%	5.3%	6.2%	5.0%
Others	10.8%	12.2%	9.3%	9.5%	8.8%
Total	100%	100%	100%	100%	100%

The demand for information technology and software outsourcing services used to mainly concentrate in industries requiring a relatively high level of digitalization, such as high-tech, internet and finance. Nonetheless, the promotion of national strategies including “Internet +” and “Made in China 2025” has led to an increasing demand for software applications from various industries such as advanced manufacturing, property management, and automobile, resulting in a rapid growth in the market for information technology and software outsourcing services facing the digital transformation need of such enterprises.

Leveraging on its years of accumulation in technical capabilities and talent resources, the Target Group has established stable customer relationships with high-quality customers from various industries including finance, high-tech, internet, advanced manufacturing, property management, and automobile. The Target Group has been actively sourcing new customers from healthcare, cyber security, Internet of Things and other fields, with a view to implementing a multi-industry strategic layout to achieve multi-industry revenue stream and growth.

Cost

The cost of the Target Group mainly comprises employee benefit expenses, subcontracting costs, traveling expenses and others.

The Target Group’s cost for the year ended 31 December 2020 amounted to approximately RMB446.9 million, representing a decrease of approximately RMB33.3 million, or 6.9%, from approximately RMB480.2 million for the year ended 31 December 2019. The decrease was primarily attributable to (i) a decrease in subcontracting costs of approximately RMB56.0 million resulting from the Target Group’s enhancement of its own recruitment and project management capabilities to reduce reliance on subcontracting suppliers, and the Target Group's implementation of budget control measures for procurement of services from subcontracting suppliers; and (ii) an entitlement to social insurance premium reduction and exemption of approximately RMB20.1 million for the year of 2020 pursuant to the relevant policies issued by the PRC government to stimulate economic growth during the COVID-19 pandemic (the "**Social Insurance Premium Reduction and Exemption**"), which was partially offset by an increase in employee benefit expenses resulting from an increase in employee salaries in line with market condition.

The Target Group's cost for the year ended 31 December 2021 amounted to approximately RMB593.3 million, representing an increase of approximately RMB146.4 million, or 32.8%, from approximately RMB446.9 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in employee benefit expenses resulting from increasing demand for technical personnel from clients and an increase in employee salaries in line with market condition.

The Target Group's cost for the three months ended 31 March 2022 amounted to approximately RMB189.6 million, representing an increase of approximately RMB62.5 million, or 49.1%, from approximately RMB127.1 million for the three months ended 31 March 2021. The increase was primarily attributable to an increase in employee benefit expenses resulting from increasing demand for technical personnel from clients and an increase in employee salaries in line with market condition.

Gross profit and gross profit margin

The following table shows the breakdown of gross profit and gross profit margin of the Target Group during the Relevant Periods:

	For the year ended 31 December			**For the three months ended 31 March**	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(Unaudited)*	*(RMB'000)*
Revenue	593,918	572,016	716,314	154,143	215,576
Cost of revenue	(480,235)	(446,886)	(593,267)	(127,138)	(189,616)
Gross profit	**113,683**	**125,130**	**123,047**	**27,005**	**25,960**
Gross profit margin	**19.1%**	**21.9%**	**17.2%**	**17.5%**	**12.0%**

The gross profit margin of the Target Group for the year ended 31 December 2020 was approximately 21.9%, representing an increase of approximately 2.8 percentage points from approximately 19.1% for the year ended 31 December 2019. The increase in gross profit margin was primarily attributable to the Target Group's entitlement to the Social Insurance Premium Reduction and Exemption in 2020, which led to a decrease in cost.

The gross profit margin of the Target Group for the year ended 31 December 2021 was approximately 17.2%, representing a decrease of approximately 4.7 percentage points from approximately 21.9% for the year ended 31 December 2020. Without taking into account the Social Insurance Premium Reduction and Exemption in 2020, there would be no material change in the gross profit margin of approximately 17.4% for the year ended 31 December 2020 as compared to the year ended 31 December 2021. Despite the increase in per capita cost of the Target Group's technical personnel in 2021, given the sufficient talent resources of the Target Group, it has certain bargaining power to manage per capita revenue, thereby ensuring a stable gross profit margin.

The gross profit margin of the Target Group for the three months ended 31 March 2022 was approximately 12.0%, representing a decrease of approximately 5.5 percentage points from approximately 17.5% for the three months ended 31 March 2021. The decrease was primarily attributable to the Target Group's expansion of its internal recruitment and project management team since the third quarter of 2021, with a view to strengthening its recruitment and project management capabilities to facilitate rapid growth in revenue, thereby increasing the employee benefit expenses for the three months ended 31 March 2022 as compared to the three months ended 31 March 2021.

Selling and marketing expenses

Selling and marketing expenses of the Target Group mainly comprise employee benefit expenses, travelling and entertainment expenses and others.

The Target Group's selling and marketing expenses for the year ended 31 December 2020 amounted to approximately RMB7.6 million, representing a decrease of approximately RMB1.9 million, or 20.2%, from approximately RMB9.5 million for the year ended 31 December 2019. The decrease was mainly attributable to a decline in employee benefit expenses of approximately RMB1.6 million following the decrease in revenue due to a decline in demand for technical personnel from clients amid the outbreak of the COVID-19 pandemic, resulting in a decrease in bonus for sales personnel.

The Target Group's selling and marketing expenses for the year ended 31 December 2021 amounted to approximately RMB8.3 million, representing an increase of approximately RMB0.7 million, or 9.7%, from approximately RMB7.6 million for the year ended 31 December 2020. The increase was mainly attributable to an increase in employee benefit expenses of approximately RMB0.9 million following the increase in revenue and consequently an increase in bonus for sales personnel, which was partially offset by a decrease in travelling and entertainment expenses of approximately RMB0.3 million due to the Target Group's implementation of budget control measures, including more stringent approval procedure for applications for travelling and entertainment expenses.

