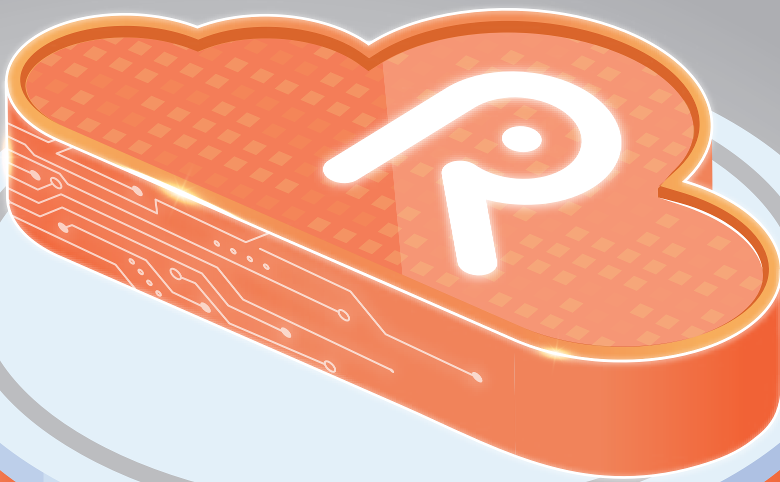
Renrui Human Resources Technology Holdings Limited
人瑞人才科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

StockCode: 6919

2021
ANNUAL REPORT

Contents



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jianguo *(Chairman and Chief Executive Officer)*
Mr. Zhang Feng
Ms. Zhang Jianmei

Non-executive Directors

Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors

Ms. Chan Mei Bo Mabel
Mr. Shen Hao
Mr. Leung Ming Shu

JOINT COMPANY SECRETARIES

Mr. Li Wenjia
Ms. Siu Pui Wah

AUTHORIZED REPRESENTATIVES

Mr. Zhang Feng
Ms. Siu Pui Wah

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Chow Siu Lui
Ms. Chan Mei Bo Mabel

REMUNERATION COMMITTEE

Ms. Chan Mei Bo Mabel *(Chairlady)*
Mr. Zhang Jianguo
Mr. Shen Hao

NOMINATION COMMITTEE

Mr. Zhang Jianguo *(Chairman)*
Ms. Chan Mei Bo Mabel
Mr. Shen Hao

INVESTMENT AND COMPLIANCE COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Zhang Jianguo
Mr. Leung Ming Shu

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

HONG KONG LEGAL ADVISOR

Hogan Lovells
11th Floor, One Pacific Place
88 Queensway
Hong Kong

PRC LEGAL ADVISOR

Commerce & Finance Law Offices
13th Floor
China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004, China

INDUSTRY CONSULTANT

China Insights Industry Consultancy Limited
10F, Block B
Jing'an International Center
88 Puji Road, Jing'an District
Shanghai
PRC

Corporate Information

CORPORATE HEADQUARTERS

No. 601, 602, 603, 6/F, Block 3
No. 688 Mid-Section Tianfu Avenue
Chengdu High-tech Zone
Free Trade Pilot Zone
Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F, Golden Centre
188 Des Voeux Road Central
Hong Kong

COMPANY WEBSITE

www.renruihr.com

STOCK CODE

6919

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL SHARE REGISTRAR IN CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

BNP Paribas Hong Kong Branch
China Merchants Bank Co., Ltd., Shanghai, Baoshan Branch
Bank of China Limited, Chengdu, Chenghua Branch

Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	4,739,146	2,830,052	2,287,601	1,615,891	776,247
Gross profit	251,789	270,864	240,885	154,956	87,748
Operating profit	116,816	198,541	118,269	57,527	13,357
Profit/(loss) before income tax	120,428	208,394	(763,671)	(140,563)	(43,433)
Profit/(loss) for the year attributable to equity holders of the Company	101,667	182,616	(779,831)	(136,935)	(44,005)
Earnings/(loss) per share (expressed in RMB per share)					
– Basic earnings/(loss) per share	0.66	1.19	(12.42)	(2.36)	(0.76)
– Diluted earnings/(loss) per share	0.61	1.07	(12.42)	(2.36)	(0.76)
Non-HKFRS measures					
Adjusted net profit[(1)]	108,290	183,211	134,262	67,690	9,870

CONDENSED CONSOLIDATED BALANCE SHEET

	For the year ended 31 December				
	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Assets					
Non-current assets	340,291	125,114	106,207	93,404	54,023
Current assets	1,652,635	1,644,808	1,378,154	379,793	178,666
Total assets	1,992,926	1,769,922	1,484,361	473,197	232,689
Equity/(deficit)					
Total equity/(deficit)	1,277,732	1,236,063	1,067,371	(299,412)	(151,162)
Liabilities					
Non-current liabilities	57,551	40,785	54,381	443,790	195,058
Current liabilities	657,643	493,074	362,609	328,819	188,793
Total liabilities	715,194	533,859	416,990	772,609	383,851
Total equity/(deficit) and liabilities	1,992,926	1,769,922	1,484,361	473,197	232,689

Financial Summary

KEY FINANCIAL RATIO

	For the year ended 31 December				
	2021	2020	2019	2018	2017
Gross margin (%)	**5.3**	9.6	10.5	9.6	11.3
Adjusted net margin (%)[(2)]	**2.3**	6.5	5.9	4.2	1.3
Adjusted trade and notes receivables turnover days (days)[(3)]	**44**	48	46	46	42
Adjusted current ratio (times)[(4)]	**1.6**	1.6	1.4	1.2	0.9

Notes:

(1) Adjusted net profit refers to the net profit for the year excluding items which do not relate to our ordinary course of business and are non-recurring in nature, including fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Adjusted net profit for the year is not a measure required by or presented in accordance with HKFRS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, 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.

(3) Calculated as the average balance of trade and notes receivables (excluding the labour costs arising from 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.

(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.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors and the management of Renrui Human Resources Technology Holdings Limited, I hereby present the annual report for the financial year ended 31 December 2021 to our shareholders.

2021 was a year of challenges and changes. The domestic economy grew steadily benefiting from the effective control of the COVID-19 pandemic by the PRC government and the implementation of economic recovery policies, resulting in the strong demand for comprehensive flexible staffing services from enterprises, which enabled our business to achieve rapid growth and maintain a leading position in the market. However, in the second half of 2021, our gross profit margin was affected by a contract adjustment with one of our major customers and changes in the industry regulatory environment for some of our customers. Although the drop in gross profit margin affected our annual profit performance, we were active in pursuing new market opportunities in our business development, promoted repositioning of business strategic upgrade and optimized our customer structure to achieve a sustainable growth curve.

Chairman's Statement

Facing the accelerating digital transformation of China's economy, we saw strong demand for information technology and digital talents from corporate clients. In this context, we proactively embrace changes in the market and reposition for strategic upgrade, committed to partnering with Chinese enterprises to seize the compelling opportunities of digital transformation, supply digital talents to our customers, and even offer new services for overall digital transformation solutions to establish connection with our customer strategies and business digital transformation. We assist Chinese enterprises in achieving digital transformation leveraging our one-stop human resources services. We believe this will reinforce our long-term sustainability and improve our gross margin. In order to better capture this new development opportunities, we have categorized our comprehensive flexible staffing services business into general service outsourcing, digital technology and cloud services, and digital operation and customer services according to different service resources, which enable us to quickly respond to the staffing needs of our customers and fulfill their demand for digital transformation, and better allocate resources to serve the diversified and evolving needs of our clients.

