Renrui Human Resources Technology Holdings Limited
人瑞人才科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

SUMMARY OF ANNUAL RESULTS

	For the year ended 31 December		
	2020	2019	**Change**
RESULTS	**RMB'000**	RMB'000	
Revenue	**2,830,052**	2,287,601	**23.7%**
Operating profit	**198,541**	118,269	**67.9%**
Profit/(loss) for the year	**182,917**	(779,831)	**-123.5%**
Net cash generated from operating activities	**155,613**	150,512	**3.4%**
NON-HKFRS MEASURES			
Adjusted net profit(1)	**183,211**	134,262	**36.5%**
Adjusted net margin (%)(2)	**6.5**	5.9	**0.6**

Notes:

(1) Adjusted net profit refers to the net profit/(loss) for the year excluding fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**"). Adjusted net profit for the year is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

(2) Adjusted net margin is calculated as the adjusted net profit as a percentage of the revenue for the year.

	As at 31 December		**Change**
	2020	2019	
Number of flexible staffing employees	**35,762**	25,118	**42.4%**

The board (the "**Board**") of directors (the "**Directors**") of Renrui Human Resources Technology Holdings Limited (the "**Company**") recommends the payment of a final dividend of Hong Kong dollars ("**HKD**" or "**HK$**") 0.42 per share for the year ended 31 December 2020 (for the year ended 31 December 2019: nil), which is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on Thursday, 10 June 2021 (the "**Annual General Meeting**") .

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	3	**2,830,052**	2,287,601
Cost of revenue		**(2,559,188)**	(2,046,716)
Gross profit		**270,864**	240,885
Selling and marketing expenses		**(53,404)**	(42,868)
Research and development expenses		**(13,938)**	(13,372)
Administrative expenses		**(74,196)**	(89,750)
(Provision for)/reversal of net impairment losses on financial assets		**(2,941)**	53
Other income	4	**32,569**	21,158
Other gains, net	5	**39,587**	2,163
Operating profit		**198,541**	118,269
Finance income	6	**12,820**	1,562
Finance costs	6	**(2,950)**	(5,351)
Finance income/(costs), net		**9,870**	(3,789)
Fair value losses on hybrid financial instruments		**—**	(878,151)
Share of results of joint ventures		**(17)**	—
Profit/(loss) before income tax		**208,394**	(763,671)
Income tax expense	7	**(25,477)**	(16,160)
Profit/(loss) for the year		**182,917**	(779,831)
Profit/(loss) is attributable to:			
– Equity holders of the Company		**182,616**	(779,831)
– Non-controlling interests		**301**	—
Earnings/(loss) per share (expressed in RMB per share)			
– Basic earnings/(loss) per share	8	**1.19**	(12.42)
– Diluted earnings/(loss) per share	8	**1.07**	(12.42)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
Profit/(loss) for the year	**182,917**	(779,831)
Other comprehensive loss		
Items that may not be reclassified subsequently to profit or loss:		
Currency translation differences of the Company	**(72,154)**	(28,932)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of the subsidiaries	**39,735**	—
Changes in the fair value of financial assets at fair value through other comprehensive income	**(604)**	—
Other comprehensive loss for the year, net of tax	**(33,023)**	(28,932)
Total comprehensive income/(loss) for the year	**149,894**	(808,763)
Total comprehensive income/(loss) for the year is attributable to:		
– Equity holders of the Company	**149,593**	(808,763)
– Non-controlling interests	**301**	—

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**73,936**	84,499
Intangible assets		**3,144**	768
Investments in joint ventures		**19,683**	—
Derivative financial instruments	9	**2,580**	—
Other non-current assets		**7,043**	6,005
Deferred income tax assets		**12,678**	14,935
Restricted cash – non-current	9	**6,050**	—
Total non-current assets		**125,114**	106,207
Current assets			
Trade and notes receivables	10	**477,895**	341,452
Prepayments, deposits and other receivables		**12,046**	7,246
Financial assets at fair value through other comprehensive income	9	**185,827**	—
Restricted cash	9	**1,815**	—
Cash and cash equivalents		**967,225**	1,029,456
Total current assets		**1,644,808**	1,378,154
Total assets		**1,769,922**	1,484,361

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**53**	51
Share premium		**2,252,478**	2,170,559
Shares held for share-based payment scheme		**(66,609)**	—
Other reserves		**(62,048)**	(30,911)
Accumulated losses		**(889,712)**	(1,072,328)
		1,234,162	1,067,371
Non-controlling interests		**1,901**	—
Total equity		**1,236,063**	1,067,371
LIABILITIES			
Non-current liabilities			
Lease liabilities		**40,785**	54,381
Total non-current liabilities		**40,785**	54,381
Current liabilities			
Trade and other payables	11	**433,212**	316,875
Contract liabilities		**18,848**	22,016
Current income tax liabilities		**23,235**	4,669
Lease liabilities		**17,779**	19,049
Total current liabilities		**493,074**	362,609
Total liabilities		**533,859**	416,990
Total equity and liabilities		**1,769,922**	1,484,361

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total (deficit)/equity RMB'000
Balance at 1 January 2019	18	–	–	(6,933)	(292,497)	(299,412)	–	(299,412)
Comprehensive loss								
Loss for the year	–	–	–	–	(779,831)	(779,831)	–	(779,831)
Other comprehensive loss								
– Currency translation differences	–	–	–	(28,932)	–	(28,932)	–	(28,932)
Total comprehensive loss	–	–	–	(28,932)	(779,831)	(808,763)	–	(808,763)
Transactions with equity holders of the Company								
Share-based compensation	–	–	–	4,954	–	4,954	–	4,954
Issue of ordinary shares in connection with the listing, net of listing expenses	14	865,862	–	–	–	865,876	–	865,876
Conversion of preferred shares	19	1,304,697	–	–	–	1,304,716	–	1,304,716
Total transactions with equity holders of the Company	33	2,170,559	–	4,954	–	2,175,546	–	2,175,546
Balance at 31 December 2019	51	2,170,559	–	(30,911)	(1,072,328)	1,067,371	–	1,067,371
Balance at 1 January 2020	**51**	**2,170,559**	**–**	**(30,911)**	**(1,072,328)**	**1,067,371**	**–**	**1,067,371**
Comprehensive income								
Profit for the year	**–**	**–**	**–**	**–**	**182,616**	**182,616**	**301**	**182,917**
Other comprehensive loss								
– Currency translation differences	**–**	**–**	**–**	**(32,419)**	**–**	**(32,419)**	**–**	**(32,419)**
– Changes in the fair value of financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**(604)**	**–**	**(604)**	**–**	**(604)**
Total comprehensive income	**–**	**–**	**–**	**(33,023)**	**182,616**	**149,593**	**301**	**149,894**
Transactions with equity holders in their capacity as equity holders								
Share-based compensation	**–**	**–**	**–**	**1,886**	**–**	**1,886**	**–**	**1,886**
Exercise of share options	**1**	**10,224**	**–**	**–**	**–**	**10,225**	**–**	**10,225**
Acquisitions of shares held for share-based payment scheme	**–**	**–**	**(66,609)**	**–**	**–**	**(66,609)**	**–**	**(66,609)**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**1,600**	**1,600**
Issue of ordinary shares in connection with the listing, net of listing expenses	**1**	**71,695**	**–**	**–**	**–**	**71,696**	**–**	**71,696**
Total transactions with equity holders in their capacity as equity holders	**2**	**81,919**	**(66,609)**	**1,886**	**–**	**17,198**	**1,600**	**18,798**
Balance at 31 December 2020	**53**	**2,252,478**	**(66,609)**	**(62,048)**	**(889,712)**	**1,234,162**	**1,901**	**1,236,063**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**160,267**	150,847
Income tax paid	**(4,654)**	(335)
Net cash generated from operating activities	**155,613**	150,512
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(6,880)**	(12,162)
Purchase of intangible assets	**(2,692)**	(439)
Purchase of financial assets at fair value through profit or loss	**(1,762,022)**	(218,000)
Purchase of financial assets at fair value through other comprehensive income	**(278,953)**	—
Investments in joint ventures	**(22,250)**	—
Proceeds from disposal of property, plant and equipment	**101**	217
Proceeds from disposal of financial assets at fair value through profit or loss	**1,764,047**	218,108
Proceeds from disposal of financial assets at fair value through other comprehensive income	**95,692**	—
Interest received	**12,735**	1,454
Net cash used in investing activities	**(200,222)**	(10,822)
Cash flows (used in)/from financing activities		
Proceeds from issue of ordinary shares upon listing	**74,482**	908,386
Proceeds from exercise of share options	**10,225**	—
Proceeds from borrowings	**—**	70,390
Capital contribution from non-controlling shareholders of subsidiaries	**1,600**	—
Repayment of borrowings	**—**	(80,390)
Acquisition of shares held for share-based payment scheme	**(66,609)**	—
Payment of lease liabilities	**(23,897)**	(19,719)
Interest paid	**—**	(433)
Listing expenses paid	**(12,474)**	(30,923)
Net cash (used in)/generated from financing activities	**(16,673)**	847,311
Net (decrease)/increase in cash and cash equivalents	**(61,282)**	987,001
Cash and cash equivalents at beginning of the year	**1,029,456**	40,341
Effects of exchange rate changes on cash and cash equivalents	**(949)**	2,114
Cash and cash equivalents at end of the year	**967,225**	1,029,456

NOTES

1 General information

The Company was incorporated in the Cayman Islands on 14 October 2011 as an exempted company with limited liability. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group is principally engaged in the provision of flexible staffing services, professional recruitment services, business process outsourcing ("**BPO**") services and other human resources ("**HR**") solutions services in the People's Republic of China (the "**PRC**"). The ultimate controlling parties of the Company are Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei.

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

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

2 Summary of significant accounting policies

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

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except that the revaluation of financial assets at fair value through other comprehensive income ("**FVOCI**"), derivative financial instruments and hybrid financial instruments are measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has adopted the Amendment to HKFRS 16 - COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling approximately RMB885,000 were accounted for as negative variable lease payments and recognised in cost of revenue, administrative expenses, selling and marketing expenses and research and development expenses in the consolidated income statement for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There was no impact on the opening balance of equity as at 1 January 2020.

The Group has applied the following standards and amendments for the first time for their current reporting period commencing on 1 January 2020:

Amendments to HKAS 1 and HKAS 8 – Definition of Material
Amendments to HKFRS 3 – Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting

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

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards 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 2022
Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
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
Annual Improvements to HKFRS Standards 2018 –2020	1 January 2022

3 Segment information and revenue

(a) Description of segments and principal activities

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

In prior years, the original business analysis of the Group was mainly divided into three business segments, namely the flexible staffing segment, professional recruitment segment and other HR solutions segment.

In 2020, in view of the continuous development of the BPO services, the executive Directors consider it more informative and reflective of underlying business realities to examine the business performance of the Group according to the following operating segments:

Flexible staffing

The flexible staffing segment offers workers for customers who wish to focus on their core business or only require worker for limited time or a specific project. The Group provides workers contracted with the Group that the Group finds suitable for the job descriptions and assigns them to the customers.

Professional recruitment

The professional recruitment segment offers bulk recruitment service. The Group assists customers search for, identify and recommend suitable candidates for the job vacancies. Also, the Group assists customers' hiring process, which includes candidate assessments, screening and conducting candidate interviews.

BPO

The BPO segment offers sufficient number of employees to perform the whole business function outsourced to the Group under the Group's direct supervision, such as call center client services, etc.