The Target Group's selling and marketing expenses for the three months ended 31 March 2022 amounted to approximately RMB1.8 million, representing a decrease of approximately RMB0.2 million, or 10.7%, from approximately RMB2.1 million for the three months ended 31 March 2021. The decrease was mainly due to the decrease in share-based payment expenses of approximately RMB

0.6 million recognised for the three months ended 31 March 2022 as compared to the three months ended 31 March 2021 under the Share Incentive Scheme, which was partially offset by an increase in bonus and other welfare expenses for sales personnel of approximately RMB 0.3 million due to the increase in revenue.

The continuing increase in the number of technical personnel of the Target Group has boosted its operating efficiency. Selling and marketing expense of the Target Group as a percentage of revenue amounted to approximately 1.6%, 1.3%, 1.2% and 0.9% for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

Research and development expenses

Research and development expenses of the Target Group primarily comprise employee benefit expenses, namely payment of salaries, bonus and benefits to research and development personnel. The Target Group's systematic research and development direction includes internal system, general and basic technology development.

The Target Group's research and development expenses for the year ended 31 December 2020 amounted to approximately RMB39.4 million, representing a decrease of approximately RMB1.4 million, or 3.5%, from approximately RMB40.9 million for the year ended 31 December 2019. Key development projects of the Target Group in 2019 included customer relation system, information technology outsourcing employee management system, integrated management platform and underlying research focusing on development of smart community system, as well as upgrade of recruitment management system. Key development projects in 2020 included technical personnel working hours management system, human resources service system and underlying research on development of artificial intelligence experiment platform, as well as further research on development of smart community system.

The Target Group's research and development expenses for the year ended 31 December 2021 amounted to approximately RMB48.7 million, representing an increase of approximately RMB9.3 million, or 23.5%, from approximately RMB39.4 million for the year ended 31 December 2020. Key development projects of the Target Group in 2021 included attendance system, reimbursement system, assignment and remuneration management system and underlying research focusing on development of healthcare internet system, as well as upgrade of official website and addition of new functional modules to the recruitment management system.

The Target Group's research and development expenses for the three months ended 31 March 2022 amounted to approximately RMB11.2 million, representing a decrease of approximately RMB1.0 million, or 8.0%, from approximately RMB12.2 million for the three months ended 31 March 2021. The Target Group has commenced research and development of office management system and underlying research focusing on development of Internet of Things testing system in 2022.

Administrative expenses

Administrative expenses of the Target Group primarily comprise employee benefit expenses, travelling expenses, share-based payment expenses and others.

The Target Group's administrative expenses for the year ended 31 December 2020 amounted to approximately RMB23.5 million, representing an increase of approximately RMB5.5 million, or 30.5%, from approximately RMB18.0 million for the year ended 31 December 2019. The increase was mainly attributable to recognition of share-based payment expenses of approximately RMB5.0 million in 2020 under the Share Incentive Scheme.

The Target Group's administrative expenses for the year ended 31 December 2021 amounted to approximately RMB34.4 million, representing an increase of approximately RMB10.9 million, or 46.2%, from approximately RMB23.5 million for the year ended 31 December 2020. The increase was mainly attributable to (i) an increase in employee benefit expenses of approximately RMB1.4 million following the Target Group's expansion of management personnel since the third quarter of 2021 and upward adjustment in staff remuneration in line with market condition; and (ii) the recognition of share-based payment expenses of approximately RMB 13.5 million in 2021 under the Share Incentive Scheme, representing an increase of approximately RMB8.4 million as compared to 2020.

The Target Group's administrative expenses for the three months ended 31 March 2022 amounted to approximately RMB10.4 million, representing an increase of approximately RMB2.3 million, or 29.0%, from approximately RMB8.0 million for the three months ended 31 March 2021. The increase was mainly attributable to an increase in employee benefit expenses following the expansion of management personnel since the third quarter of 2021.

Other income

Other income of the Target Group primarily comprises government grants, additional deduction of input value-added tax, interest from financial assets at fair value through other comprehensive income and others.

The Target Group's other income for the year ended 31 December 2020 amounted to approximately RMB10.2 million, representing an increase of approximately RMB2.3 million, or 29.1%, from approximately RMB7.9 million for the year ended 31 December 2019. The increase was mainly attributable to an increase in government financial support funds of approximately RMB2.0 million in 2020, serving as an incentive to encourage the Target Group to provide services to local enterprises.

The Target Group's other income for the year ended 31 December 2021 amounted to approximately RMB8.8 million, representing a decrease of approximately RMB1.5 million, or 14.3%, from approximately RMB10.2 million for the year ended 31 December 2020. The decrease was mainly attributable to a decrease of approximately RMB 2.1 million in the government financial support funds received by the Target Group due to termination of the financial support agreement entered into with the government of the Target Company's original registered place of business following change in its registered place of business.

The Target Group's other income for the three months ended 31 March 2022 amounted to approximately RMB1.0 million, which was basically unchanged from approximately RMB1.2 million for the three months ended 31 March 2021.

Net finance (expenses)/income

The Target Group's net finance income for the year ended 31 December 2020 amounted to approximately RMB1.7 million, as compared to net finance expenses of approximately RMB5.0 million for the year ended 31 December 2019. The change was mainly attributable to (i) a decrease in interest expenses of approximately RMB4.8 million resulting from a decline in bank loans due to the net cash inflow recorded by the Target Group; and (ii) an increase in interest income of approximately RMB1.9 million given the sufficient funds held by the Target Group.

The Target Group's net finance income for the year ended 31 December 2021 amounted to approximately RMB0.8 million, representing a decrease of approximately RMB0.9 million, or 51.4%, from net finance income of approximately RMB1.7 million for the year ended 31 December 2020. The change was mainly attributable to a decrease in interest income from bank deposits of approximately RMB1.1 million as the Target Group reduced its bank deposits to purchase wealth management products in light of its stable cash flow.