In 2021, our repositioning for business strategic upgrade achieved initial results. We have further expanded our business scale in the digital workforce solution market and digital operation service market through organic growth, acquisitions and joint ventures cooperation opportunities. We have completed the initial strategic layout of digital-enabled professional services. In particular, revenue from digital technology and cloud services amounted to approximately RMB97.4 million, representing an increase of 663.5% year-on-year, and revenue from digital operation and customer services amounted to approximately RMB261.1 million, representing a growth rate of 73.4%. We believe that the digital-enabled professional services will define new path to growth in 2022, and its revenue contribution is expected to further increase. In the meantime, as this business has higher requirements in professional knowledge, qualifications and entry barriers, it is expected to generate a high gross profit margin, laying a solid foundation for the overall profit margin improvement of the Group.

In November 2021, we established the Delivery Center in Suzhou, which is not only an important part of our "restart-up" strategic layout, but also an important initiative for us to continuously improve our overall service capabilities, and represent a milestone in our recruitment methods shifting from offline job fair model to centralized delivery model based on online community marketing. In the future, the recruitment projects carried out by the Delivery Center in Suzhou will gradually penetrate in various cities across the country in a bid to further strengthen our rapid recruitment capabilities, provide professional recruitment solutions for more industries and positions and better meet the employment needs of our customers.

We have been adhering to the technology-driven human resources services and continued to invest in R&D and innovation. In 2021, we continued to upgrade our integrated human resources ecosystem and developed a management system catering to our digital operation and customer service business. We have also been upgrading our self-developed recruitment platform since the second half of 2021 to create a professional ecological chain for more job applicants and establish our technology and competitive edges. With the benefit of our continuous optimization of the HR ecosystem platform and the investment in data-driven management, we achieved the continued decline in turnover rate of comprehensive flexible employees over the years and the continuous increase in average number of comprehensive flexible employee under management, which are attributable to our use of the ecosystem and data analysis to facilitate ongoing improvement of our operating efficiency.

Chairman's Statement

In 2022, while there are under pressure and uncertainties regarding the market environment, we will actively pursue growth opportunities, and keep on exploring innovative services in line with domestic economic development process and the needs of domestic enterprises. We believe that the digital transformation of domestic enterprises is an inevitable trend. The State Council issued the Outline of the 14th Five Year Plan and Vision 2035, which explicitly proposes to accelerate digital development and build a digital China and drive the transformation of production methods, lifestyle and governance methods through digital transformation. At the same time, it proposes to stimulate the vitality of talent innovation and deepen the strategy of building a strong talent country and giving priority to employment. In January 2022, the State Council issued the 14th Five Year Digital Economy Development Plan, which explicitly envisages that by 2025, the digital economy will enter into a phase of comprehensive expansion, and the added value of the core industries of the digital economy is expected to account for 10% of the GDP. The digital economy has become the main engine of economic development. Against this backdrop, the demand for talents with professional digital skills is growing rapidly, and HR companies will usher in huge opportunity from the shortage of digital talent in various sectors. We believe that, with our in-depth comprehensive workforce solution capabilities and our digital technology and cloud service capabilities which have begun to take shape, we will build our core competitiveness in the field of industrial digital talents.

We aim to expand into broader markets and enhance the value of our services. According to the CIC Report, the information technology and digital services outsourcing market in the PRC is tremendous and is expected to exceed RMB1.0 trillion by 2025. It is expected that the growth rate will reach 13.4% from 2021 to 2026 with the industry average gross profit margin of approximately 15%-25%. It is expected that the strategic layout of digital technology and cloud services will inject impetus for us to maintain sustained growth momentum and generate robust returns.

In 2022, we are still facing the challenges from the impact of the COVID-19 pandemic and the sophisticated and evolving international situation on the economic environment. We are proactively adapting to the new environment, and focusing on strategic initiatives. We will continue to leverage technological innovation to create more value for all participants and contribute to the high-quality development of the digital economy. We will continue to strive to build a sustainable ecosystem in the field of comprehensive human resources services through our products and services, and make more contributions to the mutual benefits and common values of the society.

In the process of restart-up, we will always maintain the spirit of struggle, stay true to the original aspiration, and forge ahead to create a sustainable and leap-forward growth curve and realize the dual growth of scale and profit for maximizing the return for our shareholders.

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW

Maintaining Leading Market Position

Looking back at 2021, the domestic macro-economy grew steadily benefited from the PRC government's rapid control measures of the COVID-19 pandemic and economic recovery policies. According to the National Bureau of Statistics, China's GDP is expected to increase at an annual growth rate of 8.1% in 2021. According to the CIC Report, the demand-to-supply ratio of China's labour market reached 1.53 in the third quarter of 2021, further expanding the talent supply gap. The human resources services market in China in terms of revenue grew by approximately 17.1% in 2021, of which the comprehensive flexible staffing services market in terms of revenue grew by approximately 19.5% and the number of comprehensive flexible staffing employees as at 31 December 2021 increased by approximately 9.4% as compared to 31 December 2020.

According to the CIC Report, we were the largest company operating in China's comprehensive flexible staffing services market by revenue in 2021, accounting for a 3.3% market share in a highly fragmented market. We also operated on the largest scale in terms of the number of comprehensive flexible staffing employees hired as at 31 December 2021, accounting for a 2.1% market share.

Keeping up a Strong Growth Momentum

For the year ended 31 December 2021, our Group achieved a total revenue of approximately RMB4,739.1 million, representing an increase of approximately 67.5% as compared to that for the year ended 31 December 2020. The number of our comprehensive flexible staffing employees increased from 38,637 as at 31 December 2020 to 50,447 as at 31 December 2021, representing an increase of approximately 30.6% year-on-year. We made a total of 99,499 placements for all of the Group's business segments for the year ended 31 December 2021, representing an increase of approximately 35.5% in our total number of placements as compared to that of 2020.

Management Discussion and Analysis

Repositioning for Business Strategic Upgrade and Optimising Revenue Structure

We proactively embrace changes and reposition for strategic upgrade, committed to partnering with Chinese enterprises to seize the compelling opportunities of digital transformation. We assist Chinese enterprises in establishing connection between digitalization of talent management and digitalization of corporate strategies and business, and developing application thereof with a brand new service experience, and enable Chinese enterprises to achieve digital transformation leveraging our one-stop human resources services. We believe this will reinforce the Company's long-term sustainability.

Facing the accelerating digital transformation of China's economy, we saw strong demand for information technology and digital talents from corporate clients. In 2021, we have further expanded our business scale in the digital workforce solution market and digital operation service market through organic growth, acquisitions and joint ventures cooperation opportunities. We have completed the initial strategic layout of digital-enabled professional services.

- In order to better capture the digital transformation development opportunities, we have categorized our comprehensive flexible staffing services business into different types of services comprising general service outsourcing, digital technology and cloud services, and digital operation and customer services, which enable us to quickly respond to the staffing needs of enterprises and fulfill their demand for digital transformation, help them accelerate revenue growth and improve efficiency while reducing cost. This will ensure us to better allocate resources to serve the diversified and evolving needs of our clients.