Other HR solutions

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

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

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

(b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2020 was as follows:

	Year ended 31 December 2020				
	Flexible staffing RMB'000	Professional recruitment RMB'000	BPO RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	**2,576,352**	**69,292**	**150,565**	**33,843**	**2,830,052**
Segment gross profit	**190,386**	**27,414**	**24,164**	**28,900**	**270,864**
Unallocated:					
Selling and marketing expenses					**(53,404)**
Research and development expenses					**(13,938)**
Administrative expenses					**(74,196)**
Other income *(Note 4)*					**32,569**
Other gains, net *(Note 5)*					**39,587**
Provision for net impairment losses on financial assets					**(2,941)**
Finance income, net *(Note 6)*					**9,870**
Share of results of joint ventures					**(17)**
Profit before income tax					**208,394**
Income tax expense *(Note 7)*					**(25,477)**
Profit for the year					**182,917**

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2019 was as follows:

	Year ended 31 December 2019				
	Flexible staffing RMB'000	Professional recruitment RMB'000	BPO RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	2,150,950	63,509	51,753	21,389	2,287,601
Segment gross profit	192,078	22,536	7,819	18,452	240,885
Unallocated:					
Selling and marketing expenses					(42,868)
Research and development expenses					(13,372)
Administrative expenses					(89,750)
Other income *(Note 4)*					21,158
Fair value losses on hybrid financial instruments					(878,151)
Other gains, net *(Note 5)*					2,163
Reversal of net impairment losses on financial assets					53
Finance costs, net *(Note 6)*					(3,789)
Loss before income tax					(763,671)
Income tax expense *(Note 7)*					(16,160)
Loss for the year					(779,831)

(c) Segment assets and segment liabilities

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

(d) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Flexible staffing	**2,576,352**	2,150,950
Professional recruitment		
– Recruitment	**67,857**	57,629
– Paid membership	**1,435**	5,880
BPO	**150,565**	51,753
Other HR solutions		
– Corporate training	**1,026**	1,616
– Labour dispatch	**4,946**	7,067
– Other miscellaneous services *	**27,871**	12,706
	2,830,052	2,287,601

* For the year ended 31 December 2020, other miscellaneous services mainly included tailored employee management solutions to the customers, which was recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance.

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

2020	**Flexible staffing RMB'000**	**Professional recruitment RMB'000**	**BPO RMB'000**	**Other HR solutions RMB'000**	**Total RMB'000**
Timing of revenue recognition					
At a point in time	**—**	**68,262**	**—**	**1,026**	**69,288**
Over time	**2,576,352**	**1,030**	**150,565**	**32,817**	**2,760,764**
	2,576,352	**69,292**	**150,565**	**33,843**	**2,830,052**

2019	Flexible staffing RMB'000	Professional recruitment RMB'000	BPO RMB'000	Other HR solutions RMB'000	Total RMB'000
Timing of revenue recognition					
At a point in time	—	61,951	—	1,616	63,567
Over time	2,150,950	1,558	51,753	19,773	2,224,034
	2,150,950	63,509	51,753	21,389	2,287,601

(iii) Information about major customers

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Customer group A	**1,092,563**	784,621

4 Other income

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants (i)	**23,677**	18,111
Additional deduction of input value-added tax ("**VAT**") (ii)	**4,735**	2,881
Interest from financial assets at FVOCI (Note 9)	**3,136**	—
Others	**1,021**	166
	32,569	21,158

(i) The government grants booked as other income mainly represented financial support funds from local government. There were no specific conditions or other contingencies attaching to these grants, and therefore, the Group recognised the grants upon receipts.

(ii) Pursuant to the "Announcement on Relevant Policies for Deepening the Value-added Tax Reform" (Cai Shui Haiguan [2019] No.39) (「關於深化增值稅改革有關政策的公告」(財稅海關[2019]第39號)) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the Company's certain subsidiaries qualified for an additional 10% deduction of input VAT from output VAT from 1 April 2019 to 31 December 2021.

5 Other gains, net

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Exchange gains - net	**30,741**	2,136
Net gains on financial assets at FVPL (i)	**9,968**	—
Fair value gains on derivative financial instruments	**30**	—
Gains on early termination of lease contracts	**77**	326
Donation expenditure	**(1,051)**	—
Net losses on disposal of property, plant and equipment	**(4)**	(87)
Others	**(174)**	(212)
	39,587	2,163

(i) The net gains mainly represented the investment income from financial assets at FVPL, which were disposed of during the year ended 31 December 2020.

6 Finance income and costs

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents	**12,820**	1,562
Finance income	**12,820**	1,562
Finance costs		
Interest expense		
– lease liabilities	**(2,950)**	(4,854)
– borrowings	**—**	(497)
Finance costs expensed	**(2,950)**	(5,351)
Finance income/(costs), net	**9,870**	(3,789)

7 Income tax expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax	**(23,220)**	(5,004)
Deferred income tax	**(2,257)**	(11,156)
	(25,477)	(16,160)

Cayman Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2020 and 2019.

*PRC corporate income tax ("**CIT**")*

CIT provision is made on the estimated assessable profits of entities within the Group incorporated in the PRC and is calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended 31 December 2020 and 2019 except for those as discussed below:

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

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

Pursuant to the "Notice on Implementation of Income Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No.13) (「關於實施小微企業普惠性稅收減免政策的通知 (財稅[2019]第13號))" jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2019 to 31 December 2021, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount for CIT calculation purpose, and shall be subject to CIT at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 50% as taxable income amount, and shall be subject to CIT at 20% tax rate. Certain subsidiaries of the Group set up during the year ended 31 December 2020 were qualified for this policy and were entitled to the preferential tax rate of 20% as mentioned above.

Withholding tax on undistributed dividends

According to CIT law, distribution of profits earned by PRC companies since February 2015 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During years ended 31 December 2020 and 2019, the PRC companies within the Group did not have any profit distribution plan.

8 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

	Year ended 31 December	
	2020	2019
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	**182,616**	(779,831)
Weighted average number of ordinary shares in issue (thousands)	**152,998**	62,779
Basic earnings/(loss) per share attributable to the equity holders of the Company (RMB per share)	**1.19**	(12.42)

(b) Diluted earnings/(loss) per share

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

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

Share options granted to employees were assumed to be potential ordinary shares and have been included in the determination of diluted earnings per share for the year ended 31 December 2020. The 390,000 share options granted on 29 October 2020 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2020. These share options could potentially dilute basic earnings per share in the future.

The diluted earnings per share for the year ended 31 December 2020 was as following:

	Year ended 31 December 2020
Profit attributable to the equity holders of the Company (RMB'000)	**182,616**
Weighted average number of ordinary shares in issue (thousands)	**152,998**
Adjustments for calculation of diluted earnings per share (thousands):	
- Share options	**18,043**
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	**171,041**
Diluted earnings per share attributable to the equity holders of the Company (RMB per share)	**1.07**

The Company had two categories of dilutive potential ordinary shares: share options and convertible redeemable preferred shares during the year ended 31 December 2019. As the Group incurred losses for the year ended 31 December 2019, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended 31 December 2019 was the same as basic loss per share of the same period.

9 Financial instruments by category

The Group held the following financial instruments:

Financial assets

		As at 31 December	
	Note	**2020**	2019
		RMB'000	RMB'000
Financial assets at amortised cost			
Trade and notes receivables	10	**477,895**	341,452
Deposits and other receivables		**1,731**	2,458
Other non-current assets (i)		**7,043**	6,005
Restricted cash (ii)		**7,865**	—
Cash and cash equivalents		**967,225**	1,029,456
Financial assets at fair value through other comprehensive income			
Certificates of deposit (iii)		**185,827**	—
Financial assets at fair value through profit or loss			
Derivative financial instruments		**2,580**	—
		1,650,166	1,379,371

Financial liabilities

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	11	**50,632**	54,345
Lease liabilities		**58,564**	73,430
		109,196	127,775

(i) Other non-current assets mainly included deposits paid for lease contracts that would be repaid at the end of the relevant leasing periods.

(ii) Restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificate.

(iii) As at 31 December 2020, the Group held certain certificates of deposit of approximately RMB185,827,000 (31 December 2019: nil), which will be due within one year.

During the year ended 31 December 2020, interest income with an amount of approximately RMB3,136,000 from certain investments in corporate bonds and certificates of deposit measured at FVOCI was recognised in profit or loss as part of other income (Note 4).

10 Trade and notes receivables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	**477,829**	338,600
Less: provision for impairment of trade receivables	**(8,952)**	(5,916)
Trade receivables - net	**468,877**	332,684
Notes receivables	**9,018**	8,768
	477,895	341,452

The Directors considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2020 and 2019.

The Group generally allows a credit period of 10 to 70 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
– within 3 months	**471,980**	304,100
– 4 months to 6 months	**1,359**	30,070
– 7 months to 9 months	**318**	752
– 10 months to 12 months	**115**	10
– Over 12 months	**4,057**	3,668
	477,829	338,600

Impairment and risk exposure

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

11 Trade and other payables

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables due to third parties	**18,350**	13,496
Trade payables due to a related party	**1,913**	—
Accrued payroll and welfare	**341,621**	227,087
VAT and surcharges	**40,959**	35,443
Risk deposit due to customers	**12,687**	11,044
Listing expenses payables	**—**	21,413
Others	**17,682**	8,392
	433,212	316,875

As at 31 December 2020 and 2019, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare and VAT and surcharges, which were not financial liabilities, approximated their carrying amounts due to short maturities.

As at 31 December 2020 and 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables		
– Within 6 months	**18,040**	9,996
– 7 months to 12 months	**433**	3,500
– Over 12 months	**1,790**	—
	20,263	13,496

12 Dividends

At the Board meeting held on 29 March 2021, the Directors proposed a final dividend for the year ended 31 December 2020 of HK$0.42 per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of reserves for the year ending 31 December 2021 upon approval by the shareholders at the forthcoming Annual General Meeting of the Company.

No dividends were paid or declared by the Company during the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET REVIEW

Benefiting from the rapid control plan for the novel coronavirus disease ("**COVID-19**") and the economic recovery policies implemented by the PRC government, the gross domestic product (the "**GDP**") of the PRC recorded a real growth rate of approximately 2.3% in 2020 as estimated by the International Monetary Fund (the "**IMF**"), and that the PRC was the only major economy in the world to achieve positive economic growth in 2020 (both according to an industry report issued by China Insights Consultancy ("**CIC**")). The demand-to-supply ratio for talents in the public labour market of the PRC has reached 1.40 in the third quarter of 2020. The annual growth rate of the HR services market of the PRC in 2020 in terms of revenue was approximately 5.6%, of which the annual growth rate of the flexible staffing services market in terms of revenue was approximately 12.1%, and the number of flexible staffing employees hired as at 31 December 2020 increased by approximately 9.7% as compared with the previous year.

As at 31 December 2020, the HR services industry in the PRC remained highly fragmented with approximately 39,000 or more market participants and competition is intense. According to CIC's report, the Group ranked the first among all flexible staffing services providers in the PRC not only in terms of the number of flexible staffing employees hired as at 31 December 2020, with a market share of approximately 2.3%, but also in terms of annual flexible staffing revenue in 2020, with a market share of approximately 3.1%.

BUSINESS REVIEW

We are the largest scale of flexible staffing services provider in the PRC in terms of the number of flexible staffing employees hired by the end of 2020 and revenue generated from flexible staffing services in 2020, according to CIC's report. The number of our flexible staffing employees increased from 25,118 as at 31 December 2019 to 35,762 as at 31 December 2020. We recruited a total of 73,420 employees for all of the Group's business segments for the year ended 31 December 2020, representing a decrease of approximately 1.8% in our total number of employees recruited as compared to that of 2019.