The Target Group's net finance expenses for the three months ended 31 March 2022 amounted to approximately RMB0.1 million, as compared to net finance income of approximately RMB0.4 million for the three months ended 31 March 2021. The change was mainly attributable to (i) a decrease in interest income of approximately RMB0.4 million, following the decrease in the Target Group's bank deposits resulting from dividend payment in the amount of RMB120.0 million in early 2022; and (ii) an increase in interest expenses of approximately RMB0.1 million resulting from an increase in bank loans to replenish the Target Group's working capital for business development.

Profit before income tax

The Target Group's profit before income tax for the year ended 31 December 2020 amounted to approximately RMB65.5 million, representing an increase of approximately RMB17.8 million, or 37.3%, from approximately RMB47.7 million for the year ended 31 December 2019. The increase was mainly attributable to (i) an increase in gross profit for the year ended 31 December 2020 of approximately RMB11.4 million; (ii) an increase in other income for the year ended 31 December 2020 of approximately RMB2.3 million; and (iii) an increase in net finance income for the year ended 31 December 2020 of approximately RMB6.7 million, which was partially offset by an increase in the administrative expenses for the year ended 31 December 2020 of approximately RMB5.5 million.

The Target Group's profit before income tax for the year ended 31 December 2021 amounted to approximately RMB42.2 million, representing a decrease of approximately RMB23.3 million, or 35.6%, from approximately RMB65.5 million for the year ended 31 December 2020. The decrease was mainly attributable to an increase in the aggregate amount of selling and marketing expenses, research and development expenses and administrative expenses for the year ended 31 December 2021 of approximately RMB20.9 million.

The Target Group's profit before income tax for the three months ended 31 March 2022 amounted to approximately RMB3.6 million, representing a decrease of approximately RMB2.9 million, or 44.3%, from approximately RMB6.5 million for the three months ended 31 March 2021. The decrease was mainly attributable to (i) a decrease in gross profit for the three months ended 31 March 2022 of approximately RMB1.0 million; (ii) a decrease in net finance income for the three months ended 31 March 2022 of approximately RMB0.5 million; and (iii) an increase in the administrative expenses for the three months ended 31 March 2022 of approximately RMB2.3 million.

As discussed in the above, the decrease in gross profit and the increase in administrative expenses were primarily due to the expansion of internal recruitment and project management team and management personnel since the third quarter of 2021 to facilitate rapid growth in revenue, which was reflected in the increase of approximately 39.9% in revenue for the first quarter of 2022 as compared to the same period of last year as a result of continuing growth in demand for technical personnel from clients. As at 31 March 2022, the number of technical personnel hired and assigned to serve the clients of the Target Group reached approximately 3,900, as compared to 2,700 as at 31 March 2021. In the case of flexible staffing business model, there is a cumulative effect of "employee days worked" for employees that are hired during the year and continue as an employee on the project, and therefore the increase in the revenue brought about by the increase in the number of flexible staffing employees will only be fully reflected with the passing of considerable period of time. As such, the Directors are of the view that the Target Group's profit before income tax for the first quarter of 2022 is not indicative of its financial performance for the whole year, and continue to believe that the terms and conditions of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the factors as described in the section headed "Principal Terms of the Sale and Purchase Agreement — Consideration" in the "Letter from the Board" of this circular.

Profit and adjusted net profit

The following table shows the profit for the year/period and adjusted net profit for the year/period of the Target Group during the Relevant Periods:

	For the year ended 31 December			For the three months ended 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(Unaudited)*	*(RMB'000)*
Profit for the year/period	44,995	58,560	40,608	6,420	3,514
Add: Share-based payment expenses under the Share Incentive Scheme	—	7,803	19,273	5,905	5,590
Adjusted net profit	44,995	66,363	59,881	12,325	9,104

The Target Group defines adjusted net profit as the net profit for the year/period excluding the share-based payment expenses under the Share Incentive Scheme.

It is believed that the non-HKFRS measure of adjusted net profit may facilitate the comparison of financial performance of the Target Group by eliminating the impact of items that are not considered indicative of the actual performance of the Target Group's business. Adjusted net profit eliminates the effect of the share-based payment expenses under the Share Incentive Scheme, which does not relate to the ordinary course of business of the Target Group and is non-recurring in nature. It is also believed that this non-HKFRS measure provides more useful information to investors of the Target Group and others in understanding and evaluating its consolidated results of operation in the same manner as its management and in comparing financial results across periods. However, the presentation of adjusted net profit may not be comparable to other measures presented by other companies with similar title. The use of this non-HKFRS measure has limitations as an analytical tool, and it should not be considered in isolation from, or as a substitute for, analysis of results of operation or financial condition of the Target Group as reported under HKFRS.

SEGMENT INFORMATION

During the Relevant Periods, the Target Group had only one reportable operating segment, being the information technology and software outsourcing services. As such, no segmental information thereof is presented.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Target Group financed its operations and capital expenditure primarily by internally generated funds from operations and bank borrowings.

Gearing ratio

The gearing ratio is calculated as net debt divided by total capital. The 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 2019, 2020 and 2021, the Target Group was in a net cash position, namely, cash and cash equivalents was higher than total borrowings, hence it is not meaningful to present the gearing ratio. As at 31 March 2022, the Target Group had a gearing ratio of 17.8%, primarily due to a bank loan of approximately RMB60.0 million borrowed by the Target Group to replenish working capital in early 2022.

The Target Group had no capital instruments and financial instruments for hedging purposes throughout the Relevant Periods.

Net current assets

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had net current assets of approximately RMB271.7 million, RMB239.9 million, RMB296.2 million and RMB185.3 million, respectively.

Trade and notes receivables

As at 31 December 2019, 2020 and 2021 and 31 March 2022, trade and notes receivables of the Target Group amounted to approximately RMB176.0 million, RMB180.6 million, RMB245.1 million and RMB310.6 million, respectively. The increase in the trade and notes receivables of the Target Group over the time was mainly attributable to increase in revenue of the Target Group and a longer credit period granted to certain strategic new customers. The Target Group typically granted a credit period of around 10 to 180 days to its clients.