Management Discussion and Analysis

Service type	Description	For the year ended 31 December 2021 Revenue (RMB in millions)	2020 Revenue (RMB in millions)	Change
General service outsourcing	• Professional services that effectively serve the clients with massive staffing needs under tight time constraints • Catering to clients' needs at different stages of their business growth cycle • Employees entering into contracts with us to fulfill the staffing requirement of our clients	**4,263.1**	2,563.6	66.3%
Digital technology and cloud services	• Helping clients accelerate their digital transformation and meeting their needs for professional services by offering digital technology related talents services and SaaS (Software as a Service) cloud services • Providing in-depth information technology support services and SaaS value-added services to our clients that align with their businesses, so as to help them achieve business goals, reduce costs and increase efficiency • Business team with years of experience in digital technology and information technology talent outsourcing	**97.4**	12.8	663.5%
Digital operation and customer services	• Providing high-quality and efficient digital content services and customer services related business process services through intelligent operations • Meeting clients' high requirements for reliable large-scale, low cost operation and business security • Well-established digital operation and delivery capabilities	**261.1**	150.6	73.4%

Management Discussion and Analysis

- In 2021, we made strategic headway in our digital-enabled professional services business, which comprises digital technology and cloud services, and digital operation and customer services, among which, (i) revenue from digital technology and cloud services reached approximately RMB97.4 million, representing an increase of 663.5% year-on-year; and (ii) revenue from digital operation and customer services reached approximately RMB261.1 million, representing an increase of 73.4% year-on-year. In 2021, revenue from the digital-enabled professional services business accounted for approximately 7.6% of the total revenue for the year, increasing from approximately 5.8% for the year ended 31 December 2020.

- Meanwhile, in 2021, we further reinforced our digital-enabled professional services through strategic mergers and acquisitions. On 15 September 2021, the Group announced strategic acquisition of 51.0% equity interests in each of Jiangnan Finance Technology and Shanghai Lingshi to expand the business of general service outsourcing and digital-enabled professional services in the banking industry. The acquisition further strengthened our integrated human resources services with innovative customer experience and enhanced delivery capability for enterprises in the financial industry. In addition, on 8 March 2022, the Group announced its entry into a strategic cooperation with Neusoft Holdings for the strategic acquisition of 46.0% equity interests in Shanghai Sirui, which is engaged in providing information technology and digital professional services to more than 160 clients in various industries such as finance, high technology, internet, healthcare and advanced manufacturing. The acquisition is expected to further strengthen our information technology service capabilities, help us reinvest the business model of digital-enabled professional solutions, and provide growth momentum for sustainable growth and profit margin improvement.

We believe that the digital-enabled professional services will define new path to growth in 2022, and its revenue contribution is expected to further increase.

Focusing on R&D and Innovation to Increase Efficiency

The Group has been adhering to the technology-driven human resources services and continued to invest in R&D and innovation. In 2021, we upgraded our integrated human resources ecosystem and developed a system catering to our digital operation and customer service business. We have also been upgrading the Xiang Recruitment (香聘) Platform since the second half of 2021 to create a professional ecological chain for more job applicants and establish our technology and competitive edges. During the year, our R&D expenses were approximately RMB18.1 million, representing an increase of approximately 30.1% as compared with 2020.

With the benefit of our continuous optimization of the HR ecosystem platform and the investment in data-driven analytics, we can further strengthen the standardisation of the project management process of professional recruitment and comprehensive flexible staffing to achieve sophisticated online project management and online monitoring of key operating indicators, helping improvement of per capita efficiency. As such, we are able to make more successful placements and manage more comprehensive flexible staffing employees, reduce the turnover rate of comprehensive flexible staffing employees, for our clients, who are turning to us as the trusted partner of choice to help them achieve their owns goals of business growth, cost reduction and efficiency improvement.

Management Discussion and Analysis

	2021	2020	2019	Industry level[4]
Average revenue generated per employee[1] (RMB'000/person)	4,683	3,690	3,670	2,990
Average number of comprehensive flexible employees under management[2] (person)	265	232	216	~ 150
Turnover rate of comprehensive flexible employees[3]	7.4%	9.0%	9.9%	> 15%

Notes:

1. Average revenue generated per employee = revenue for the year/((number of internal employees as at 31 December of the year + number of internal employees as at 31 December of the previous year)/2).

2. Average number of comprehensive flexible employee under management = number of comprehensive flexible staffing employees as at 31 December of the year/number of internal employees of comprehensive flexible staffing segment as at 31 December of the year. The above figures do not take in to account data relating to Jiangnan Finance Technology and Shanghai Lingshi which were acquired in 2021, and digital operation and customer services.

3. Turnover rate of comprehensive flexible employees = the average of the monthly turnover rate for the 12 months of the year. Monthly employee turnover = Number of dimissions of a month/(Number of employees at the beginning of the month + Number of new employees of the month). The above figures do not take into account data relating to digital operation and customer services; and

4. Based on the industry average data in 2021 according to the CIC Report.

Optimising Client Structure and Sustaining Close Client Relationship

As disclosed in the announcements of the Company dated 30 June 2021, 7 July 2021 and 31 October 2021, the term of the comprehensive flexible staffing services for information verification and customer services representatives provided by the Group to a major client would expire on 15 January 2022, upon which the major client would employ the comprehensive flexible staffing employees originally deployed by the Group who are willing to join the major client as its own employees. In addition, pursuant to the new agreement entered into between the Group and such major client on 7 July 2021, the service premium per comprehensive flexible staffing employee per month payable by such major client to the Group would be reduced since the second half of 2021, resulting in a significant decrease in the gross profit of the project under the agreement. For the year ended 31 December 2021, the Group's revenue generated from the comprehensive flexible staffing services provided to this major client in relation to information verification and customer services representatives amounted to approximately RMB1,862.2 million, representing approximately 40.3% of the Group's revenue generated from comprehensive flexible services in 2021 and approximately 39.3% of the Group's total revenue for the year. Nevertheless, the Group continued to provide other comprehensive flexible staffing services and professional recruitment services to such major client under the existing contracts and participated in the tendering of new projects from the major client. For the year ended 31 December 2021, excluding the revenue of the aforementioned agreements relating to the major client, the revenue from top ten clients would still account for approximately 51.6% of the total revenue for the year. Client structure continued to be optimised and single client concentration risk was mitigated.

Management Discussion and Analysis

Our business relationships with our top ten clients remained stable. We have cooperated with our top ten clients for an average of 3.8 years, 4.9 years and 5.6 years in 2019, 2020 and 2021 respectively (excluding new clients developed in that year). With our result-oriented comprehensive human resources solutions and fast recruitment capabilities, we are able to respond to and meet clients' staffing needs and talent strategy in a timely manner, leading to closer business relationships, safeguard the clients' demand for talents and staffing, and well positioned as a long-term trusted partner.

Our comprehensive service offerings, trustworthy brand and industry expertise have resulted in higher client satisfaction and retention. Save for the above agreements relating to the major client, we had a contract renewal rate of 100% for clients with an aggregate transaction amount over RMB1.0 million in 2019, 2020 and 2021 respectively.

Over the years, we have been focusing on serving new economy companies with the rapid development of such industries. However, amid the macro changes and challenges faced by the internet industry in 2021, the staffing demand of certain clients in the internet industry has slowed down, leading to a lower service premium. In addition, the impact of regulatory policy changes in the second half of 2021 on the online education industry has also significantly affected our clients' staffing needs and service premiums in such industry. Despite the changes in the industry regulatory environment of certain clients, we actively responded and continued to adhere to serving large-scale client in more diversified industries, and thereby mitigating the operational risks caused by fluctuations in a single industry. For the year ended 31 December 2021, 23.3%, 19.1%, 18.8% and 38.8% of our clients were engaged in the internet industry, high-tech and advanced end manufacturing industry, financial industry and other industries (consumer & retail, healthcare, entertainment and education, etc.), respectively. In addition, a number of well-known enterprises from various industries in China have been actively rolling out digital transformation. We believe that by leveraging our advantage in scale, service efficiency, and digital technology services and digital operation solutions, we will seize the compelling opportunity to expand into broader markets and enhance high-value services, and empower more Chinese enterprises to meet their talent strategy and implement digital transformation.