For the year ended 31 December 2020, the revenue of the Group amounted to approximately RMB2,830.1 million, representing an increase of approximately 23.7% as compared to that for the year ended 31 December 2019. Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)" issued on 20 February 2020 and "The Guidance Opinions of National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration about the Temporary Reduction of Basic Medical Insurance Premiums Payable by Employees (No. 6 [2020] National Healthcare Security Administration)" issued on 21 February 2020, each member of the Group was entitled to social insurance premium exemption amounted to approximately RMB109.2 million from February to June 2020. Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Extension of Implementation Period of Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (No. 49 [2020] of the Ministry of Human Resources and Social Security)" issued on 22 June 2020, each of the subsidiaries of the Company was entitled to social insurance premium exemption amounted to approximately RMB87.9 million from July to December 2020. In line with our rationale of going through difficult times with our clients, we have waived part of our flexible staffing service fees payable by our clients. Without this business arrangement, revenue for 2020 would have increased by approximately 32.3% year-on-year as compared to that for 2019.

The Group's revenue and operating results by respective business segments for the year ended 31 December 2020 are as follows:

	For the year ended 31 December					
	2020		2019		2018	
	Revenue RMB' 000	**% to total revenue**	Revenue RMB' 000	% to total revenue	Revenue RMB' 000	% to total revenue
Flexible staffing	**2,576,352**	**91.0**	2,150,950	94.0	1,514,950	93.7
Professional recruitment						
• Recruitment	**67,857**	**2.4**	57,629	2.5	62,434	3.9
• Paid membership	**1,435**	**0.1**	5,880	0.3	5,935	0.4
BPO	**150,565**	**5.3**	51,753	2.3	22,964	1.4
Other HR solutions						
• Corporate training	**1,026**	**0.0**	1,616	0.1	965	0.1
• Labour dispatch	**4,946**	**0.2**	7,067	0.3	8,643	0.5
• Other miscellaneous services	**27,871**	**1.0**	12,706	0.5	—	–
Total	**2,830,052**	**100.0**	2,287,601	100.0	1,615,891	100.0

New economy companies have always been the focus of our services. The annual growth rate of the new economy industries in the PRC in 2020 was approximately 16.3%. According to CIC's report, our revenue generated from clients in new economy industries accounted for approximately 88.9% of our overall revenue for the year ended 31 December 2020. Among the 265 unicorn companies listed in the survey report for 2020 in relation to the unicorn companies in the PRC as identified by CIC, approximately 50.4% of our total revenue was contributed by the unicorn companies for the year ended 31 December 2020. We continued to adhere to our strategy to focus on serving our major clients. Revenue generated from our five largest clients amounted to approximately RMB1,506.2 million, accounting for approximately 53.2% of our total revenue for the year ended 31 December 2020, of which our largest client contributed approximately 38.6% to our total revenue for the year ended 31 December 2020. In 2020, approximately 82.1% of our total revenue was generated from our recurring clients.

Flexible Staffing

Revenue generated from flexible staffing services for the year ended 31 December 2020 amounted to approximately RMB2,576.4 million, representing an increase of approximately 19.8% as compared to approximately RMB2,151.0 million for the year ended 31 December 2019. In addition, in line with our rationale of going through difficult times resulting from the outbreak of COVID-19 pandemic with our clients, we have waived part of our flexible staffing service fees payable by our clients. Without this business arrangement, revenue generated from flexible staffing services for 2020 would have increased by approximately 28.9% as compared to that for 2019. The number of flexible staffing employees increased from 25,118 as at 31 December 2019 to 35,762 as at 31 December 2020, representing an increase of approximately 42.4%. We recruited 44,851 flexible staffing employees in 2020, which included an addition of 9,884 flexible staffing employees, representing an increase of approximately 28.3% as compared to 34,967 flexible staffing employees in 2019.

Our flexible staffing clients consist of companies operating in a wide range of industries and of different sizes. As at 31 December 2020, we had deployed over 31,387 flexible staffing employees for new economy company clients, accounting for approximately 87.8% of our total number of flexible staffing employees deployed.

The turnover rate of flexible staffing employees decreased from approximately 9.9% in 2019 to approximately 9.0% in 2020. The decrease in the turnover rate of flexible staffing employees was mainly due to the fact that the control of the turnover rates of flexible staffing projects has become an important performance indicator for the daily work of our senior consultation team and onsite teams since the second half of 2019. Based on the monthly turnover rate assessment indicators, the senior consultation team and onsite teams formulated a proprietary management and control plan on flexible staffing employee turnover rate for different projects, particularly key projects, and ensured the effective implementation of the plan through the management method of Plan-Do-Check-Action (PDCA).

The table below sets forth a breakdown of our placements by the type of clients as at the dates indicated:

	As at 31 December					
	2020		2019		2018	
	Number of contract employees (1)	**% of total contract employees (1)**	Number of contract employees (1)	% of total contract employees (1)	Number of contract employees (1)	% of total contract employees (1)
New Economy (2)	**31,387**	**87.8**	20,623	82.1	17,054	87.6
Financial institutions	**1,260**	**3.5**	1,240	4.9	1,255	6.4
Real estate	**164**	**0.5**	527	2.1	257	1.3
Others (3)	**2,951**	**8.2**	2,728	10.9	898	4.7
Total	**35,762**	**100.0**	25,118	100	19,464	100.0

Notes:

(1) Contract employees represent only flexible staffing employees.

(2) New economy generally refers to industries that rely inherently on technological advancements, such as the internet, business services, hardware and software technologies, media and entertainment industries, and traditional industries that are being transformed as a result of innovations, such as retail, healthcare, finance and new energy industries, according to the latest CIC's report issued in 2020.

(3) Others mainly include offline education, retail, logistics and manufacturing.

Professional Recruitment

For the year ended 31 December 2020, revenue generated from professional recruitment amounted to approximately RMB69.3 million, representing an increase of approximately 9.1% as compared to approximately RMB63.5 million for the year ended 31 December 2019, among which recruitment revenue amounted to approximately RMB67.9 million, representing an increase of approximately 17.9% as compared to approximately RMB57.6 million for the year ended 31 December 2019. In the face of the outbreak of COVID-19 pandemic in 2020, the recruitment revenue for the year ended 31 December 2020 did not decrease, but increased instead, mainly benefiting from the implementation of economic recovery policies by the PRC government, leading to restoration in recruitment demand of new economy enterprises with rapid development in the second half of the year. We expanded the scale of our recruitment team and helped new project managers significantly improve their recruitment capabilities through the "Wave Training Project (後浪培訓計劃)" in response to the significant increase in recruitment demand from clients in the second half of the year, thereby achieving a record-high professional recruitment revenue. In 2020, we recruited 28,569 employees for our clients, representing a decrease of approximately 28.2% as compared to approximately 39,768 employees recruited in 2019. This was mainly because (i) we recruited only 8,713 employees for our clients during the first half of 2020, representing a year-on-year decrease of approximately 58.5%, due to the impact of COVID-19 pandemic; and (ii) since 2019, professional recruitment has gradually shifted from serving clients simply with continuous staffing demand in bulk to focusing on recruitment positions with high-value and high unit price. In particular, since the second half of 2020, we have gradually improved the matching accuracy of candidates of professional recruitment with clients and gained a competitive edge by providing professional recruitment services to high-value clients.

With the improvement of our integrated HR ecosystem on recruitment efficiency, the conversion rate from offer to on-boarding was approximately 54.9% in 2020, representing a slight increase as compared to approximately 54.6% in 2019. The number of registered candidates on the Xiang Recruitment Platform (香聘, our proprietary recruitment platform) was approximately 2,590,000, and the number of new registered individual users in 2020 amounted to approximately 680,000. Affected by the outbreak of COVID-19 pandemic, the number of candidate visits to traditional offline recruitment activities decreased significantly. As a result, we changed our previous recruitment approach based on offline recruitment activities to online recruitment activities, and our recruitment project managers began to acquire candidates through our WeCom community, identify candidates' intention to seek jobs by chatting with candidates through WeCom and label the candidates according to their intention to seek jobs. The Xiang Recruitment Platform would automatically recommend suitable positions to candidates based on their labels, and directly invite candidates to clients' workspaces for interviews. In 2020, nearly 23,500 recruitment events were held by inviting candidates to clients' workspaces for interviews.

BPO

Clients sometimes choose to outsource the entire business operation unit to us in order to further ease their administrative burden, including the staffing requirement and the obligation to supervise these contract employees. Different from flexible staffing, contract employees on BPO assignments often work under our own supervision and at our own office site. For the year ended 31 December 2020, revenue generated from BPO services amounted to approximately RMB150.6 million, representing an increase of approximately 190.7% as compared to approximately RMB51.8 million for the year ended 31 December 2019. We were also appointed by clients to provide BPO services including client service representatives, information verification and telemarketing services. The significant growth in BPO services was mainly attributable to the following factors:

(i) our long-term clients who engaged us for the provision of flexible staffing services, especially those in the new economy and internet sectors, brought us business opportunities on BPO services approximately 64.6% of our BPO clients have engaged us for our flexible staffing services and HR services such as professional recruitment and training services. As our BPO professional service capabilities continue to improve, the number of clients who work exclusively with us for our BPO services also continues to increase; and

(ii) we adopted the "Business Partnership Program" for the first time on 28 May 2020, and entered into framework agreements with two cooperative teams with an average of approximately 10 years of experience in the BPO industry to form two respective non wholly-owned subsidiaries to engage in BPO services which were set up in Yingkou, Liaoning and Tai'an, Shandong. Among which, the BPO service center in Tai'an, Shandong completed its renovation work and started in operation since November 2020, which can accommodate approximately 1,500 contract employees to provide client service representatives and information verification services.

Other HR Solutions

Corporate Training

We provide training and development courses which are tailored to the specific situations and needs of our clients. For the year ended 31 December 2020, the total revenue generated from corporate training amounted to approximately RMB1.0 million, representing a decrease of approximately 37.5% as compared to approximately RMB1.6 million for the year 31 December 2019. In 2020, we provided 59 training courses to over 27 clients, of which approximately 20 clients also engaged us for our flexible staffing or professional recruitment services.

Labour Dispatch Services

Unlike typical flexible staffing arrangement where the labour contract arrangement and labour relations are between us and the contract employee, our labour dispatch services involve a tripartite legal relationship among the contract employees, our clients and us, in which the client has a legal relationship with the contract employees while we only charge a lower service fee for administrative matters. Comparing to flexible staffing services, labour dispatch services are of lower value and are not our principal business for future development. For the year ended 31 December 2020, the total revenue generated from labour dispatch services amounted to approximately RMB4.9 million, representing a decrease of approximately 31.0% as compared to approximately RMB7.1 million for the year ended 31 December 2019.

Other Miscellaneous Services

Other miscellaneous services include HR services consultation, talent assessment and tailored employee management solutions, all of which were first offered in 2019 to our clients, in particular, those who recognise our expertise in managing flexible staffing employees and projects with services of assisting in the management of their existing flexible staffing projects. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans on certain projects. For the year ended 31 December 2020, revenue generated from other miscellaneous services amounted to approximately RMB27.9 million, representing an increase of approximately 119.7% as compared to the total amount of approximately RMB12.7 million for the year ended 31 December 2019.

International Business

Our international business expanded from India to Hong Kong, Vietnam and other countries and regions in 2020. In 2020, we achieved total revenue of approximately RMB93.7 million outside of mainland China. In addition to the scope of our operations under the Operational Qualification Certificate for Labour Service Cooperation with foreign parties, we sent Chinese employees to our overseas customers. Similar to the recruitment services and BPO services we previously provided to our clients in India, we subcontract the flexible staffing, recruitment and BPO services we undertake from our Chinese clients to local HR companies by cooperating with them. Up to now, we have built a comprehensive network of international HR services and entered into cooperation framework agreements with 31 HR companies in 28 countries and regions. In addition, with an aim of entering the Indian market, we are in the process of establishing a company with an HR service company in India.