Prepayments and other receivables

Prepayments and other receivables of the Target Group primarily comprise reserves, rental deposits, loans from related parties and prepayment to subcontracting suppliers. As at 31 December 2019, 2020 and 2021 and 31 March 2022, prepayments and other receivables of the Target Group amounted to approximately RMB21.5 million, RMB3.0 million, RMB5.4 million and RMB6.2 million, respectively.

Cash and cash equivalent

As at 31 December 2020, cash and cash equivalents of the Target Group amounted to approximately RMB174.2 million, representing an increase of approximately RMB145.6 million, or 509.2%, from approximately RMB28.6 million as at 31 December 2019. The increase was mainly attributable to the redemption of wealth management products and receipt of loan repayments from related parties in 2020.

As at 31 December 2021, cash and cash equivalents of the Target Group amounted to approximately RMB152.8 million, representing a decrease of approximately RMB21.4 million, or 12.3%, from approximately RMB174.2 million as at 31 December 2020. The decrease was mainly attributable to payment of dividend in 2021.

As at 31 March 2022, cash and cash equivalents of the Target Group amounted to approximately RMB20.6 million, representing a decrease of approximately RMB132.2 million, or 86.5%, from approximately RMB152.8 million as at 31 December 2021. The decrease was mainly attributable to cash outflow from operating activities amounting to approximately RMB71.8 million and payment of dividend amounting to approximately RMB120.0 million in March 2022, which was partially offset by receipt of loan proceeds amounting to approximately RMB60.0 million.

Cash and cash equivalents of the Target Group were denominated in RMB as at 31 March 2022.

Borrowings

Borrowings mainly represent guaranteed bank loans. The Target Group utilized bank loans principally to finance its daily operations and general working capital requirements. As at 31 December 2019, the Target Group had borrowings of approximately RMB15.0 million denominated in RMB with an annual interest rate of 5.225%. As at 31 December 2020 and 31 December 2021, the Target Group had no borrowings. As at 31 March 2022, the Target Group had borrowings of approximately RMB60.0 million denominated in RMB with an annual interest rate of 4.785% and repayable within three months. The increase in borrowing of RMB60.0 million as at 31 March 2022 was to replenish the Target Company's working capital as a dividend of RMB120.0 million was paid in March 2022. As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had unutilized banking facilities of approximately nil, nil, RMB200.0 million and RMB140.0 million, respectively. Details of the Group's borrowings during the Relevant Periods are set out in note 24 to the historical financial information of the Target Group in Appendix II to this circular.

Lease liabilities

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had lease liabilities in respect of its leased properties of approximately RMB0.9 million, RMB0.2 million, RMB2.6 million, RMB2.4 million, respectively.

Treasury policy

The treasury and funding policies of the Target Group primarily focus on liquidity management to maintain an optimum level of liquidity. Idle funds generated from its business operation in the PRC, which are denominated in RMB, shall be used to purchase short-term financial products issued by reputable financial institutions to earn a higher return as compared to time deposits issued by banks or licensed financial institutions.

FOREIGN EXCHANGE RISK

During the Relevant Periods, the Target Group had no significant foreign currency risk as all of its operations, assets and liabilities are denominated in RMB which is also its functional currency. The Target Group did not hedge foreign exchange risks for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022.

DIVIDEND

The Target Company declared dividends of approximately nil, RMB84.1 million, nil and RMB120.0 million to the then shareholders for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively. As at 31 March 2022, all dividends declared have been paid.

CAPITAL EXPENDITURE

The capital expenditures of the Target Group are used principally in connection with purchase of office equipment, relocation of office and purchase of automobile. The Target Group recorded capital expenditures of approximately RMB0.2 million, RMB0.3 million, RMB3.1 million and RMB0.3 million, for the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, respectively.

CHARGE ON ASSETS

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group did not have any charge on its assets.

EMPLOYEES AND REMUNERATION POLICY

The following table shows the total number of employees of the Target Group by function:

	As at 31 December			As at 31 March	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees*	*Number of employees*
Non-information technology and software development technical personnel					
Senior management	6	7	7	7	7
Recruitment and project management	62	69	159	80	140
Sales and marketing	23	22	24	23	26
Others	71	65	58	51	67
Sub-total	162	163	248	161	240
Information technology and software development technical personnel	2,518	2,680	3,768	2,768	3,905
Total	2,680	2,843	4,016	2,929	4,145

The Target Group offers competitive remuneration package to its employees, which is determined in accordance with the relevant laws and regulations of the places in which the Target Group operates, the qualification, experience and performance of the individual employees, and the prevailing market rate. The Company plans to continue offering competitive remuneration packages to incentivize the Target Group's employees and management after the Acquisition, including the Core Management Members. Upon expiry of the labor contracts and confidentiality agreements entered into by the Core Management Members and Tianjin Sirui pursuant to condition (m) of the First Instalment Conditions Precedent, the Company will consider retention of the Core Management Members by renewing the labor contracts and confidentiality agreements based on the then business needs of the Group and their performance. On the other hand, the Company will focus on attracting external talents to join the management team of the Enlarged Group as well as providing suitable training to internal employees to prepare them for management roles, so as to ensure stability and sustainability of the Enlarged Group's business operation in the event of departure of key management members.

For the year ended 31 December 2020, the labor costs of the Target Group amounted to approximately RMB415.8 million, among which, the cost for non-information technology and software development technical personnel (excluding share-based payment expenses recognised under the Share Incentive Scheme) amounted to approximately RMB34.0 million, representing an increase of approximately RMB2.1 million, or 6.6%, from approximately RMB31.9 million for the year ended 31 December 2019. The increase was due to an upward adjustment in staff remuneration to provide incentive for staff retention.