POLICY AND REGULATION REVIEW

In order to mitigate the impact of the COVID-19 pandemic on employment landscape in 2020, certain policy documents applicable to the human resources industry were issued to provide guidance to facilitate employment and promote flexible employment, based on which, in the first half of 2021, the Chinese government further issued certain notices and guidance applicable to the human resources industry. On the one hand, despite complicated international situation, adding that China faces the arduous tasks of reform, development and stability domestically, especially on the serious impact of the COVID-19 pandemic, the government has always prioritized economic and social development, innovated and implemented the employment-first policy, and promoted positive progress on issues relating to employment. On 29 June 2021, the Ministry of Human Resources and Social Security issued the Notice of the Ministry of Human Resources and Social Security on Printing and Distributing the 14th Five-Year Plan for the Development of Human Resources and Social Security (No. 47 [2021] of the Ministry of Human Resources and Social Security) (《人力資源社會保障部關於印發人力資源和社會保障事業發展"十四五"規劃的通知》(人社部發[2021]47號)), proposing to deeply implement policies for the high quality development of the human resources service industry, accelerate the construction of a unified, standardized, competitive and orderly human resources market, promote the innovative development of human resources services, and focus on cultivating a group of comprehensive human resources service enterprises characterized by possession of core products, growth potential and international competitiveness. The government also supports domestic human resources service enterprises to set up branches in countries along the "Belt and Road Initiative" (一帶一路) to vigorously explore the international market and build a global service network.

Management Discussion and Analysis

On the other hand, in order to support and regulate the development of new forms of employment, effectively safeguard the labour security rights and interests of workers in new forms of employment, and promote the standardized, healthy and sustainable development of the platform economy, the Ministry of Human Resources and Social Security, the National Development and Reform Commission, the Ministry of Transport, the Ministry of Emergency Response The Ministry of Management, the State Administration for Market Regulation, the State Medical Security Administration, the Supreme People's Court and the All-China Federation of Trade Unions issued the "Guiding Opinions on Safeguarding Labour Security Rights and Interests of New Employment Forms" (No. 56 [2021] of the Ministry of Human Resources and Social Security) on 16 July 2021, put forward the following opinions: standardize employment, clarify the responsibility of labour rights protection; improve the system, make up for the shortcomings of labour rights protection; improve efficiency and optimize labour rights protection services. The guidance emphasizes that if a platform enterprise adopts cooperative employment methods such as labour dispatch to organize laborers to complete the platform work, it should select an enterprise with legal business qualifications, and supervise its protection of labour rights and interests; for outsourcing and other cooperative employment methods If the rights and interests of laborers are damaged, the platform enterprises shall bear corresponding responsibilities in accordance with the law; at the same time, improve the relevant policies of basic pension insurance and medical insurance, and organize flexible employees who have not participated in the basic pension and basic medical insurance for employees to participate in the basic pension for urban and rural residents as required., basic medical insurance for urban and rural residents, so as to ensure that they are fully insured.

In addition, in order to accelerate the high-quality development of the human resources service industry, the Ministry of Human Resources and Social Security, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce, and the State Administration for Market Regulation issued the "Opinions on Promoting the High-Quality Development of Human Resource Services Industry in the New Era" (No. 89 [2021] of the Ministry of Human Resources and Social Security) on 8 November 2021, and put forward the following key tasks: vigorously improve the level of human resources services and further promote innovation and development; continuously strengthen the role of human resources in supporting high-quality economic development, and further promote coordinated development; improve the high-level human resources service industrial park system to further promote agglomeration development; focus on promoting human resources services to help build the "Belt and Road Initiative" (一帶一路), and further promote open development; Quickly build a high-standard human resources market system and further promote standardized development. In order to promote the implementation of the task, the opinion states that it will: implement financial support policies; implement preferential tax policies; expand investment and financing channels; improve government procurement services; consolidate development foundations; strengthen talent protection.

Management Discussion and Analysis

AWARDS AND RECOGNITIONS

During the year ended 31 December 2021, we received the following awards:

January 2021

Renrui Human Resources Technology Holdings Limited was awarded the Golden Hong Kong Stocks Best New Economy Company of the Year (金港股年度最佳新經濟公司) by ZhiTong Financial (智通財經)

March 2021

Renrui Human Resources Technology Holdings Limited was awarded the Best HR Integrated Service Provider 2021 (2021最佳人力資源綜合服務供應商) by HRflag

April 2021

Renrui Human Resources Technology Holdings Limited was awarded China Top 100 Human Resources Services Organizations (中國人力資源服務機構100強) by Tophr (第一資源)

Renrui Human Resources Technology Holdings Limited was awarded the China Selected Flexible Staffing HR Service Provider – White Collar 2021 (2021中國靈活用工HR臻選服務機構-白領崗位) by HREC (HR智享會)

May 2021

Renrui Human Resources Technology Holdings Limited was awarded Spark HR Services Organization-HR Outsourcing 2020 (2020年度人力資源服務機構-人力資源外包領航者) by HRoot

June 2021

Renrui Human Resources Technology Holdings Limited was awarded the Top 100 Human Resources Brand Service Providers 2021 (2021人力資源品牌服務商Top 100) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Top 10 Influential Human Resources Brands –Corporate Recruitment (十大影響力人力資源品牌-企業招聘類) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Chengdu Beautiful Life Women Civilization Post (成都市幸福美好生活巾幗文明崗) by Chengdu Women's Federation

July 2021

Renrui Human Resources Technology Holdings Limited was awarded the 2021 Top 100 Best HR Service Brands in the PRC Market (2021中國市場最佳人力資源服務品牌100 強) by HRflag

October 2021

Renrui Human Resources Technology Holdings Limited was accredited as the Chengdu headquarters enterprise（成都市總部企業）by Chengdu Headquarters Economic Development Leading Group Office （成都市總部經濟發展領導小組辦公室）

Management Discussion and Analysis

November 2021

Renrui Human Resources Technology Holdings Limited was awarded the Chengdu Top 100 Enterprises in Service Industry (2021年成都服務業100強) and Top 100 Private Enterprises (民營企業100強) for 2021 by the Chengdu Enterprise Federation

December 2021

Renrui Human Resources Technology Holdings Limited was awarded the Best Human Resources Comprehensive Service Organization for 2021 (2021年度最佳人力資源綜合服務機構) by Tophr

Renrui Human Resources Technology Holdings Limited was awarded the Trust Award for Chinese Overseas Enterprises(中國出海企業信賴獎) by India China-Mobile-Phone Enterprises Association (印度中資手機企業協會)

Renrui Human Resources Technology Holdings Limited was awarded the Snowball Gold Award of the Year(雪球年度金榜) by Snowball (雪球)

Renrui Human Resources Technology Holdings Limited was awarded WISE2021 King of New Economy – the Hardcore Enterprise of the Year (WISE2021新經濟之王-年度硬核企業) by 36Kr

Renrui Human Resources Technology Holdings Limited was awarded China Excellent HR Service Brand (中國卓越HR服務品牌) by 3hrm (三人行)

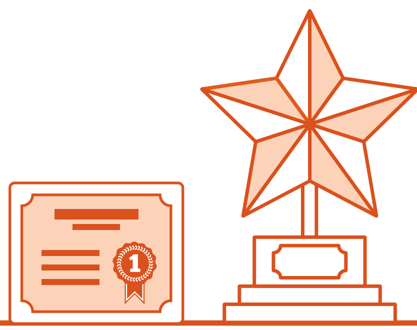
Renrui Human Resources Technology Holdings Limited was awarded the Outstanding Human Resources Brand 2020-2021 (2020-2021年度人力資源優秀品牌) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Recruitment Oscars 2020-2021 (2020-2021年度招聘奧斯卡大獎) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Solution Award 2022 (2022年度解決方案大獎) by HRflag

Renrui Human Resources Technology Holdings Limited was awarded the Chengdu Enterprise Talent Workstation for 2021 (2021 年度成都市企業人才工作站) by Chengdu Human Resources and Social Security Bureau

Wuhan Renrui Human Resources Service Co., Ltd. was awarded the Wuchang District headquarters enterprise for 2021 (2021年度武昌區總部企業) by Wuchang District Development and Reform Bureau, Wuhan City



Management Discussion and Analysis

OUTLOOK AND FUTURE STRATEGIES

Capturing the Opportunities of Digital Transformation for Business and Developing Digital Technology and Cloud Services

We believe that the digital transformation for business in China is an inevitable trend.