Research and Development ("R&D") of Integrated HR Ecosystem

In 2020, we hired a chief technology officer, who is responsible for the overall planning and design of the research and development of our integrated HR ecosystem. We also upgraded the existing R&D teams in 2020 by centrally managing all R&D personnel in Shanghai and establishing a data center based on the existing Shanghai R&D team, which is responsible for the R&D and operation of the middle-end data platform, expanding the scale of the overall R&D teams. As at 31 December 2020, our R&D teams had 36 members, who were mainly software engineers with university or college degrees, with an average of over seven years of R&D experience in the internet and technologies related industry. During the year, we incurred approximately RMB13.9 million in R&D for the followings:

(a) Optimisation of existing systems and platforms:

   (i) we launched an online interview function on the Xiang Recruitment Platform to help recruitment teams and clients complete interviews during the outbreak of COVID-19 pandemic;

   (ii) during the implementation of the bulk recruitment model based on WeCom community operations, we had developed a micro-resume system, in which our recruitment project managers operate the candidate's community through WeCom. Meanwhile, the recruitment project managers identify candidates' intention to seek jobs by chatting with candidates through WeCom and label the candidates according to their intention to seek jobs. The Xiang Recruitment System will recommend suitable positions to candidates automatically based on their labels;

   (iii) in the first half of 2020, we completed the customised development of Rui Cloud Management System (瑞雲, our proprietary management system) and Rui Recruiting System (瑞聘, our proprietary recruitment process management system) for our key clients. In the second half of 2020, we optimised the Rui Recruiting System to recruit project managers to operate the work platform, such as finishing the development of interview recommendation function and the update of recruitment efficiency report statistics; and

   (iv) we completed the development of the Rui Home Platform (瑞家園, our proprietary management platform) to include the functions of registration of health information of contract employees, office hour registration under the work-from-home arrangement, and online application for work resumption certificate. These functions provided solutions for our flexible staffing clients to manage the contract employees during the outbreak of COVID-19 pandemic.

(b) We completed the R&D of the home seats management system for the outsourcing of distribution business in 2020. Such system was tested in our recruitment business department and first business department of BPO. Our project managers can allocate tasks to and manage the work of the disabled employees who work from home through the home seats management system for the outsourcing of distribution business.

(c) We completed the R&D of the "Renrui IT" (人瑞IT), the WeChat public account of our software developers for flexible staffing recruitment in the fourth quarter of 2020. "Renrui IT" connects with the Rui Recruiting System, achieving the online management of the recruitment procedures of software developers. As at 31 December 2020, the WeChat public account "Renrui IT" had over 10,000 followers.

(d) Application of eleven software copyrights:

In 2020, we applied for a total of 11 software copyrights based on the newly developed system functions, with the cumulative number of our software copyrights reaching 68.

By utilising our integrated HR ecosystem, our per capita efficiency has improved. The net profit per capita generated by our internal staff in the last three years sets out as follows:

	2020	2019	2018
Adjusted net profit (RMB'000)	**183,211**	134,262	67,690
Average number of internal employees (Note)	**767**	623	579
Net profit per capita for the year (RMB'000/person)	**238.9**	215.5	116.9

Note: The average number of internal employees for a year was calculated by adding the number of internal employees at the end of a given year with the number of internal employees at the end of the previous year and divided by two.

Our Suppliers

We source certain services from third-party suppliers and service providers, which mainly include social insurance and housing provident fund processing agents, call center and technical support for BPO services, transportation services, other HR solutions providers for candidate sourcing, and subcontractors for flexible staffing or BPO services. For the year ended 31 December 2020, the amount of purchases from our five largest suppliers accounted for approximately 3.2% of our total cost of revenue. In 2020, our subcontracting costs amounted to approximately RMB26.0 million, accounting for approximately 1.0% of our total cost of revenue. All our subcontractors are independent third parties, and we are not overly dependent on any subcontractor.

Human Resources

As at 31 December 2020, we had a total of 43,078 employees based in various cities in the PRC, among which we had 889 internal employees, representing an increase of 244 employees, or an increase of approximately 37.8% as compared to 645 employees as at 31 December 2019. The average age of our internal employees was less than 28 years old, and approximately 98.0% of our internal employees had a university degree or above. Young employees provide more energy and motivation to our entire team, and their good education background enables us to provide clients with more professional HR services. The table below sets forth the total number of employees by function as at 31 December 2020:

Function	Number of Employees	% of total Employees
Internal Employees		
— Senior management	4	0.0
— R&D	36	0.1
— Sales and marketing	110	0.3
— Project management/execution	644	1.5
— Others *(Note)*	95	0.2
Subtotal	**889**	**2.1**

Function	Number of Employees	% of total Employees
Contract Employees		
— Flexible staffing employees	35,762	83.0
— Labour dispatch employees	3,552	8.2
— BPO employees	2,875	6.7
Subtotal	**42,189**	**97.9**
Total	**43,078**	**100.0**

Note: Others mainly include back-office support staff, such as legal department, finance department, and HR department.

The Group offers competitive remuneration packages to its internal employees, which are determined in accordance with the relevant laws and regulations in the places where the Group operates and the individual qualifications, experience and performance of the employees concerned, as well as market salary levels. In addition, the Group provides employees with other comprehensive benefits, including social insurance and housing provident funds, in accordance with the regulations of the labour contract signing companies and the applicable laws of the cities where the employees are actually based. For the year ended 31 December 2020, the Group's labour costs amounted to approximately RMB2,520.6 million, of which internal labour costs amounted to approximately RMB149.5 million, representing an increase of approximately RMB37.1 million or approximately 33.0% as compared to that in 2019. This was mainly due to the increase in the number of internal employees, the advancement in remuneration packages and the new employment of a number of mid-level management personnel with competitive remunerations to enhance our professional capabilities in terms of flexible staffing services, recruitment skills and R&D system.

Pursuant to the two pre-IPO share option schemes adopted by the Group on 12 March 2019 (namely, the mid-senior level management pre-IPO share option scheme and the non-managerial employee pre-IPO share option scheme), options to subscribe for a total of 22,904,600 new ordinary shares of the Company (the "**Shares**") were granted, of which (i) options to subscribe for a total 314,600 Shares were lapsed as at 31 December 2020, (ii) options to subscribe for a total of 2,795,500 Shares were exercised as at November 2020, and (iii) options to subscribe for a total of 19,794,500 Shares remained unexercised as at 31 December 2020, including the options to subscribe for 3,343,300 Shares which were vested in June 2020, the options to subscribe for 6,089,100 Shares were vested in December 2020 and the remaining options had not yet been vested as at 31 December 2020.

The Group adopted the post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") on 26 November 2019. On 26 June 2020, the Group made certain amendments to the Post-IPO Share Award Scheme, in relation to, among others: (i) the settlement and/or payment of award; (ii) the cessation as an eligible person by reason of cessation of employment and other events; and (iii) the scheme limit, primarily for the purpose of adopting the changes consequential on the entering into of the trust deed entered into between the Company and Trident Trust Company (HK) Limited, as the trustee (the "**Trustee**"), for the administration of the Post-IPO Share Award Scheme. For further details, please refer to the announcement of the Company dated 26 June 2020.

As at the date of this announcement, the Trustee, via a limited liability company established by the Trustee to hold the fund of the trust constituted by the abovementioned trust deed, purchased in aggregate 3,656,200 Shares from the market in three tranches for the purpose of the Post-IPO Share Award Scheme. For further details, please refer to the announcements of the Company dated 14 July 2020, 15 September 2020 and 14 January 2021 respectively.

On 22 January 2021, the Group granted share awards comprising a total of 2,300,000 award shares to 29 awardees under the Post-IPO Share Award Scheme. The awarded Shares shall be vested in three batches. The benchmarked price of the award shares is HK$25 per award share. For further details, please refer to the announcement of the Company dated 22 January 2021.

The Group also adopted the Post-IPO Share Option Scheme on 26 November 2019, and (i) on 29 October 2020, the Company granted options to three executive Directors under the Company's Post-IPO Share Option Scheme which entitles them to subscribe for a maximum of 390,000 Shares. The exercise price of the options is HK$30.0 per share; and (ii) on 22 January 2021, the Company granted options to 20 grantees under the Post-IPO Share Option Scheme which entitles the grantees to subscribe for a maximum of 2,560,000 shares, among which, options to subscribe for a total 160,000 shares were granted to four Directors, while the remaining options were granted to the employees of the Group. The exercise price of the options is HK$27.3 per share. For further details, please refer to the announcements of the Company dated 29 October 2020 and 22 January 2021.

To further enhance our professional service capabilities, we organised a number of staff training courses for 889 internal employees in 2020, among which the one-month "Wave Training Project" organised particularly for the new recruitment project managers from 12 October 2020 to 13 November 2020 was the most successful training. The training played a significant role in improving the professional skills for rapid recruitment of our newly recruited personnel. The entire "Wave Training Project" was under strict control starting from the recruitment of new employees, and we have selected candidates with strong stress resistance and undergraduate degrees. The whole training process was highly intensive with 60 courses, 18 topics including corporate culture, professional recruitment and flexible staffing services management, more than 30 case analysis training sessions and 3 on-the-job training sessions. The staff trained under the "Wave Training Project" soon demonstrated strong execution capability in the annual peak season of professional recruitment projects in November 2020 and December 2020. As the "Wave Training Project" was successfully held in 2020, we will organise the second "Wave Training Project" in April 2021 for our recruitment project managers newly hired in March and April 2021.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the total revenue of the Group amounted to approximately RMB2,830.1 million, representing an increase of approximately RMB542.5 million or approximately 23.7% as compared to approximately RMB2,287.6 million for the year ended 31 December 2019. This was due to the increase in the revenue generated from flexible staffing services and BPO services, of which revenue from flexible staffing services increased by approximately RMB425.4 million or 19.8%, and revenue from BPO services increased by approximately RMB98.8 million or 190.7%, when compared to that of 2019. The increase in the revenue from these two business segments was mainly due to the increase in the number of contract employees deployed to flexible staffing and BPO services.

Cost of Revenue

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

For the year ended 31 December 2020, the Group's total cost of revenue amounted to approximately RMB2,559.2 million, representing an increase of approximately RMB512.5 million or approximately 25.0% as compared to approximately RMB2,046.7 million for the year ended 31 December 2019. The increase in cost of revenue was mainly due to the fact that (i) our employee benefit expenses and travelling expenses increased by approximately RMB488.4 million in aggregate, which was in line with the increase in the number of flexible staffing employees; (ii) along with the growth of our international business, the volume of business subcontracted to overseas HR companies through our established international HR service network also increased accordingly; and in 2020, we set up a BPO satellite service center in Jinzhou through cooperating with a supplier, who undertook some of our phased spillover business. These two factors led to an increase of approximately RMB16.8 million in subcontracting costs. In addition, the average labour cost of the flexible staffing employees managed by us was approximately RMB6,800 per month in 2020, representing a decrease from approximately RMB7,600 per month in 2019. This was mainly due to the reduction by the PRC government of the amount of social insurance contribution payable by enterprises from February 2020 to December 2020.

In order to facilitate the recovery of the economy of the PRC from the outbreak of COVID-19 pandemic, the PRC government implemented a series of policies to stimulate economic growth and for corporate relief in 2020. Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)" issued on 20 February 2020, "The Guidance Opinions of National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration about the Temporary Reduction of Basic Medical Insurance Premiums Payable by Employees (No. 6 [2020] National Healthcare Security Administration)" issued on 21 February 2020 and "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Extension of Implementation Period of Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (No. 49 [2020] of the Ministry of Human Resources and Social Security)" issued on 22 June 2020, each of the subsidiaries of the Company was entitled to social insurance premium exemption amounted in aggregate to approximately RMB197.1 million from February 2020 to December 2020.