For the year ended 31 December 2021, the labor costs of the Target Group amounted to approximately RMB577.3 million, among which, the cost for non-information technology and software development technical personnel (excluding share-based payment expenses recognised under the Share Incentive Scheme) amounted to approximately RMB41.2 million, representing an increase of approximately RMB7.2 million, or 21.0%, from approximately RMB34.0 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in the number of recruitment and project management personnel with a view to strengthening the Target Group's recruitment and project management capabilities.

For the three months ended 31 March 2022, the labor costs of the Target Group amounted to approximately RMB184.4 million, among which, the cost for non-information technology and software development technical personnel (excluding share-based payment expenses recognised under the Share Incentive Scheme) amounted to approximately RMB11.3 million, representing an increase of approximately RMB5.0 million, or 79.2%, from approximately RMB6.3 million for the three months ended 31 March 2021. The increase was due to an increase in the number of non-information technology and software development technical personnel mainly for recruitment and project management and upward adjustment in staff remuneration in line with market condition.

OPERATING LEASE COMMITMENT

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had no operating lease commitment.

CAPITAL COMMITMENT

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had no capital commitment for purchase of property, plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had no material contingent liabilities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the Target Group had no significant investment. For the years ended 31 December 2019, 2020 and 2021 and the three months ended 31 March 2022, the Target Group made no material acquisition or disposal.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at the Latest Practicable Date, the Target Group had no plan for material investments or capital assets.

The information set out in this appendix does not form part of the accountant's report prepared by the independent reporting accountant of the Company, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, set out in Appendix II to this circular and is included herein for illustration purpose only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited consolidated pro forma statement of assets and liabilities of the Enlarged Group (the " Unaudited Pro Forma Financial Information"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the 46% equity interest in the Target Group, assuming that the Acquisition had been completed on 30 June 2022.

This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2022 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 30 JUNE 2022

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2022	Audited consolidated statement of assets and liabilities of the Target Group as at 31 March 2022	Pro Forma Adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	
ASSETS					
Non-current assets					
Property, plant and equipment	87,177	5,891	—	—	93,068
Intangible assets (a)	70,824	—	374,629	—	445,453
Investments in joint ventures accounted for using the equity method	23,643	—	—	—	23,643
Investment in associate accounted for using the equity method	4,900	—	—	—	4,900
Financial assets at fair value through profit or loss	43,335	—	—	—	43,335
Derivative financial instruments	10,787	—	—	—	10,787
Other non-current assets	261,673	142	(183,609)	—	78,206
Deferred income tax assets	23,711	269	—	—	23,980
Restricted cash	3,000	—	—	—	3,000
Total non-current assets	529,050	6,302	191,020	—	726,372
Current assets					
Contract fulfilment cost	—	7,188	—	—	7,188
Trade and notes receivables	521,185	310,601	—	—	831,786
Prepayments and other receivables	45,801	6,169	—	(929)	51,041
Financial assets at fair value through other comprehensive income	—	283	—	—	283
Financial assets at fair value through profit or loss	117,124	—	—	—	117,124
Restricted cash	3,276	725	—	—	4,001
Cash and cash equivalents	480,658	20,596	(224,410)	(2,064)	274,780
Total current assets	1,168,044	345,562	(224,410)	(2,993)	1,286,203
Total assets	1,697,094	351,864	(33,390)	(2,993)	2,012,575

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2022	Audited consolidated statement of assets and liabilities of the Target Group as at 31 March 2022	Pro Forma Adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note (1)	*Note (2)*	*Note (3)*	*Note (4)*	
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities (b)	6,089	—	13,320	—	19,409
Lease liabilities	36,481	1,493	—	—	37,974
Total non-current liabilities	42,570	1,493	13,320	—	57,383
Current liabilities					
Trade and other payables (c)	373,679	97,250	(17,000)	—	453,929
Contract liabilities	9,184	—	—	—	9,184
Current income tax liabilities	7,056	2,073	—	—	9,129
Borrowings	—	60,000	—	—	60,000
Lease liabilities	26,318	898	—	—	27,216
Total current liabilities	416,237	160,221	(17,000)	—	559,458
Total liabilities	458,807	161,714	(3,680)	—	616,841

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

(1) The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2022 set out in the Company's published interim financial information for the six months ended 30 June 2022.

(2) The amounts are extracted from the audited consolidated balance sheets of the Target Group as at 31 March 2022 set out in Appendix II to this circular.

(3) Upon completion of the Acquisition, the Group will possess the power to direct the relevant activities over the Target Group, and the Target Group will be accounted for as partially-owned subsidiaries of the Group as the Group will be entitled to appoint majority of the board of directors of the Target Company. The identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under acquisition method of accounting, in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3").

If the Acquisition was completed on 30 June 2022, the total consideration for the Acquisition would amount to RMB408,020,000 according to the Transaction Documents. Assuming that the Acquisition had been completed on 30 June 2022, the accounting impact of the Acquisition on the Group's assets and liabilities as at 30 June 2022 would be as follows:

Consideration in cash	**Target Group**
	RMB'000
- Amount not yet paid as at 30 June 2022	224,411
- Prepayment made before 30 June 2022 for acquisition of subsidiaries	183,609
	408,020
Fair value of identifiable assets and liabilities acquired as at 31 March 2022	
Property, plant and equipment	5,891
Intangible assets	88,797
Other non-current assets	142
Deferred income tax assets	269
Contract fulfilment cost	7,188
Trade and notes receivables	310,601
Financial assets at fair value through other comprehensive income	283
Prepayments, deposits and other receivables	6,169
Restricted cash	725
Cash and cash equivalents	20,596
Lease liabilities	(2,391)
Trade and other payables	(97,250)
Current income tax liabilities	(2,073)
Borrowings	(60,000)
Deferred tax liabilities	(13,320)
Net identifiable assets acquired	265,627
Less: non-controlling interests	(143,439)
Goodwill arising from the Acquisition	285,832

The adjustment represents:

(a) Customer relationship of RMB88,797,000 and goodwill of RMB285,832,000 recognised as intangible assets by the Group relating to the acquisition of the Target Group. Up to the date of report, the Director of the Company has performed an impairment assessment and considered that no impairment is necessary.