The Chinese government attaches great importance to the development of digital transformation and has made a series of major decisions and arrangements. In March 2021, the State Council issued the Outline of the 14th Five-Year Plan for National Economic and Social Development and Vision 2035, which explicitly proposes to "accelerate digital development and build a digital China" and drive the transformation of production methods, lifestyle and governance methods through digital transformation. At the same time, it proposes to stimulate the vitality of talent innovation and deepen the strategy of building a strong talent country and giving priority to employment. In January 2022, the State Council issued the 14th Five-Year Digital Economy Development Plan, which sets out that digital economy is the main economic form following the agricultural economy and industrial economy, and the development of digital economy is a strategic choice to seize new opportunities arising from a new round of scientific and technological revolution and industrial transformation. It also envisages that by 2025, the digital economy will enter into a phase of comprehensive expansion, and the added value of the core industries of the digital economy is expected to account for 10% of the GDP. The digital transformation of Chinese enterprises has become the main engine of economic development, continuing accelerating at full speed. In 2020, the digital economy accounted for more than one-third of China's GDP, and is expected to exceed 40% in 2021, ranking second globally in terms of total volume. China has become an important hub of innovation and development of the global digital economy.

With the continuous deepening of the digital transformation of Chinese economy, the demand for digital professionals is growing rapidly, who have become the core competitiveness of China's innovation-driven development and enterprise transformation and upgrade. Against this backdrop, the development of digital economy in China is facing huge challenges from talent shortage. We believe that, with our in-depth comprehensive workforce solution capabilities and our digital technology and cloud service capabilities which have begun to take shape, we will build our core competitiveness in the field of industrial digitalisation and gradually strengthen our competitive barriers in the industry.

We aim to expand into broader markets and enhance high-value services. According to the CIC Report, the information technology and digital services outsourcing market is tremendous and is expected to exceed RMB1.0 trillion by 2025. It is expected that the market size of information technology and digital services outsourcing industry in China will grow at a CAGR of approximately 13.4% from 2021 to 2026, indicating a promising prospect. The industry average gross profit margin is approximately 15%-25%. We expect that the revenue contribution from this business segment will continue to increase in 2022, laying a good foundation for our overall gross profit margin improvement in 2022.

In addition, we will further increase investment in technology, provide clients with a full range of customized service offerings, enrich product matrix, accelerate the commercialization of technologies and platform construction, including digital technology services and SaaS cloud services, so as to achieve stable and sound growth.

Building a Digital-enabled HR Ecosystem to Strengthen our Competitive Edges

We will continue to build a HR ecological chain, through investment, mergers and acquisitions or strategic cooperation, with enterprises, vocational training institutions and higher vocational colleges specialised in industry-education integration to cultivate talents. By doing so, we can provide internship opportunities for students with professional skills and training opportunities for job applicants to continuously improve their professional skills, and in turn we could address different staffing needs from the clients.

- During the summer vacation in July 2021, we cooperated with Xunteng Group to provide students with about 500 internship opportunities at our digital operation and customer service centre in Tai'an to improve students' digital operation and customer service capabilities.

Management Discussion and Analysis

- In September 2021, we entered into an investment agreement with Kumao Robot, an industry-education integrated technology service platform focusing on robotics, intelligent manufacturing and industrial internet, which operates three business segments, namely the industrial internet platform "robot online", the sales and integration of robot system, and the private school "Shanghai Kumao Training School". The investment was completed in January 2022 and will assist us in providing talent supply to our clients in the high-end manufacturing industry. In January 2022, Renrui Human Resources Group, a wholly-owned subsidiary of the Group, established a joint venture, Renrui New Career Technology Service (Shanghai) Co., Ltd., with Kumao Robot to explore the comprehensive flexible staffing market for robot operators.
- In December 2021, we entered into a strategic cooperation with Guangdong Baiyun University, a subsidiary of China Education Group Holdings Limited, to strengthen school-enterprise cooperation and achieve the "integration of industry and education". Under the agreement, Guangdong Baiyun University can select a certain number of students to receive practical training at the enterprises offered by us each year to enhance employment quality.

We will continue to explore ways to establish a HR ecological chain based on industry-education integration, in particular the entire digital professional lifecycle. We plan to cooperate with industry-education integration enterprises, colleges and universities or vocational training institutions in the fields of information technology and the Internet of Things through strategic cooperation or investment to further build a HR ecological chain and strengthen our competitive edges.

Upgrading General Service Outsourcing Business and Strengthening our Market-leading Position

General service outsourcing is a major component of our comprehensive flexible staffing business, with a strong market potential. Against the volatile market trend and fierce competition, Chinese enterprises need to adopt a more flexible staffing approach to respond to market changes, and become agile in operation model and talent strategies, and effectively respond to supply and demand shifts to achieve long-term development. According to the CIC Report, the comprehensive flexible staffing industry is expected to grow at a CAGR of 19.3% from 2021 to 2026, and reaching approximately RMB336.9 billion in 2026.

We will continue to adhere to the aforesaid development focus. Leveraging our professional management and rapid recruitment capabilities, we will accelerate our entry into more industries and provide professional human resources services for more new positions through investment, mergers and acquisitions to further expand into high-value services.

Building the Digital Technology Capabilities and Vibrant Talent Ecosystem through Investment, Acquisitions and Strategic Cooperation

We strengthened our digital technology capabilities and our talent ecosystem by executing a number of strategic investments and acquisitions from 2020 to 2022. On one hand, we strengthened our business layout, scale of revenue and profitability in digital technology services through strategic acquisitions, which also brings us a sophisticated team of industry experts with deepened industry-specific knowledge in the digital technology and cloud services, rich industry solutions and software development expertise. On the other hand, we enhanced our talent ecosystem in the fields of information technology, artificial intelligence, robotics and intelligent manufacturing through our investment in Xunteng Group, Greedy Technology and Kumao Robot.

In 2022, we will focus on two directions for investment and acquisition: (i) further strengthen post-investment management to achieve business synergy and mutual growth in revenue and profit of both the Group and the target companies; (ii) continue to seek potential target companies engaging in serving high-value clients and high-margin businesses, or strategic opportunities to build a vibrant talent ecosystem.

Entering 2022, we are still facing the challenges due to the control of the COVID-19 pandemic and the sophisticated and evolving international situation and economic environment. We are proactively adapting to the new environment, and focusing on key strategic areas to achieve long-term sustainable growth. We will continue to leverage technological innovation to create more value for all participants and contribute to the high-quality development of the digital economy. We will continue to strive to build a sustainable ecosystem in the field of comprehensive human resources services through our products and services, and make more contributions to the mutual benefits and common values of the society.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the total revenue of the Group amounted to approximately RMB4,739.1 million, representing an increase of approximately RMB1,909.0 million or approximately 67.5% as compared to approximately RMB2,830.1 million for the year ended 31 December 2020. This was due to the increase in the revenue generated from comprehensive flexible staffing services, which increased by approximately RMB1,894.8 million or 69.5%, when compared to that of 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 Group was entitled to social insurance premium exemption amounted in aggregate to approximately RMB197.1 million in 2020. In line with the philosophy of overcoming difficulties together with our clients, we waived part of the flexible staffing service fees payable by our clients in 2020. If such commercial arrangement were not in place, the revenue of the Group in 2021 would have increased by approximately 56.6% year-on-year as compared to that in 2020.