Gross Profit and Gross Profit Margin

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

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Flexible staffing	**190,386**	**7.4**	192,078	8.9
Professional recruitment	**27,414**	**39.6**	22,536	35.5
BPO	**24,164**	**16.0**	7,819	15.1
Other HR solutions	**28,900**	**85.4**	18,452	86.3
Total	**270,864**	**9.6**	240,885	10.5

Our gross profit margin for the year ended 31 December 2020 was approximately 9.6%, representing a decrease of approximately 0.9% from approximately 10.5% for the year ended 31 December 2019, which was mainly due to the reasons below:

(a) The gross profit margin of flexible staffing services decreased from approximately 8.9% in 2019 to approximately 7.4% in 2020, which was mainly due to the outbreak of COVID-19 pandemic in the first half of 2020 led to a decrease in the demand for labour from our customers, and the Group's recruitment activities for flexible staffing employees commenced in the first half of 2020 were significantly reduced accordingly. However, there was no reduction in fixed costs and expenses such as rents for offices rented for a long period of time for holding recruitment activities, and wages for our own employees providing flexible staffing recruitment and service management. With COVID-19 pandemic being under control in the PRC in the second half of 2020 and the implementation of economic recovery policies by the PRC government, labour demand of leading new economy companies restored. The service premium rate for newly undertaken flexible staffing projects in the second half of 2020 gradually returned to the usual market level. As a result, the gross margin of flexible staffing in the second half of 2020 improved as compared to that in the first half of 2020.

(b) The gross profit margin of professional recruitment services increased from approximately 35.5% in 2019 to approximately 39.6% in 2020. In the first half of 2020, a series of pandemic prevention measures were taken by the PRC government due to the outbreak of COVID-19 pandemic which prevented the Group from commencing its offline recruitment activities in the first half of 2020, while the expenditure on fixed costs such as the rent of the long-term leased office for the purpose of holding offline recruitment events and related internal employees' benefit expenses did not decrease, leading to a significant decrease in the gross profit margin of professional recruitment services in the first half of 2020 as compared to that in 2019. However, with COVID-19 pandemic being under control in the second half of 2020, the implementation of economic recovery policies led to a restoration of recruitment demand from numerous new economy leading companies. As such, we have seized the opportunities to acquire a batch of high-value clients with high demand for staffing for rapid business development, which enhanced the gross profit margin of our professional recruitment service in 2020 as a whole.

(c) The gross margin of BPO services increased from approximately 15.1% in 2019 to approximately 16.0% in 2020, primarily due to (i) improved management capabilities resulting in greater efficiency in operating our BPO projects; and (ii) lower labour cost of contract employee for BPO services as a result of social security relief from February 2020 to December 2020.

(d) The gross profit margin of other HR solutions (comprising corporate training services, labour dispatch services and other miscellaneous services) decreased from approximately 86.3% in 2019 to approximately 85.4% in 2020, which did not change significantly.

Selling and Marketing Expenses

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

Our selling and marketing expenses for the year ended 31 December 2020 amounted to approximately RMB53.4 million, representing an increase of approximately RMB10.5 million or 24.5% as compared to approximately RMB42.9 million for the year ended 31 December 2019, but the number of sales personnel did not change much from 2019. This is mainly due to: (i) in the second half of the year, motivated by the "Daduhe (大渡河)" incentive mechanism, our sales personnel contracted with a batch of high-value clients with high demand for staffing for rapid business development. This batch of clients led to an increase in revenue as well as generous bonuses for our sales personnel, resulting in an increase in the total staff welfare expenses of approximately RMB8.4 million; and (ii) based on the staffing needs of high-value clients for our newly signed flexible staffing and professional recruitment services in the second half of 2020, we increased our investment in expanding our pool of potential candidates, resulting in an increase of approximately RMB2.4 million in marketing and promotion expenses. Our selling and marketing expenses as a percentage of revenue remained relatively stable at approximately 1.9% as compared to that of 2019.

R&D Expenses

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

The R&D expenses for the year ended 31 December 2020 amounted to approximately RMB13.9 million, representing an increase of approximately RMB0.5 million or approximately 3.7% as compared to approximately RMB13.4 million for the year ended 31 December 2019. We restructured our R&D team in the first half of 2020 by temporarily reducing the number of R&D personnel in certain posts, and we gradually increased the number of R&D personnel in the second half of the year. Therefore, the changes in the overall employee benefit expenses were insignificant. The increase in development expenses was mainly due to the increase of approximately RMB0.4 million in rent and amortisation of renovation work caused by the relocation of the Shanghai R&D team to a new office in early 2020.

Administrative Expenses

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

Our administrative expenses for the year ended 31 December 2020 amounted to approximately RMB74.2 million, representing a decrease of approximately RMB15.6 million or approximately 17.4% as compared to approximately RMB89.8 million for the year ended 31 December 2019, which was mainly due to the decrease of listing expenses, as we completed the Listing in December 2019, all listing expenses were incurred in 2019, and there were no listing expenses incurred in 2020, partially offest by the fact that (i) the employee benefit expenses for our management personnel increased by approximately RMB8.9 million as compared to approximately RMB32.0 million in 2019, mainly due to the hiring of additional management personnel and department heads as a result of optimising our staff structure, and the increase in the salary, incentives and benefits of management personnel; and (ii) we engaged professional services providers such as perennial legal advisors, compliance advisor, public relations company and company secretary after the Listing, which contributed to the increase in professional service fees by approximately RMB7.5 million as compared to that in 2019. In light of the above, our administrative expenses as a percentage of revenue decreased from approximately 3.9% for the year ended 31 December 2019 to approximately 2.6% for the year ended 31 December 2020.

Other Income

Other income for the year ended 31 December 2020 amounted to approximately RMB32.6 million, representing an increase of approximately RMB11.4 million or approximately 53.8% as compared to approximately RMB21.2 million for the year ended 31 December 2019. Other income primarily comprises income derived from government grants and tax reduction. The increase was primarily attributable to the followings: (i) during the outbreak of COVID-19 pandemic, the PRC government strengthened its support to enterprises. In addition, the financial support funds from certain government authorities, which served as an incentive to HR companies to provide services to local enterprises and to invest in R&D of company software and systems, also increased along with our business expansion and increase in investment. Therefore, we have received government grants of approximately RMB23.7 million for the year ended 31 December 2020, as compared to approximately RMB18.1 million for the year ended 31 December 2019, representing an increase of approximately RMB5.6 million; (ii) certain subsidiaries of the Group are qualified for an additional 10% deduction of input VAT from output VAT. For the year ended 31 December 2020, we obtained such tax deduction in the amount of approximately RMB4.7 million, representing an increase of approximately RMB1.8 million as compared to approximately RMB2.9 million for the year ended 31 December 2019; and (iii) interest income of approximately RMB3.1 million was generated from investment in financial assets at FVOCI such as corporate bonds and certificates of deposit purchased with the idle net proceeds from the listing ("**Net Proceeds**") for the year ended 31 December 2020, while no such type of investment income was generated for the year ended 31 December 2019.

Other Gains, Net

For the year ended 31 December 2020, other gains amounted to approximately RMB39.6 million, representing an increase of approximately RMB37.4 million or approximately 1,700.0% as compared to other gains of RMB2.2 million for the year ended 31 December 2019. This was mainly due to (i) the exchange gains of approximately RMB30.7 million from the Net Proceeds invested in corporate bonds and certificates of deposit or remained as bank deposits; and (ii) the investment income of approximately RMB10.0 million generated from our principal-preservation financial products purchased (such as the BNPP Sharkfin Certificates and the CMB Financial Products) (both are defined below under the paragraph "Significant Investments" in this announcement) with idle funds during the year ended 31 December 2020 (for details, please refer to the announcement of the Company dated 10 May 2020 (the "**Announcement**") and the circular of the Company dated 29 May 2020 (the "**Circular**")), while no such type of investment income was generated in 2019.

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

For the year ended 31 December 2020, provision for net impairment losses on financial assets amounted to approximately RMB2.9 million, representing an increase of approximately RMB3.0 million as compared to the reversal of approximately RMB0.1 million for the year ended 31 December 2019. Such change was primarily due to an increase in the balance of trade and notes receivables as a result of an increase in our revenue. In addition, due to the impact of the outbreak of COVID-19 pandemic, the GDP growth rate decreased year-on-year and the macroeconomic indicators deteriorated, resulting in an increase in the impact of the forward-looking factor and a higher expected credit loss rate. In view of this, when assessing the risk of bad debt on trade and notes receivables, we accounted for provision for impairment of trade and notes receivables in a prudent manner.

Operating Profit

Our operating profit increased from approximately RMB118.3 million for the year ended 31 December 2019 to approximately RMB198.5 million for the year ended 31 December 2020, representing an increase of approximately 67.8%.

Finance Income

Our finance income for the year ended 31 December 2020 amounted to approximately RMB12.8 million, representing an increase of approximately RMB11.2 million or approximately 700.0% as compared to approximately RMB1.6 million for the year ended 31 December 2019. This was due to the increase in cash and cash equivalents as a result of the receipt of Net Proceeds, leading to an increase in interest earned on our deposits.

Finance Costs

Our net finance costs for the year ended 31 December 2020 amounted to approximately RMB3.0 million, representing a decrease of approximately RMB2.4 million or approximately 44.4% as compared to approximately RMB5.4 million for the year ended 31 December 2019, which was mainly due to the decrease of approximately RMB1.9 million in interest expenses on lease liabilities.

Fair Value Loss on Hybrid Financial Instruments

The fair value losses on hybrid financial instruments, being the preferred shares invested by our pre-IPO investors, for the year ended 31 December 2019 was approximately RMB878.2 million. The fair value at respective reporting dates was determined using valuation techniques, and the fair value losses on hybrid financial instruments were charged at changes in fair value through profit or loss. Upon the completion of the Listing on 13 December 2019, all the Preferred Shares were automatically converted into ordinary shares of our Company on an one-to-one basis at an offer price of HK$26.6 per share, and there would no longer be such fair value losses on hybrid financial instruments.

Share of results of joint ventures

The net loss attributable to the results of joint ventures for the year ended 31 December 2020 was approximately RMB17,000, of which: (i) investment income received from the investment in Tianjin Binhai Xunteng Group Limited (天津濱海迅騰科技集團有限公司) ("**Xunteng Group**") amounted to approximately RMB100,000; and (ii) in October 2020, Shanghai Zhencheng Technology Co., Ltd. (上海圳誠科技有限公司) ("**Shanghai Zhencheng**"), a joint venture jointly established by us and Suzhou Yuecheng Human Resources Co., Ltd. (蘇州悅城人力資源有限公司), recorded an investment loss of approximately RMB117,000, mainly because Shanghai Zhencheng was just established in October 2020 and no revenue has been generated yet.

Profit/(Loss) before Income Tax

Our profit before income tax for the year ended 31 December 2020 amounted to approximately RMB208.4 million, as compared to the loss before income tax of approximately RMB763.7 million for the year ended 31 December 2019. Such change was mainly due to the absence of fair value loss on hybrid financial instruments resulting from the use of valuation techniques to determine the fair value of the preferred shares invested by the pre-IPO investor at respective reporting dates for the year ended 31 December 2020.

Profit/(Loss) for the Year

Profit for the year ended 31 December 2020 amounted to approximately RMB182.9 million, as compared to the loss of approximately RMB779.8 million for the year ended 31 December 2019. Such change was due to the same reasons as set out under the paragraph headed "Profit/(Loss) before Income Tax" above.

Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with the HKFRS, we also presented adjusted net profit as an additional financial measure, which is not required by, nor presented in accordance with, the HKFRS. The following table reconciles our adjusted net profit in each year presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit/(loss) for the year	**182,917**	(779,831)
Add: Fair value losses on hybrid financial instruments	**—**	878,151
Listing expenses	**—**	35,942
Share-based payment expenses under the Post-IPO Share Option Scheme	**294**	—
Adjusted net profit (unaudited)	**183,211**	134,262

We define our adjusted net profit as the net profit/(loss) for the year excluding fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post IPO Share Option Schemes. Our adjusted net profit increased from approximately RMB134.3 million for the year ended 31 December 2019 to approximately RMB183.2 million for the year ended 31 December 2020, representing an increase of approximately 36.4%. Such substantial increase was mainly due to (i) the increase in our revenue, resulting from the fact that COVID-19 pandemic being under control in the PRC in the second half of 2020 and the implementation of the economic recovery policies which led to restoration of staffing and recruitment demand from leading new economy companies. As such, we have seized the opportunities to acquire a batch of high-value clients with high demand for staffing for rapid business development, enabling us to maintain a monthly growth of more than 1,000 flexible staffing employees, at the same time, our revenue generated from professional recruitment was the highest in history; (ii) the decline in selling and marketing expenses and administrative expenses as percentages of total revenue resulting from a better operating leverage by utilising our integrated HR ecosystem. Meanwhile, it also facilitated us in continuously enhancing our ability in managing our flexible staffing employees. The average flexible staffing employees managed by each of the internal employee of our flexible staffing department increased from 216 as at 31 December 2019 to 232 as at 31 December 2020; and (iii) the investment income generated from our principal-preservation financial products, bonds and certificates of deposits purchased with idle funds, and exchange gains and deposit interest earned from the Net Proceeds.

We believe that the non-HKFRS measure of adjusted net profit may facilitate the comparison of our financial performance by eliminating the impact of items that we do not consider indicative of the actual performance of our business. Adjusted net profit eliminates the effect of our listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme, which does not relate to our ordinary course of business and are non-recurring in nature, and non-cash fair value losses on hybrid financial instruments as non-cash payments, which would cease to affect our consolidated financial statements after the Listing. We present this additional financial measure as it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the actual performance of our business. We also believe that this non-HKFRS measure provides more useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results access across periods. However, our 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 you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

Net Current Assets

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

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total current assets	**1,644,808**	1,378,154
Total current liabilities	**493,074**	362,609
Net current assets	**1,151,734**	1,015,545

Our net current assets as at 31 December 2020 amounted to approximately RMB1,151.7 million, representing an increase of approximately RMB136.2 million or approximately 13.4% as compared to approximately RMB1,015.5 million as at 31 December 2019. This was primarily due to (i) the total balance of cash and cash equivalents, restricted cash and financial assets arising from the purchase of the financial products amounted to approximately RMB1,154.9 million as at 31 December 2020, representing an increase of approximately RMB125.4 million as compared with the balance of cash and cash equivalents of approximately RMB1,029.5 million as at 31 December 2019, representing the increase in the Company's capital from operating activities in 2020; and (ii) the increase in revenue in 2020 resulted in an increase in our trade and notes receivables of approximately RMB136.4 million, which was partially offset by the increase in accrued salaries and benefits of approximately RMB114.5 million resulting from the increase in the number of contract employees and internal employees.

Trade and Notes Receivables

Due to the increase in revenue, our trade and notes receivables as at 31 December 2020 increased by approximately RMB136.4 million or approximately 39.9% as compared to approximately RMB341.5 million as at 31 December 2019. As at 31 December 2020, the provision for losses on trade receivables was approximately RMB9.0 million, representing an increase of approximately RMB3.1 million as compared to approximately RMB5.9 million as at 31 December 2019. The reasons for such change are consistent with those set out in the paragraph "Net Impairment Losses on Financial Assets" above.

Considering the impact of the outbreak of COVID-19 pandemic, the deteriorating macro-economic indicators may intensify the bad debt risk on trade and notes receivables and lead to the increase of the expected credit loss rate. As such, we have strengthened the recovery of trade receivables by limiting the actual recovery period granted to clients to a credit period within 10 days to 70 days, which is in line with our credit policy in the previous years. The following table sets forth the turnover days of trade receivables for the years indicated:

	As at 31 December	
	2020	2019
Trade and notes receivables turnover days(1)	**54**	54
Adjusted trade and notes receivables turnover days(2)	**48**	46

Notes:

(1) Calculated as the average balance of trade and notes receivables at the beginning and end of a year divided by revenue in the year then multiplied by the number of days (i.e. 365 days in a year).

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

For the year ended 31 December 2020, our trade and notes receivables turnover days was 54 days, and the adjusted trade and notes receivables turnover days was 48 days, which was basically the same as that in 2019, mainly because we have strengthened our efforts in the collection of trade receivables in addition to the growth in revenue. Our credit period granted to clients is generally within 10 to 70 days.

Prepayments, Deposits and Other Receivables

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

As at 31 December 2020, our prepayments, deposits and other receivables amounted to approximately RMB12.0 million, representing an increase of approximately RMB4.8 million or approximately 66.7% as compared to approximately RMB7.2 million as at 31 December 2019, which was mainly due to the fact that in the second half of 2020, we have increased the procurement of third-party services for the promotion of the Xiang Recruitment Platform and the job seeker community in response to the growth in the staffing and recruitment demand of our clients, and the annual promotion service fees paid in advance to suppliers have yet to be fully utilised, resulting in an increase in the balance of the advance payment of approximately RMB4.8 million as at 31 December 2020 as compared with that as at 31 December 2019.

Financial Assets at FVOCI

As at 31 December 2020, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB185.8 million, comprising the certificates of deposits we purchased with idle fund, such as those issued by China Construction Bank, Agricultural Bank of China and Industrial and Commercial Bank of China. These certificates of deposits will mature in May 2021 and June 2021.

Trade and Other Payables

As at 31 December 2020, our trade and other payables amounted to approximately RMB433.2 million, representing an increase of approximately RMB116.3 million or approximately 36.7% as compared to approximately RMB316.9 million as at 31 December 2019, which was primarily due to (i) the decrease in the number of labour dispatch employees which was offset by the increase in the number of flexible staffing employees and BPO employees, leading to an increase of 11,159 in the overall number of contract employees as at 31 December 2020 as compared to that as at 31 December 2019. In addition, the number of internal employees as at 31 December 2020 increased by 244 as compared to that as at 31 December 2019. As such, the balance of accrued payroll and welfare as at 31 December 2020 increased by approximately RMB114.5 million as compared to that as at 31 December 2019; (ii) the increase in subcontracting business due to the increase in revenue from international business and BPO center in Jinzhou, leading to trade payables of approximately RMB20.3 million as at 31 December 2020, representing an increase of approximately RMB6.8 million as compared to that as at 31 December 2019; and (iii) the increase in other payables of RMB14.8 million as compared to that as at 31 December 2019 as a result of the VAT and surcharges, site lease and renovation work, flexible staffing management system upgrade and SAP implementation fees payables as at 31 December 2020 in line with the increase in revenue, business expansion and the needs for system upgrade and R&D, which was partially offset by the decrease of approximately RMB21.4 million in remaining listing expenses payable as at 31 December 2020 as compared to that as at 31 December 2019 due to the completion of the Listing, where all listing expenses had been settled with intermediaries.

Our suppliers usually grant credit periods of less than one month to us and invoices received are to be settled monthly.

Current Income Tax Liabilities

As at 31 December 2020, our current income tax liabilities amounted to approximately RMB23.2 million, representing an increase of approximately RMB18.5 million or approximately 393.6% as compared to approximately RMB4.7 million as at 31 December 2019, which was primarily due to the fact that 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)), one of our subsidiaries ceased to be exempt from income tax in 2020 and started to pay income tax at a reduced rate of 50%, and the taxable income in 2020 increased significantly as compared to that in 2019, leading to an increase in our current income tax liabilities by the end of 2020.

Property, Plant and Equipment

As at 31 December 2020, the carrying value of our property, plant and equipment amounted to approximately RMB73.9 million, representing a decrease of approximately RMB10.6 million or approximately 12.5% as compared to approximately RMB84.5 million as at 31 December 2019, which was mainly offset by the following factors: (i) the setting up of a new BPO service center in Chengdu with over 600 seats; (ii) the setting of a second-tier service location in Changsha and the relocation of our offices in Hangzhou and Tianjin to better office premises in line with our business expansion, which resulted in an increase in right-of-use assets and leasehold improvements in relation to our new offices by approximately RMB16.2 million in aggregate; (iii) a decrease of approximately RMB3.4 million in the total amount of right-of-use assets and leasehold improvements as a result of the termination of the lease of the office premises of the sales team of products for the paid members of the Xiang Recruitment Platform; and (iv) the depreciation charge of approximately RMB24.4 million in 2020.

Other Non-current Assets

Other non-current assets are deposits with recovery periods of more than one year, mainly comprise deposits for house leases. As at 31 December 2020, our other non-current assets amounted to approximately RMB7.0 million, representing an increase of approximately RMB1.0 million or approximately 16.7% as compared to the amount as at 31 December 2019, which was mainly due to the fact that we set up a new BPO service center in Chengdu and relocated our office in Hangzhou and Tianjin to better office premises, which required higher office deposits than that of the leases of the office premises leased for the sales team of products for the paid members of the Xiang Recruitment Platform, which were terminated as at the date of this announcement.

Deferred Income Tax Assets

As at 31 December 2020, the carrying amount of our deferred income tax assets was approximately RMB12.7 million, representing a decrease of approximately RMB2.2 million or approximately 14.8% as compared to approximately RMB14.9 million as at 31 December 2019.

KEY FINANCIAL RATIOS

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

	For the year ended 31 December		
	2020	2019	2018
Total revenue growth	**23.7%**	41.6%	108.2%
Adjusted net profit growth (non-HKFRS)[(1)]	**36.5%**	98.3%	585.8%
Gross margin[(2)]	**9.6%**	10.5%	9.6%
Adjusted net margin (non-HKFRS)[(3)]	**6.5%**	5.9%	4.2%
Adjusted current ratio (times)[(4)]	**1.6**	1.4	1.2

Notes:

(1) Adjusted net profit (non-HKFRS) is defined as the net loss for the year excluding non-operational fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme, where applicable.

(2) Gross margin equals gross profit divided by revenue for the year and multiplied by 100%.

(3) Adjusted net margin (non-HKFRS) is calculated as the adjusted net profit as a percentage of the revenue for the same year.

(4) Adjusted current ratio is calculated as the adjusted current assets divided by the current liabilities at the end of each financial year. The adjusted current assets is defined as the current assets excluding the Net Proceeds received and unutilised, where applicable.

Adjusted Net Profit

Adjusted net profit for the year ended 31 December 2020 amounted to approximately RMB183.2 million, representing an increase of approximately 36.5% as compared to that for the year ended 31 December 2019, primarily due to (i) the utilisation of our integrated HR ecosystem in our daily flexible staffing services and professional recruitment business, making our operating leverage benefits more obvious, while the increase in selling and marketing expenses and administrative expenses was less substantial as compared to the growth in our revenue; (ii) the recurring effects to both revenue and gross profit brought by the growth in flexible staffing business; and (iii) the investment income generated from our principal-preservation financial products, bonds and certificates of deposit purchased with idle funds, and exchange gains and deposit interest earned on the Net Proceeds.

Adjusted Net Margin

Adjusted net margin increased from approximately 5.9% for the year ended 31 December 2019 to approximately 6.5% for the year ended 31 December 2020. This was mainly due to (i) the same reason as the adjusted net profit growth of approximately 36.5%, the utilisation of our integrated HR ecosystem in our daily flexible staffing services and professional recruitment business which made our operating leverage benefits more obvious, while the increase in selling and marketing expenses and administrative expenses was less significant as compared to the growth in our revenue; and (ii) the investment income generated from our principal-preservation financial products and bonds purchased with idle funds, and exchange gains and deposit interest earned on the Net Proceeds.