(b) Deferred tax liabilities of RMB13,320,000 relating to the taxable temporary differences between the fair value of the identifiable assets and liabilities acquired and their carrying amounts.

(c) Pursuant to the Sale and Purchase Agreement, it is one of the conditions precedent to the Acquisition that an supplemental agreement supplementing the capital increase agreement, entered into by the Target, the Seller and Tianjin Ruiyi on 15 September 2020, has been executed by the Target, the Seller and Tianjin Ruiyi, in the form and substance satisfactory to the Group. On 2 September 2022, an supplemental agreement was executed that Tianjin Ruiyi was entitled the normal shareholder's rights on the Target, and it was terminated of the Target's right to purchase the eligible employees' equity interests in Tinjin Ruiyi at the pre-determined price when the eligible employees failed to meet the service conditions or performance requirements.

Assuming that the Acquisition had been completed and such supplemental agreement as one of the conditions precedent to the Acquisition had been executed on 30 June 2022, the Target's restricted shares payable amounting to RMB 17,000,000 would be derecognised.

Since the fair values and the carrying amounts of the identifiable net assets and liabilities of Target Group as at the Completion date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Enlarged Group upon Completion may be materially different from the estimated amounts shown in this appendix.

(4) The adjustment represents the estimated professional fees of approximately RMB2,993,000, out of which, RMB929,000 has been prepaid as of 30 June 2022 and RMB2,064,000 will be paid after 30 June 2022. The amounts will be charged to the profit or loss. The amounts are assumed to be paid after the completion of the Acquisition.

(5) Save as aforesaid, no other adjustments have been made to reflect any trading results or other transactions of the Group or Enlarged Group entered into subsequent to 30 June 2022.

The following is the text of a report prepared for the sole purpose of inclusion in this circular received from the independent reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Enlarged Group.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Renrui Human Resources Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Renrui Human Resources Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") , Shanghai Sirui Information Technology Company Limited (the "Target Company") and its subsidiaries (together, the "Target Group") (collectively, the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-5 of the Company's circular dated 26 September 2022, in connection with the acquisition of the 46% equity interests in the Target Group ("Acquisition") by the Group. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5 of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 June 2022 as if the Acquisition had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 on which a review report has been published.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 26 September 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares and underlying shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Total number of Shares/ underlying shares held(9)	Approximate percentage of shareholding interest in the Company(10)
Zhang Jianguo	Interest of controlled corporation(1)	46,870,500 (L)	29.91%
	Interests held jointly with other persons(4)	13,140,800 (L)	8.39%
Zhang Feng	Interest of controlled corporation(2)	5,960,200 (L)	3.80%
	Interests held jointly with other persons(4)	53,595,300 (L)	34.20%
	Beneficial owner(2)	455,800 (L)	0.29%

Name of Director/ chief executive	Capacity/Nature of interest	Total number of Shares/ underlying shares held(9)	Approximate percentage of shareholding interest in the Company(10)
Zhang Jianmei	Interest of controlled corporation(3)	5,796,000 (L)	3.70%
	Interests held jointly with other persons(4)	53,286,500 (L)	34.01%
	Beneficial owner(3)	928,800 (L)	0.59%
Chow Siu Lui	Beneficial owner(5)	80,000 (L)	0.05%
Chan Mei Bo Mabel	Beneficial owner(6)	80,000 (L)	0.05%
Shen Hao	Beneficial owner(7)	80,000 (L)	0.05%
Leung Ming Shu	Beneficial owner(8)	80,000 (L)	0.05%

Notes:

(1) Ming Feng Holdings Limited ("**Ming Feng**") is wholly owned by Mr. Zhang Jianguo and under the SFO, Mr. Zhang Jianguo is deemed to be interested in the 46,870,500 Shares held by Ming Feng.

(2) Wu Fu Min Feng Holdings Limited ("**Wu Fu Min Feng**") is wholly owned by Mr. Zhang Feng and under the SFO, Mr. Zhang Feng is deemed to be interested in the 5,960,200 Shares held by Wu Fu Min Feng. In addition, Mr. Zhang Feng was granted options under the mid-senior level management pre-IPO share option scheme of the Company adopted on 12 March 2019 (the "**Mid-senior Level Management Pre-IPO SOS**") which entitle him to subscribe for 455,800 Shares.

(3) Lin Feng Holdings Limited ("**Lin Feng**") is wholly owned by Ms. Zhang Jianmei and under the SFO, Ms. Zhang Jianmei is deemed to be interested in the 5,796,000 Shares held by Lin Feng. In addition, Ms. Zhang Jianmei was granted options under the Mid-senior Level Management Pre-IPO SOS which entitle her to subscribe for 928,800 Shares.

(4) Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei have entered into an acting in concert deed dated 18 January 2019 according to which, among other things, they acknowledged and confirmed that they will act in concert with each other in respect of all major management matters, business decisions (including but not limited to financial and operational matters), and all matters being the subject matters of any shareholders' resolution of Ming Feng and any of the members of the Group. As such, each of Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei is deemed to be interested in the Shares and/or underlying shares held by the other parties as they are parties acting in concert.

(5) Mr. Chow Siu Liu was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares.

(6) Ms. Chan Mei Bo Mabel was granted share options under the Post-IPO Share Option Scheme which entitle her to subscribe for 80,000 Shares.

(7) Mr. Shen Hao was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares.

(8) Mr. Leung Ming Shu was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares.

(9) The Letter "L" denotes the person's long position in the Shares.

(10) As at the Latest Practicable Date, the Company had 156,699,879 issued Shares.