The Group's revenue and results of operations by respective business segments for the year ended 31 December 2021 are as follows:

	2021		2020	
	Revenue RMB'000	% to total revenue	Revenue RMB'000	% to total revenue
Comprehensive flexible staffing	4,621,714	97.5	2,726,917	96.4
Professional recruitment	90,040	1.9	69,292	2.4
Other human resources solutions	27,392	0.6	33,843	1.2
Total	4,739,146	100.0	2,830,052	100.0

Adhering to our strategy of focusing on serving large-scale clients, we recorded a revenue of approximately RMB2,816.0 million from our top five clients for the year ended 31 December 2021, accounting for approximately 59.4% of the total revenue for the year, with the largest client accounting for approximately 41.7% of the total revenue for the year. As set out above, for the year ended 31 December 2021, excluding the aforementioned agreements relating to the major client, the revenue of the top five clients would account for approximately 33.5% of the total revenue of the year, and the revenue of the top ten clients would account for approximately 51.6% of the total revenue of the year, indicating the optimisation of our client structure and the mitigation of the high concentration risk of single largest client.

Management Discussion and Analysis

Comprehensive Flexible Staffing

The revenue generated from comprehensive flexible staffing services for the year ended 31 December 2021 amounted to approximately RMB4,621.7 million, representing an increase of approximately 69.5% as compared to that of approximately RMB2,726.9 million for the year ended 31 December 2020. In addition, in line with the philosophy of overcoming difficulties together with our clients during the outbreak of COVID-19, we waived part of the comprehensive flexible staffing service fees payable by our clients in 2020. If such commercial arrangement was not in place in 2020, the revenue generated from comprehensive flexible staffing in 2021 would have increased by approximately 58.1% year-on-year as compared to that in 2020. The significant increase in the revenue of our comprehensive flexible staffing services was mainly attributable to the increase in the number of comprehensive flexible staffing employees and the rapid growth of our digital services. The number of comprehensive flexible staffing employees increased from 38,637 as at 31 December 2020 to 50,447 as at 31 December 2021, representing an increase of approximately 30.6%. We recruited 58,199 comprehensive flexible staffing employees in 2021, representing an increase of 10,704 comprehensive flexible staffing employees or approximately 22.5% as compared to 47,495 comprehensive flexible staffing employees in 2020.

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

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

	For the year ended 31 December			
	2021		2020	
	Revenue RMB'000	% to total revenue	Revenue RMB'000	% to total revenue
General service outsourcing	4,263,142	92.2	2,563,592	94.0
Digital technology and cloud services	97,423	2.1	12,760	0.5
Digital operation and customer services	261,149	5.7	150,565	5.5
Total in comprehensive flexible staffing services	4,621,714	100.0	2,726,917	100.0

In 2021, we made strategic headway in our digital-enabled professional services business (comprising digital technology and cloud services, and digital operation and customer services) with its revenue contribution as a percentage of the total revenue amounted to approximately 7.6% for 2021, growing from approximately 5.8% for 2020.

The turnover rate of comprehensive flexible staffing employees decreased from approximately 9.0% in 2020 to approximately 7.4% in 2021. The continuous decrease in the turnover rate of comprehensive flexible staffing employees was mainly benefited from our continuous optimisation of the ecosystem platform, investment in data-driven analytics, and enhancement of standardisation of the project management process of comprehensive flexible staffing to achieve sophisticated online project management and online monitoring of key operating indicators. The control of the turnover rates of comprehensive flexible staffing projects has become a key 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 tailor made management and control plans on flexible staffing employee turnover rate for different projects, particularly key projects, and ensured the effective implementation of the plans through the management approach of Plan-Do-Check-Action (PDCA).

Management Discussion and Analysis

Professional Recruitment

For the year ended 31 December 2021, revenue from professional recruitment amounted to approximately RMB90.0 million, representing an increase of 29.9% as compared to approximately RMB69.3 million for the year ended 31 December 2020, among which, revenue from recruitment of digital talents amounted to approximately RMB10.0 million, representing an increase of approximately 35.1% as compared to approximately RMB7.4 million for the year ended 31 December 2020. The increase in the revenue generated from professional recruitment in 2021 was mainly due to (i) the business demand for professional recruitment has recovered since the first half of 2021, with the impact of the COVID-19 pandemic being substantially contained, whereas such demand had significantly decreased in the first half of 2020 amid the outbreak of COVID-19; (ii) we have made use of robotic process automation technology and launched smart matching functions to match candidates with jobs on our Xiang Recruitment Platform, which greatly improved the recruitment efficiency of project managers. The increase in professional recruitment revenue brought by the above two factors was partially offset by the following two factors: (i) the significant decrease in demand for labour in the internet industry in the second half of 2021; and (ii) clients in the online education industry had a strong hiring demand in 2020, but the policy adjustment in the second half of 2021 in relation to the online education industry has significantly affected the recruitment demands of clients in such industry. We successfully made 40,649 placements for our clients in 2021, representing an increase of approximately 42.3% from approximately 28,569 placements recruited in 2020. Since 2019, we have gradually reshaped professional recruitment from serving clients with continuous bulk employment needs to recruiting positions with high value and high unit price. By providing professional recruitment services to high-value clients, we have begun to improve our ability to identify candidates who are perfect match for our clients of professional recruitment so as to establish a competitive barrier.

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 2021, the total revenue generated from corporate training amounted to approximately RMB1.0 million, which was generally consistent with that for the year 31 December 2020 of approximately RMB1.0 million.

Labour Dispatch Services

Unlike typical flexible staffing arrangement where the labour contract is entered into and the labour relation is established between us and contract employees, 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 moderate service fee for administrative matters. Comparing to comprehensive 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 2021, the total revenue generated from labour dispatch services amounted to approximately RMB6.0 million, representing an increase of approximately RMB1.1 million as compared to approximately RMB4.9 million for the year ended 31 December 2020.

Other Miscellaneous Services

Other miscellaneous services include HR services consultation, talent assessment and tailored employee management solutions. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans on certain projects. For the year ended 31 December 2021, revenue generated from other miscellaneous services amounted to approximately RMB20.4 million, representing a decrease of approximately RMB7.5 million as compared to the total amount of approximately RMB27.9 million for the year ended 31 December 2020.

Management Discussion and Analysis

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 2021, the Group's total cost of revenue amounted to approximately RMB4,487.4 million, representing an increase of approximately RMB1,928.2 million or approximately 75.3% as compared to approximately RMB2,559.2 million for the year ended 31 December 2020. The increase in cost of revenue for the year ended 31 December 2021 was mainly due to the fact that (i) our employee benefit expenses and travelling expenses increased by approximately RMB1,901.7 million in aggregate, which was in line with the increase in the number of comprehensive flexible staffing employees; (ii) in the second half of 2020 and the year of 2021, we established two digital operation and customer service centres in Xi'an and Jinniu District, Chengdu, and expanded our digital operation and customer service centre in the Chengdu High-tech Zone. In order to expand the coverage of our services, we have established five new secondary service points in Zhengzhou, Ningbo, Hefei, Changsha and Jinan, and in the fourth quarter of 2021, a recruitment and delivery center was set up in Suzhou, and our offices in Shanghai, Nanjing, Hangzhou, Shenzhen, etc. were relocated to premises more suitable for operation. The aforementioned geographical expansion and upgrade resulted in an increase of approximately RMB24.4 million in amortisation of right-of-use assets; and (iii) there is a year-on-year increase of approximately RMB14.2 million in other taxes and surcharges as a result of the increase in revenue. The average labour cost of each comprehensive flexible staffing employee managed by us for our clients was approximately RMB8,098 per month in 2021, representing an increase from approximately RMB6,800 per month in 2020. This was mainly due to (i) the increase in the number of information technology personnel, whose salaries were relatively high among comprehensive flexible staffing employees; and (ii) the fact that the PRC government reduced the amount of social insurance contribution payable by enterprises from February 2020 to December 2020, while no similar reduction was offered by the PRC government in 2021.