Adjusted Current Ratio

Our current ratio decreased to approximately 3.3 as at 31 December 2020 from approximately 3.8 as at 31 December 2019, primarily due to the fact that as our business grew, the number of contract and internal employees increased by 11,403 as at 31 December 2020, compared with that as at 31 December 2019. As a result, there was a significant increase in trade and other payables in conjunction with the growth in trade and notes receivable balances. The adjusted current ratio increased from approximately 1.4 as at 31 December 2019 to approximately 1.6 as at 31 December 2020, primarily due to an increase in the closing balance of cash and cash equivalents from operating activities and trade and notes receivable balances as a result of higher sales revenue.

Liquidity and Capital Resources

In 2020, we funded our cash requirements principally from our business operations and Net Proceeds.

As at 31 December 2020, we had cash and cash equivalents of approximately RMB967.2 million, representing a decrease of approximately RMB62.3 million or approximately 6.1% as compared to approximately RMB1,029.5 million as at 31 December 2019. This was mainly due to the fact that (i) certain financial products purchased with idle funds in 2020 were not yet expired as at 31 December 2020; and (ii) we used cash generated from operating activities to purchase shares of the Company via a limited liability company established by the Trustee to hold the trust fund of the Trust under the Post-IPO Share Award Scheme, resulting in a decrease in cash and cash equivalents. The above two factors led to a decrease in cash and cash equivalents, which was offset by the increase of the balance of cash and cash equivalents resulting from the additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) received by the Group from the issue and allotment of Shares upon the completion of the partial exercise of the over-allotment option.

As disclosed in the Announcement and the Circular, during the year ended 31 December 2020, the Group subscribed for the BNPP DCI on a rollover basis and the BNPP Runner Note Products (both as defined in "Significant Investments" below) amounting to approximately HK$1,097.1 million for the purpose of hedging against the medium-to-long term RMB/HK$ exchange rate fluctuation risk, which were all expired on 30 June 2020.

Treasury Policies

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

CASH FLOWS

Net Cash Generated from Operating Activities

For the year ended 31 December 2020, net cash generated from operations was approximately RMB155.6 million, representing an increase of approximately RMB5.1 million, or approximately 3.4%, as compared to approximately RMB150.5 million in 2019. Cash generated from operating activities increased as revenue increased, while partially offset by the increase in our trade receivables which corresponded to the increase in revenue.

Net Cash Used in Investing Activities

For the year ended 31 December 2020, net cash used in investing activities was approximately RMB200.2 million, representing an increase of approximately RMB189.4 million as compared to approximately RMB10.8 million for the year ended 31 December 2019. Such increase was mainly due to the fact that (i) we purchased certain financial products with idle funds in 2020, with the total amount of net purchase of financial products amounting to approximately RMB181.2 million; and (ii) we invested RMB20.0 million in Xunteng Group, in which we hold approximately 15% interest upon completion, partially offset by investment income received on financial products of RMB12.7 million.

Net Cash (Used in)/Generated from Financing Activities

For the year ended 31 December 2020, net cash used in financing activities was approximately RMB16.7 million, while the net cash generated from financing activities for the year ended 31 December 2019 was approximately RMB847.3 million. Such change was primarily due to the Net Proceeds we received in December 2019, and in 2020, the additional gross proceeds of approximately RMB74.5 million (equivalent to approximately HK$83.3 million) received by the Group from the issue and allotment of shares upon completion of the partial exercise of our over-allotment option and the financing amount of RMB10.2 million from the exercise of share options over a total of 2,795,500 shares in December 2020. This was partially offset by (i) the payment of RMB66.6 million to purchase shares of the Company via a limited liability company established by the Trustee to hold the fund of the trust constituted by the trust deed entered into between the Company and the Trustee under the Post-IPO Share Award Scheme; (ii) the payment on listing expenses of approximately RMB12.5 million; and (iii) the rental payment of approximately RMB23.9 million.

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2020, we had no outstanding borrowings. In 2020, we had sufficient working capital and did not apply for any borrowings from the bank. As at 31 December 2019, we also had no outstanding borrowings.

Our bank facility is subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions. If we breach any covenants, the remaining unutilised amount may be reduced and the drawn down facilities and interest may become payable on demand. During 2020, all these covenants had been complied with by the Group.

As at 31 December 2020, we had unutilised banking facilities of approximately RMB100.0 million.

As at 31 December 2020, our lease liabilities in respect of our leased properties amounted to approximately RMB58.6 million, representing a decrease of approximately RMB14.8 million as compared to approximately RMB73.4 million as at 31 December 2019. Such decrease was mainly due to the decrease in lease liabilities as a result of the rental payment in 2020, which was partially offset by the increase in lease liabilities due to the opening of our new BPO service center in Chengdu and the Company in Changsha, etc.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (exclude hybrid financial instruments) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2020 and 2019, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

CAPITAL EXPENDITURE

For the year ended 31 December 2020, our capital expenditure amounted to approximately RMB9.6 million, among which (i) approximately RMB5.7 million was used for the renovation works of our newly leased BPO service center in Chengdu and the leased office premises in Changsha and other places; (ii) approximately RMB2.7 million was used for upgrading the flexible staffing management system and purchasing the right-of-use for SAP software as well as the preliminary design and research; and (iii) approximately RMB1.2 million was used for the procurement of new furniture and expense on computer equipment in the BPO service center.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2020, we had not entered into any material off-balance sheet commitments or arrangements.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. However, due to the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents and financial assets at FVOCI it held as at 31 December 2020. For the year ended 31 December 2020, the Group recorded a net exchange gain of approximately RMB30.7 million in the consolidated income statement.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, none of the Group's assets was pledged (31 December 2019: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020, the Group had disclosed the Group's investment in and the entering into of the Strategic Cooperation Agreement with Xunteng Group on 15 October 2020. For further details, please refer to the announcement of the Company dated 15 October 2020.

For the year ended 31 December 2020, the Group has no disposal of subsidiaries, associates or joint ventures of the Group which would fall to be disclosed under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2020, the details of the significant investments subscribed by the Group were as follows:

Name of the investment	Date of subscription	Cost of the investment HK$'000/ RMB'000	Market value as at 31 December 2020 RMB'000	Realised/ Unrealised gains or (losses) as at 31 December 2020 RMB'000	% of the total assets of the Group as at 31 December 2020 (Percentage)
Dual Currency Investment (the "**BNPP DCI**")	From February 2020 to March 2020	RMB318,870(1)	N/A(2)	(1,140)	N/A(2)
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1914469173)(3)	13 March 2020	HK$225,000	N/A(4)	(3,517)	N/A(4)
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1979071690)(3)	17 March 2020	HK$150,000	N/A(5)	(306)	N/A(5)
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215026)(6)	21 February 2020	RMB8,980	N/A(7)	221	N/A(7)
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215455)(6)	21 February 2020	RMB8,970	N/A(7)	334	N/A(7)
Gold-linked Bullish Three-tier 7 Days/14 Days/21Days/ 1 Month/3 Months Structured Deposit of China Merchants Bank (招商銀行掛鈎黃金看漲三層區間七天/十四天/二十一天/一個月/三個月結構性存款) (8)	From January 2020 to April 2020	RMB75,000(9)	N/A(10)	370	N/A(10)

Name of the investment	Date of subscription	Cost of the investment HK$'000/ RMB'000	Market value as at 31 December 2020 RMB'000	Realised/ Unrealised gains or (losses) as at 31 December 2020 RMB'000	% of the total assets of the Group as at 31 December 2020 (Percentage)
Bu Bu Sheng Jin No. 8688 Principal-preservation Wealth Management Scheme (Product code: 8688) of Go Fortune of China Merchants Bank (招商銀行點金公司理財之步步生金8688號保本理財計劃(產品代碼:8688))[8]	From December 2019 to January 2020	RMB114,000[11]	N/A[12]	273	N/A[12]

Notes:

(1) This product has been subscribed for on a rollover basis and the maximum amount of subscription was RMB318,870,000.

(2) This product was expired on 15 April 2020.

(3) These products are collectively referred to as the "**BNPP Runner Note Products**".

(4) This product was expired on 28 May 2020.

(5) This product was expired on 29 June 2020.

(6) These products are collectively referred to as the "**BNPP Sharkfin Products**".

(7) This product was expired on 4 September 2020.

(8) These products are collectively referred to as the "**CMB Financial Products**".

(9) This product has been subscribed for on a rollover basis and the maximum amount of subscription was RMB75,000,000.

(10) This product was expired on 9 April 2020.

(11) This product has been subscribed for on a rollover basis and the maximum amount of subscription was RMB114,000,000.

(12) This product was expired on 13 April 2020.

As substantially all of the Net Proceeds, which are denominated in HK$, will be utilised in the PRC for the Group's business operations as stated in the Prospectus, the Company would need to convert the proceeds into RMB in an orderly manner. After straight conversion of approximately HK$20.0 million into RMB to meet the Group's immediate needs shortly after the Listing at the then spot rates, the management of the Company has been closely monitoring the RMB/HK$ exchange rate so as to exchange the portion of the remaining proceeds that are intended to be utilised in the PRC into RMB at the appropriate rates for better cash management purpose, which is considered to be in the best interests of the Shareholders. Therefore, the Company invested in BNPP DCI and BNPP Runner Note Products for the purpose of hedging against the HK$/RMB exchange rate fluctuation risk. In relation to the Net Proceeds which had been converted from HK$ to RMB but are intended to be utilised only in the second half of 2020 or later as well as those idle cash generated from the business operations of the Group in the PRC, as part of the treasury activities of the Company, the management of the Company had decided to subscribe for certain short-term (i.e. for a term of no more than six months) financial products issued by reputable financial institutions or corporations, such as the BNPP Sharkfin Products and CMB Financial Products, in order to generate better investment returns as compared to the interests generated by fixed-term deposit placed with banks or licensed financial institutions.

For further details of the reasons and benefits of the Group holding such significant investments and subscription of such financial products, please refer to the Announcement and the Circular.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

(i) During the period from 4 January 2021 to 14 January 2021, the Company purchased 1,024,200 of its own shares through the Trustee for the purpose of the Post-IPO Share Award Scheme from the open market. The total amount paid to acquire these shares was approximately HK$25.4 million (equivalent to approximately RMB21.3 million).

(ii) On 22 January 2021, the Company granted options to 20 grantees under the Post-IPO Share Option Scheme which entitle the grantees to subscribe for a maximum of 2,560,000 Shares, among which, options to subscribe for a total 160,000 Shares were granted to four Directors, while the remaining options were granted to the employees of the Group. The exercise price of the options is HK$27.3 per share.

On 22 January 2021, the Company also granted awards comprising a total of 2,300,000 award shares to 29 awardees under the Post-IPO Share Award Scheme. The awards shall be vested in three batches. The benchmarked price of the award shares is HK$25 per award share.

Save as disclosed in this announcement, there was no significant event occurred after the year ended 31 December 2020 which required additional disclosures or adjustments.

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as the largest flexible staffing services provider in the PRC (in terms of revenue and number of staff of the flexible staffing business in 2020), we plan to utilise the Net Proceeds to carry out certain expansion projects. Details for the expansion projects are set out in "Use of Net Proceeds from the Listing" below and the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Outlook and Future Strategies

Stimulated by a series of tax and monetary policies issued by the government, the PRC economy promptly recover from the impact of the outbreak of COVID-19 pandemic in 2020. Looking forward to 2021, according to the CIC's report, the IMF expected the real GDP growth rate of the PRC to be approximately 8.1% in 2021, and the annual growth rate of the flexible staffing market of the PRC to be 20.6% in 2021. At the press conference held after the closing of the 4th Session of the 13th National People's Congress on 11 March 2021, Premier Li Keqiang raised that "This year, we will continue to adhere to the employment priority policy when formulating our macro policies. We have set a target of reaching more than 11,000,000 additional urban employment population for this year, hoping to achieve a higher number in actual execution. On the one hand, we will continue to encourage the addition of relatively stable job positions, and on the other hand, we will also explore flexible employment channels."