Interests in Associated Corporation of the Company

Name of Director/ chief executive	**Associated corporation**	**Capacity/ Nature of interest**	**Amount of registered capital subscribed** *(RMB)*	**Approximate percentage of shareholding interest in the associated company***(Note)*
Zhang Jianguo	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	4,000,000	80.0%
Zhang Feng	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.0%
Zhang Jianmei	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.0%

Note: As Chengdu Tianfu Renrui Education Consultation Co., Ltd. is a limited liability company established in the PRC, the percentage of shareholding is determined with reference to the percentage of subscribed registered capital of each shareholder.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, to the best knowledge of the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Total number of Shares/ underlying shares held[7]	Approximate percentage of shareholding interest in the Company[8]
Wang Fen[1]	Interest of spouse	60,011,300 (L)	38.30%
Wu Qi[2]	Interest of spouse	60,011,300 (L)	38.30%
Chen Bin[3]	Interest of spouse	60,011,300 (L)	38.30%
Ming Feng	Beneficial owner	46,870,500 (L)	29.91%
LC Fund V, L.P.[4]	Beneficial owner	20,266,244 (L)	12.93%
LC Fund V GP Limited[4]	Interest of controlled corporation	21,750,495 (L)	13.88%
VMS Strategic Investment Fund, L.P.[5]	Beneficial owner	16,747,481 (L)	10.69%
VMS Strategic Investment GP Limited[5]	Interest of controlled corporation	16,747,481 (L)	10.69%
VMS Auto Italia Fin Services Holdings Limited[5]	Interest of controlled corporation	16,747,481 (L)	10.69%
VMS Holdings Limited[5]	Interest of controlled corporation	16,747,481 (L)	10.69%
Mak Siu Hang Viola[5]	Interest of controlled corporation	16,747,481 (L)	10.69%
FIL Limited[6]	Interest of controlled corporation	13,879,683 (L)	8.86%
Pandanus Associates Inc[6]	Interest of controlled corporation	13,879,683 (L)	8.86%
Pandanus Partners L.P.[6]	Interest of controlled corporation	13,879,683 (L)	8.86%

Name of substantial shareholder	Capacity/Nature of interest	Total number of Shares/ underlying shares held(7)	Approximate percentage of shareholding interest in the Company(8)
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	10,870,983 (L)	6.94%

Notes:

(1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo and under the SFO, Ms. Wang Fen is deemed to be interested in the 60,011,300 Shares/underlying shares in which Mr. Zhang Jianguo is interested.

(2) Ms. Wu Qi is the spouse of Mr. Zhang Feng and under the SFO, Ms. Wu Qi is deemed to be interested in the 60,011,300 Shares/underlying shares in which Mr. Zhang Feng is interested.

(3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei and under the SFO, Mr. Chen Bin is deemed to be interested in the 60,011,300 Shares/underlying shares in which Ms. Zhang Jianmei is interested.

(4) As LC Fund V GP Limited is the general partner of both of LC Fund V, L.P. and LC Parallel Fund V, L.P., LC Fund V GP Limited is deemed to be interested in the 20,266,244 Shares and 1,484,251 Shares held by LC Fund V, L.P. and LC Parallel Fund V, L.P., respectively.

(5) VMS Strategic Investment Fund, L.P. holds 16,747,481 Shares and under the SFO, VMS Strategic Investment GP Limited, which is the general partner of VMS Strategic Investment Fund, L.P., is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P. VMS Strategic Investment GP Limited is wholly owned by VMS Auto Italia Fin Services Holdings Limited. VMS Auto Italia Fin Services Holdings Limited is wholly owned by VMS Holdings Limited. VMS Holdings Limited is owned as to 92% by Ms. Mak Siu Hang Viola. As such, each of VMS Auto Italia Fin Services Holdings Limited, VMS Holdings Limited and Ms. Mak Siu Hang Viola is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P.

(6) Pandanus Partners L.P. holds 37.01% in FIL Limited. Pandanus Partners L.P. is wholly-owned by Pandanus Associates Inc.

(7) The Letter "L" denotes the person's long position in the Shares.

(8) As at the Latest Practicable Date, the Company had 156,699,879 issued Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other persons (other than a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

4. COMPETING INTERESTS

Since February 2018, Mr. Chen Rui, being a Director, has been a director of Shanghai KNX Human Resources Technology Co., Ltd. ("**KNX**"), a non-listed company incorporated in the PRC. As confirmed by Mr. Chen Rui, he was nominated by Beijing Legend Capital Huicheng Equity Investment L.P., a venture capital fund launched by Legend Capital, to be its board representative in KNX following its investment in KNX. The business focus of KNX is the provision of recruitment and training services via its cloud computing/SaaS (Software as a Service) platform. As further confirmed by Mr. Chen Rui, Beijing Legend Capital Huicheng Equity Investment L.P. is merely a financial investor with a minority interest in KNX, and his role in KNX is non-executive in nature. In light of the above and given that the Group's business focus is the provision of flexible staffing services, the Directors consider that the Group's businesses and those of the businesses carried out by KNX are different in terms of business focus, and hence, do not believe that any direct or indirect competition is or is likely to be material in nature.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2021, being the date to which the latest published audited accounts of the Group have been made up.

6. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group that would have a material adverse effect on the results of operations or financial condition of the Enlarged Group.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group which would not expire or would not be determinable by such member of the Enlarged Group within one year without payment of compensation other than statutory compensation.