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			
	2021		2020	
	RMB'000	%	RMB'000	%
Comprehensive flexible staffing	207,077	4.5	214,550	7.9
Professional recruitment	25,464	28.3	27,414	39.6
Other human resources solutions	19,248	70.3	28,900	85.4
Total	251,789	5.3	270,864	9.6

Management Discussion and Analysis

Our gross profit margin for the year ended 31 December 2021 was approximately 5.3%, representing a decrease of approximately 4.3% from approximately 9.6% for the year ended 31 December 2020, which was mainly due to the reasons below:

(a) The gross profit margin of comprehensive flexible staffing services decreased from approximately 7.9% in 2020 to approximately 4.5% in 2021, which was mainly attributable to (i) the relatively significant adjustment in the amount of service premium payable per comprehensive flexible staffing employee according to a new agreement entered into between the Group and a major customer as disclosed in the announcements of the Company dated 30 June 2021, 7 July 2021 and 31 October 2021, resulting in a considerable drop in the gross profit of the projects under the relevant agreement; (ii) the decline in staffing demand of the internet industry, leading to a slowdown in the growth of the demand of the Group's certain customers in the internet industry for comprehensive flexible staffing services and a lower service fee or service premium payable to the Group; and (iii) the regulations issued in the second half of 2021 imposing restrictions on the online education industry, resulting in a lower demand for comprehensive flexible staffing services of customers in such industry and a lower service premium payable to the Group.

(b) The gross profit margin of professional recruitment services decreased from approximately 39.6% in 2020 to approximately 28.3% in 2021. This was mainly because (i) although customers in the online education industry showed a strong hiring demand in 2020 and were able to pay relatively high recruitment service fees, the regulations issued in the second half of 2021 imposed restrictions on the online education industry, which significantly affected the recruitment needs of customers in such industry; and (ii) to expand our service coverage, we established five New Service Points including the one in Zhengzhou, alongside a recruitment and delivery centre in Suzhou in the fourth quarter of 2021. Such expansion increased the number of recruitment project managers and the amortisation expenditure of right-of-use assets, leading to a rise in recruitment costs.

(c) The gross profit margin of other human resources solutions (comprising corporate training services, labour dispatch services and other miscellaneous services) decreased from approximately 85.4% in 2020 to approximately 70.3% in 2021, which was mainly because the service fees received from customers under some newly signed labour dispatch contracts in 2021 included the benefit expenses of dispatch employees. Under such service fee quotation arrangement, while the revenue from labour dispatch increased, the labour dispatch cost increased accordingly, resulting in a decrease in the gross profit margin of labour dispatch.

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 2021 amounted to approximately RMB65.5 million, representing an increase of approximately RMB12.1 million or 22.6% as compared to approximately RMB53.4 million for the year ended 31 December 2020. This was mainly because (i) we increased our investment in expanding our pool of potential candidates in 2021, which led to an increase in marketing and promotion expenses of approximately RMB5.1 million. By expanding our pool of potential candidates, we would be able to (a) increase the onboarding number of comprehensive flexible staffing and professional recruitments, which could then help us obtain more recruitment orders from our clients and (b) accumulate the talent pool in the field of information technology to develop our recruitment capabilities in this field; (ii) the number of sales personnel as at 31 December 2021 increased by 27 as compared to that as at 31 December 2020, leading to an increase in the total employee benefit expenses of approximately RMB2.0 million; and (iii) as revenue for 2021 rose by 67.5% when compared to that of 2020, the growth in business volume resulted in an increase in travelling expenses and entertainment fees for sales personnel of RMB4.1 million from 2020. Our selling and marketing expenses as a percentage of revenue decreased from approximately 1.9% for 2020 to approximately 1.4% for 2021.

Management Discussion and Analysis

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 2021 amounted to approximately RMB18.1 million, representing an increase of approximately RMB4.2 million or approximately 30.1% as compared to approximately RMB13.9 million for the year ended 31 December 2020. This was mainly due to (i) the increase in the number of R&D personnel as at 31 December 2021 by 39 as compared to that as at 31 December 2020, which increased the employee benefit expenses by approximately RMB2.1 million; and (ii) the expansion of office space as a result of the increase in R&D personnel, and the office relocation of the R&D department in the second half of 2021 incurred a loss from the early termination of lease. As a result, the office rental in 2021 increased by approximately RMB1.9 million from 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 2021 amounted to approximately RMB100.3 million, representing an increase of approximately RMB26.1 million or approximately 35.2% as compared to approximately RMB74.2 million for the year ended 31 December 2020, which was mainly because (i) the employee benefit expenses for our management personnel increased by approximately RMB14.8 million as compared to approximately RMB40.9 million in 2020 as a result of (a) the internal promotion of various management members in the second half of 2020 and the increase in the salary of management members in 2021; (b) the fact that we granted 2,300,000 award Shares and options to subscribe a maximum of 2,560,000 Shares on 22 January 2021 and again granted options to subscribe a maximum of 1,830,000 Shares on 16 July 2021, while we only granted options to subscribe a maximum of 390,000 Shares on 29 October 2020, which led to an increase in share-based payment expenses; (ii) we established five New Service Points including the one in Zhengzhou to expand our service coverage and relocated our Shanghai and other offices to premises more suitable for operation, resulting in an increase of approximately RMB5.3 million in amortisation of right-of-use assets; (iii) a series of management training was organised for mid to senior level management members in 2021, increasing training fees by RMB2.7 million from 2020; (iv) travelling expenses and entertainment fees for management personnel increased with business volume and the number of management members, higher than that of 2020 by RMB1.8 million. In addition, our administrative expenses as a percentage of revenue decreased from approximately 2.6% for the year ended 31 December 2020 to approximately 2.1% for the year ended 31 December 2021.

Other Income

Other income for the year ended 31 December 2021 amounted to approximately RMB48.2 million, representing an increase of approximately RMB15.6 million or approximately 48.1% as compared to approximately RMB32.6 million for the year ended 31 December 2020. Other income primarily comprises income derived from government grants and tax reduction. The increase was primarily attributable to the followings: (i) the financial support funds from certain government authorities, which served as an incentive to human resources companies to provide services to local enterprises and to invest in R&D of company software and systems, increased along with our business expansion and increase in investment. Therefore, we received government grants of approximately RMB37.6 million for the year ended 31 December 2021, as compared to approximately RMB23.7 million for the year ended 31 December 2020, representing an increase of approximately RMB13.9 million; (ii) certain subsidiaries of the Group were qualified for an additional 10% deduction of input VAT from output VAT. For the year ended 31 December 2021, we obtained such tax deduction in the amount of approximately RMB7.1 million, representing an increase of approximately RMB2.4 million as compared to approximately RMB4.7 million for the year ended 31 December 2020. In addition, interest income of approximately RMB3.4 million was generated from investment in wealth management products from the bank financial assets at FVOCI such as corporate bonds and certificates of deposit purchased with the idle unutilised Net Proceeds during the year ended 31 December 2021, which was in similar amount as that for the year ended 31 December 2020.