Under the backdrop of the rapid growth of the flexible staffing industry in the PRC and the PRC government's emphasis on stable employment, the management of the Group is confident that the business growth of the Group will resume at a rapid rate in 2021 as driven by market opportunities. The Group will make its best endeavor to cope with all the challenges and maintain the growth of the Group's overall revenue and net profit.

Focusing on Serving New Economy Companies and Large Clients Strategies

In the first half of 2020, we only achieved a net profit of approximately RMB53.0 million. However, with the economic recovery in the second half of the year, we have seized the business opportunities arising from the rapid expansion of e-commerce in local communities and the staffing demand derived from the rapid business resumption of leading enterprises in new economy industries, such as those engaging in internet payment, medical service, online education and new energy vehicles fields, achieving an annual net profit of approximately RMB182.9 million for the year, of which 71.0% of the annual net profit was achieved in the second half of the year. It has been proven that new economy companies are the first to achieve positive growth when the economy resumes growth, and we, as a long-time provider of HR services to new economy companies, aim to quickly seize the opportunity when the economy starts to recover. Therefore, as we have been adhering to our strategy to serve large clients, we will continue to target fast-growing new economy companies, while improving the ability to deeply dig into the HR service needs of our existing clients by providing them with various services such as flexible staffing, professional recruitment, BPO and flexible staffing in IT positions.

Expanding Geographical Support Network of Domestic and Foreign Customer Services

In December 2020 and January 2021, we have already set up branches in Changsha and Zhengzhou, respectively, as second-tier service locations and upgraded the third-tier service locations in Hefei and Ningbo to second-tier service locations and set up branches there. We also plan to take the lead in setting up new offices in third-tier cities such as Haikou, Changzhou, Wuxi and Yangzhou. Based on our future plans and use of Net Proceeds as disclosed in the Prospectus, we will gradually set up new branches or representative offices in third- and fourth-tier cities and counties as the supporting networks for our key clients in 2021. Based on the concept of setting up service locations according to the needs of our clients, the new locations will help us provide better localised services to our clients and help us secure more new business cooperation opportunities.

Despite the outbreak of COVID-19 pandemic across the globe in 2020, our international business achieved a few breakthroughs in 2020. With the belief of "responding to the national 'Belt and Road' initiative, helping Chinese clients to go global so that even if their requests for HR services cover more than one country, the quality of HR services to be provided should match the same of HR services provided within the PRC", we will expand our international business in 2021 by: (i) expanding the professional service team of our international business department, and actively exploring the local staffing demand from Chinese enterprises in India, Southeast Asia and other countries around the world; (ii) further expanding our international HR service network to cover more countries; and (iii) in accordance with the future plans and use of Net Proceeds as disclosed in the Prospectus, planning to further deepen our cooperation with local HR companies, which are mutually recognised by both parties in the previous cooperation process, by investing in or establishing joint ventures, and at the same time, passing on our successful experience of quickly meeting the different staffing demands of our clients in the PRC to them after investing in or establishing joint ventures, so as to help them promptly improve their professional HR service capabilities.

Accelerating the Development of the Flexible Staffing Service Market in the Information Technology Industry

According to our future plans and the use of Net Proceeds from the Listing as disclosed in the Prospectus, we established a flexible staffing service department for information technology positions in the second half of 2020, with Ms. Zhang Jian Mei, one of our founders, as the department head. We also started the development of the flexible staffing service market in the information technology industry (including software R&D personnel). We intended to adopt the "Business Partnership Program" to form joint ventures with independent teams or companies with flexible staffing service experience in the information technology industry and/or acquire flexible staffing service companies with established operation ability in the information technology industry, so as to extend our service coverage to such type of posts. At the same time, we may also invest in one to two software R&D technology community platform companies that gather IT talents by way of investments and acquisitions and mergers. Through the business synergies established with the invested software R&D technology community platform companies, active IT talents will be converted into our potential job candidates, thereby promptly helping us build up the ability to operate a job candidates' community for IT talents.

Enlarging the Scale of BPO Services

Our BPO services have been growing rapidly since its launch in 2017. The number of seats increased significantly from 1,727 as at 31 December 2019 to 2,875 as at 31 December 2020. Through the "Business Partnership Program", we have established non wholly-owned subsidiaries with two cooperation teams consisting of personnel with an average of approximately 10 years of experience in the call center outsourcing or BPO industry. In 2021, we will continue to replicate such success to attract outstanding teams in the industry to join us. As a result, we plan to further establish joint ventures or subsidiaries with one to two experienced teams in the BPO industry to further expand the scale of our BPO core operating team.

Regarding our planning of BPO workplace construction, we will try the satellite service base construction solutions, which means the Group will focus on Yingkou as its core service base and try to establish satellite service bases with 500 seats in surrounding cities within a two hours' drive from Yingkou. This will enable BPO operation and management centered in Yingkou to be quickly replicated in these satellite service bases.

Upgrading our Existing Integrated HR Ecosystem

Our chief technology officer joined us in the first half of 2020. In 2021, under the leadership of our chief technology officer, we will: (i) upgrade our flexible staffing management system based on the changes in project management method of flexible staffing business; (ii) start to establish the Company's data intermediary platform to integrate job applicants' resume data obtained from different channels such as Xiang Recruitment Platform, WeCom Community, and internal recommendations by contract employees. In our Rui Recruiting System, we will develop the smart matching function of job applicants' resume and recruitment positions to further enhance the matching speed and accuracy; and (iii) launch the SAP Group Financial System (SAP集團財務系統) to integrate our business systems, such as Rui Cloud, Rui Recruiting and contract management systems with our financial system, so as to improve the accuracy and timeliness of financial settlement and achieve a more refined calculation of revenue, cost and profit of on-going flexible staffing, professional recruitment, BPO and training projects, which will help us optimise the operation of projects.

Continuing to Build an Occupational Ecosystem

We invested in the Xunteng Group in October 2020, and in the same month, we guided Xunteng Group to set up a BPO services training center within the college it operates and worked with Xunteng Group to undertake the BPO services of one of our new economy clients involved in the hotel and tourism industries, whose needs of customer service positions increased sharply by approximately 500 during the National Day holidays. After achieving satisfactory results from such business cooperation, we adopted the "Business Partnership Program" model in January 2021 to establish a non wholly-owned subsidiary with an independent third-party individual, who has over six years of experience in the education industry of the PRC and was the dean of an e-commerce college in the PRC. This joint venture plans to try to cooperate with tertiary institutions to provide training and nurturing for potential

BPO employees and flexible staffing employees through integration of industry and education. Our BPO centers can provide internship opportunities for penultimate year students from cooperative colleges. Students may master the service skills of customer service representatives, information verification and other positions through training. We will then recommend students equipped with the required skills to our clients with different staffing requirements after graduation by evaluating their performance and service capabilities during the internship period. The evaluation will match the skill requirements of our clients for their employees. Through our investment in Xunteng Group and the establishment of a joint venture with an independent third-party individual, we will explore ways to build an ecological chain for job seekers based on the integration of industry and education and establish long-term competitive edges and industry barriers.

Accelerating HR Industrial Layout through Investments, Mergers and Acquisitions and Cooperations with others

The growth in our revenue prior to the Listing was all attributable to our own organic growth, and that our investment in Xunteng Group was our first investment after the Listing. In order to expand our service network, we cooperated with different business partners to establish HR service companies in different locations within the PRC in 2020, which comprise three non wholly-owned subsidiaries in Shihezi, Xinjiang and Luzhou/Chengdu Sichuan respectively, together with a joint venture in Shanghai. In addition, we explored the “Business Partnership Program” to attract outstanding teams to join and grow with us. Through the exploration of investments, mergers and acquisitions and cooperations in 2020, we gradually explored a set of models suitable for our own development. Our investments, mergers and acquisitions are not profit-driven financial investments, but instead we focus on our business synergies with the investees so as to achieve the “1 + 1 > 2” mutual development. In 2021, we will accelerate the deployment of HR industrial layout through investments, mergers and acquisitions and cooperations.

In the future, the Group will continue to take advantage from the rapid development of flexible staffing market and new economy companies in the PRC, and adhere to our business development direction, “Flexible staffing as our key business and professional recruitment as our core competence”, and our service philosophy of “Client-oriented and results-driven”. Leveraging on our technology-driven HR services, we will be able to cope with clients’ difficulties in staffing and personnel management and at the same time, continue to create higher returns for the equity holders.

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Stock Exchange on 13 December 2019 (the "**Listing Date**") by way of global offering. The total Net Proceeds after deducting professional fees, underwriting commissions and other related listing expenses amounted to approximately HK$992.2 million (equivalent to approximately RMB889.0 million), including the additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) received from the issue and allotment of Shares upon completion of the partial exercise of the over-allotment option.

The amount of Net Proceeds utilised from the Listing Date to 31 December 2020 is set forth below:

	Intended use of Net Proceeds	Original allocation (Percentage)	Original allocation (HK$)	Amount of Net Proceeds utilised up to 31 December 2020 (HK$)	Balance of Net Proceeds unutilised as at 31 December 2020 (HK$)	Intended timetable for the use of unutilised Net Proceeds
(i)	Expand our geographic coverage to better support our clients and new opportunities	20%	198.4 million	26.5 million	171.9 million	By/ before 31 December 2022
(ii)	Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, IT industry and new retail clientele	17%	168.7 million	0.5 million	168.2 million	By/ before 31 December 2022
(iii)	Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	13%	129.0 million	24.3 million	104.7 million	By/ before 31 December 2022
(iv)	Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	22%	218.3 million	2.9 million	215.4 million	By/ before 31 December 2024
(v)	Further promote our brand and launch marketing and promotion activities	10%	99.2 million	1.7 million	97.5 million	By/ before 31 December 2022
(vi)	Support our global expansion strategy in the next four years	8%	79.4 million	—	79.4 million	By/ before 31 December 2023
(vii)	Working capital and general corporate purposes	10%	99.2 million	9.6 million	89.6 million	By/ before 31 December 2022

The Group will continue to utilise the Net Proceeds in accordance with the intended use of proceeds as set out in the Prospectus. The Directors are not aware of any material change to the planned use of Net Proceeds at the date of this announcement.

DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.42 per share for the year ended 31 December 2020 (for the year ended 31 December 2019: nil), representing a total payment of approximately HK$65.7 million. The final dividend is subject to the approval of the Shareholders at the forthcoming Annual General Meeting and the final dividend is expected to be payable on Monday, 12 July 2021 to the Shareholders whose names appear on the register of members of the Company on Monday, 21 June 2021.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company will be held on Thursday, 10 June 2021. For the purpose of determining the Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 7 June 2021 to Thursday, 10 June 2021, both days inclusive, during which period no transfer of the Shares may be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 June 2021.

The register of members of the Company will also be closed from Thursday, 17 June 2021 to Monday, 21 June 2021, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no transfer of the Shares may be registered. The record date for determining the entitlements of the Shareholders to the proposed final dividend is Monday, 21 June 2021. To qualify for the final dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 16 June 2021.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board is of the view that during the year ended 31 December 2020, the Company has complied with all applicable code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2020.

The Company's relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the year ended 31 December 2020.

OTHER IMPORTANT EVENT

On 3 January 2020, the Group received additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) from the issue and allotment of Shares upon the completion of the partial exercise of the over-allotment option in connection with the Listing. For further details, please refer to the announcement of the Company dated 5 January 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated financial statements for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year then ended. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.renruihr.com). The annual report of the Company for the year ended 31 December 2020 containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the same websites in due course.

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

The PRC, 29 March 2021

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