8. MATERIAL CONTRACTS

Save for the following, there are no material contracts (not being contracts entered into in the ordinary course of business) which were entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the Sale and Purchase Agreement (together with supplemental agreement dated 2 June 2022 and second supplemental agreement dated 29 July 2022);

(b) the Restated Articles;

(c) a sale and purchase agreement dated 15 September 2021 and entered into between Renrui Human Resources Group and Mr. Cai Yulong* (蔡裕龍) and Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司), pursuant to which Renrui Human Resources Group agreed to purchase, and Mr. Cai Yulong* (蔡裕龍) agreed to sell, 51% of equity interests in Jiangnan Finance Technology (Changzhou) Company Limited* (江南金融科技(常州)有限公司) at a total consideration of approximately RMB47,013,249 (equivalent to approximately HK$$57,949,474), subject to adjustments set out therein, further details of which are set out in the Company's announcement dated 15 September 2021;

(d) a sale and purchase agreement dated 15 September 2021 and entered into between Renrui Human Resources Group and Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司), pursuant to which Renrui Human Resources Group agreed to purchase, and Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司) agreed to sell, 51% of equity interests in Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司) at a total consideration of approximately RMB33,412,672 (equivalent to approximately HK$41,185,130), subject to adjustments set out therein, further details of which are set out in the Company's announcement dated 15 September 2021;

(e) a capital increase agreement dated 9 September 2021 and entered into between Chengdu Tianfu Renrui Education Consultation Co. Ltd.* (成都天符人瑞教育諮詢有限公司) ("**Chengdu Tianfu**"), a consolidated affiliated entity of the Group, and Shanghai Yingtuo Business Consulting Service Center (Limited Partnership)* (上海盈妥商務諮詢服務中心(有限合夥)), Luobo E-commerce (Shanghai) Co., Ltd.* (蘿帛電子商務(上海)有限公司), Shanghai Genhui Enterprise Management Center (Limited Partnership)* (上海亙輝企業管理中心(有限合夥)), Shanghai Luojin Technology Service Center (Limited Partnership)* (上海絡錦科技服務中心(有限合夥)),Shanghai Kumao Robot Co., Ltd.* (上海庫茂機器人有限公司) ("**Kumao Robot**") and Mr. Yu Juncheng* (俞俊承), pursuant to which Chengdu Tianfu agreed to invest RMB20.0 million (equivalent to approximately HK$24.7 million, subject to adjustments set out therein) in Kumao Robot in consideration for 10% equity interests of Kumao Robot, and a shareholders' agreement dated 9 September 2021 and entered into between the same parties to regulate, among others, their relationship as shareholders and the management and operation of Kumao Robot;

(f) a capital increase agreement dated 30 July 2021 and entered into between Renrui Human Resources Group and Greedy Technology (Shenzhen) Co., Ltd.* (貪心科技(深圳)有限公

司) ("**Greedy Technology**"), Beijing Greedy Technology Co., Ltd.* (北京貪心科技有限公司), Mr. Li Wenzhe* (李文哲), Mr. Zhou Jingyang* (周景陽), Zhituo Technology (Tianjin) Partnership (Limited Partnership)* (智拓科技(天津)合夥企業(有限合夥)), Tianjin Maopao Technology Partnership (Limited Partnership)* (天津冒泡科技合夥企業(有限合夥)), Shenzhen Qingsong Phase III Equity Investment Fund Partnership (Limited Partnership)* (深圳市青松三期股權投資基金合夥企業(有限合夥)), Gongqingcheng Huaxia Taoli Phase I Equity Investment Partnership (Limited Partnership)* (共青城華夏桃李一期股權投資合夥企業(有限合夥)), Shenzhen Dezhiqing Investment Co., Ltd.* (深圳市德之青投資有限公司), Shenzhen Qianhai Dexun Zhisheng Venture Capital Enterprise (Limited Partnership)* (深圳市前海德迅志勝創業投資企業(有限合夥)), pursuant to which Chengdu Tianfu agreed to invest RMB20.0 million (equivalent to approximately HK$24.7 million) in Greedy Technology in consideration for 20% equity interests in Greedy Technology, and a shareholders' agreement dated 30 July 2021 and entered into between the same parties to regulate, among others, their relationship as shareholders and the management and operation of Greedy Technology;

(g) an investment agreement dated 15 October 2020 and entered into between Renrui Human Resources Group and Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司) ("**Tianjin Binhai**"), Shao Rongqiang* (邵榮強), Shao Rongxi* (紹榮喜) and Tianjin Qiankun Enterprise Management Partnership (Limited Partnership)* (天津仟堃企業管理合夥企業(有限合夥)), pursuant to which Renrui Human Resources Group agreed to invest RMB20.0 million (equivalent to approximately HK$24.7 million, subject to adjustments set out therein) into Tianjin Binhai in consideration for 15% equity interests of Tianjin Binhai, and a strategic cooperation agreement dated 15 October 2020 and entered into between Renrui Human Resources Group and Tianjin Binhai governing the post-investment cooperation between the parties, further details of which are set out in the Company's announcement dated 15 October 2020; and

(h) a supplemental agreement dated 2 September 2022 and entered into by the Target Company, the Seller and Tianjin Ruiyi supplementing the capital increase agreement entered into by the same parties on 15 September 2020 in relation to Tianjin Ruiyi's subscription of RMB5.0 million in the share capital of the Target Company at a consideration of RMB17.0 million (equivalent to approximately HK$21.0 million, subject to adjustments set out therein).

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Vigers Business Appraisal and Valuation Limited	Independent professional valuer

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter(s), report(s), opinion and/or references to its names in the form and context in which they respectively appear.

Each of the above experts has further confirmed that as at the Latest Practicable Date, it did not have any shareholding in any member of the Enlarged Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2021, being the date to which the latest published audited accounts of the Group have been made up.

10. GENERAL

(a) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business in Hong Kong of the Company is at 14/F., Golden Centre, 188 Des Voeux Road Central, Hong Kong.

(b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

(c) The joint company secretaries of the Company are Mr. Li Wenjia, who is a PRC certified public accountant, a PRC registered tax agent and a PRC certified public valuer, and Ms. Siu Pui Wah, who is a certified public accountant and a member of the Hong Kong Institute of Certified Public Accountants.

(d) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.renruihr.com) for a period of 14 days commencing from the date of this circular:

(a) the Sale and Purchase Agreement (together with supplemental agreement dated 2 June 2022 and second supplemental agreement dated 29 July 2022);

(b) the Restated Articles dated 2 September 2022;

(c) the accountant's report on historical financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the report on the compilation of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the valuation report prepared by the Valuer for the appraisal of the fair value of the Equity Interests as at 31 December 2021; and

(f) the written consents referred to in the section headed "Experts and Consents" in this appendix.