Management Discussion and Analysis

Other Gains, Net

For the year ended 31 December 2021, other gains amounted to approximately RMB5.5 million, representing a decrease of approximately RMB34.1 million or approximately 86.0% as compared to other gains of RMB39.6 million for the year ended 31 December 2020. This was mainly because (i) the appreciation of RMB as against USD in 2021 was less than that in 2020, as a result the Group recorded an exchange gain of approximately RMB5.4 million from the Net Proceeds invested in financial assets at FVOCI and remained as bank deposits, representing a decrease of approximately RMB25.3 million as compared to approximately RMB30.7 million of exchange gains for 2020; (ii) the net investment loss of approximately RMB0.7 million generated from our financial products purchased with idle funds, representing a decrease of approximately RMB10.7 million as compared to the investment income of approximately RMB10.0 million for 2020.

Provision for Net Impairment Losses on Financial Assets

For the year ended 31 December 2021, provision for net impairment losses on financial assets amounted to approximately RMB4.8 million, representing an increase of approximately RMB1.9 million as compared to the provision of approximately RMB2.9 million for the year ended 31 December 2020. Such change was primarily due to an increase in the balance of trade and notes receivables. In view of this, when assessing the risk of bad debt on trade and notes receivables, we accounted for an increase in the provision for impairment of trade and notes receivables.

Operating Profit

Our operating profit decreased from approximately RMB198.5 million for the year ended 31 December 2020 to approximately RMB116.8 million for the year ended 31 December 2021, representing a decrease of approximately 41.2%.

Finance Income

Our finance income for the year ended 31 December 2021 amounted to approximately RMB6.6 million, representing a decrease of approximately RMB6.2 million or approximately 48.6% as compared to approximately RMB12.8 million for the year ended 31 December 2020. This was due to the decrease in cash and cash equivalents as a result of the use of Net Proceeds, leading to a decrease in interest earned on our deposits.

Finance Costs

Our net finance costs for the year ended 31 December 2021 amounted to approximately RMB4.9 million, representing an increase of approximately RMB1.9 million or approximately 64.9% as compared to approximately RMB3.0 million for the year ended 31 December 2020, which was mainly due to the fact that in 2021, to expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above), resulting in an increase in interest expenses on lease liabilities due to the new office premises leased.

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

The net gain attributable to the results of joint ventures for the year ended 31 December 2021 was approximately RMB1.9 million, of which (i) Xunteng Group generated an investment gain of approximately RMB3.1 million in 2021; and (ii) Shanghai Zhencheng Technology Co., Ltd.* (上海圳誠科技有限公司) incurred an investment loss of approximately RMB1.2 million in 2021.

Profit before Income Tax

Our profit before income tax for the year ended 31 December 2021 amounted to approximately RMB120.4 million, representing a decrease of approximately RMB88.0 million or approximately 42.2% as compared to the profit before income tax of approximately RMB208.4 million for the year ended 31 December 2020. Such change was mainly attributable to the combined effect of factors such as: (i) the decrease in gross profit of approximately RMB19.1 million from 2020 to 2021 as a result of the reasons set out under the paragraph headed "Gross Profit and Gross Profit Margin" above; (ii) the increase in the total amount of selling and marketing, R&D, and administrative expenses of approximately RMB42.4 million from 2020 to 2021 due to the increase in internal employees in sales, R&D and management roles, the establishment of New Service Points to expand our service coverage, and the increase in travelling and entertainment expenses with business volume and the number of internal employees; and (iii) the decrease in the total amount of other income and other gains, net of approximately RMB18.4 million from 2020 to 2021 due to the decrease in exchange gains and investment gains on financial products purchased with idle funds.

Management Discussion and Analysis

Profit for the Year

Profit for the year ended 31 December 2021 amounted to approximately RMB102.3 million, while profit for the year ended 31 December 2020 was approximately RMB182.9 million. Such change was due to the same reasons as set out under the paragraph headed "Profit 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	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**102,348**	182,917
Add: Share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme	**5,942**	294
Adjusted net profit (unaudited)	**108,290**	183,211

We define our adjusted net profit as the net profit for the period excluding the share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme. Our adjusted net profit decreased from approximately RMB183.2 million for the year ended 31 December 2020 to approximately RMB108.3 million for the year ended 31 December 2021, representing a decrease of approximately 40.9%. Such substantial decrease was mainly due to the reasons set out under the paragraph headed "Profit before Income Tax" above.

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 the share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme, which does not relate to our ordinary course of business and are non-recurring in nature. 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 of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across periods. However, our presentation of adjusted net profit may not be comparable to other measures presented by other companies with similar labels. 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 of operations or financial condition as reported under HKFRS.

Management Discussion and Analysis

Net Current Assets

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Total current assets	1,652,635	1,644,808
Total current liabilities	657,643	493,074
Net current assets	994,992	1,151,734

Our net current assets as at 31 December 2021 amounted to approximately RMB995.0 million, representing a decrease of approximately RMB156.7 million or approximately 13.6% as compared to approximately RMB1,151.7 million as at 31 December 2020. This was primarily because the increase in the balance of trade and notes receivables and the balance of prepayments, deposits and other receivables as at 31 December 2021 as compared to 31 December 2020 was offset by the decrease in cash and cash equivalents. Therefore, the change in total current assets was not material. However, the balance of accrued payroll and welfare increased with the number of comprehensive flexible staffing employees, has led to a rise in trade and other payables of approximately RMB155.7 million as at 31 December 2021 as compared to the balance as at 31 December 2020.

Trade and Notes Receivables

Our trade and notes receivables as at 31 December 2021 increased by approximately RMB283.1 million or approximately 59.2% as compared to approximately RMB477.9 million as at 31 December 2020. This was mainly attributable to (i) increase in revenue; and (ii) credit periods of approximately 10 to 90 days granted to certain new strategic clients for comprehensive flexible staffing services, who generated an increasing revenue as compared to the year ended 31 December 2021. As at 31 December 2021, the provision for losses on trade receivables was approximately RMB12.9 million, representing an increase of approximately RMB3.9 million as compared to approximately RMB9.0 million as at 31 December 2020. The reasons for such change are consistent with those set out in the paragraph "Provision for Net Impairment Losses on Financial Assets" above. As at the date of this annual report, we were not aware of any material bad debt incurred by the new strategic clients who were granted credit period of approximately 10 to 90 days.

Considering the continuing impact of the COVID-19 pandemic and the lower staffing demand of the internet industry, 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	
	2021	2020
Trade and notes receivables turnover days[(1)]	44	54
Adjusted trade and notes receivables turnover days[(2)]	49	48

Management Discussion and Analysis

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 2021, our trade and notes receivables turnover days was 44 days, and the adjusted trade and notes receivables turnover days was 49 days, 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 90 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 of 31 December 2021, our prepayments, deposits and other receivables amounted to approximately RMB38.8 million, representing an increase of approximately RMB26.8 million or approximately 221.9% as compared to approximately RMB12.0 million as at 31 December 2020, which was mainly attributable to the following factors: (i) to expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above), leading to an increase in relevant rental deposits receivable and prepaid rents and property management fees of approximately RMB7.5 million as compared to the end of the previous year; (ii) we established Renrui New Career Technology Service (Shanghai) Co., Ltd.* (人瑞新職科技服務(上海)有限公司) jointly with Kumao Robot to tap into the flexible staffing market of robotic workers, resulting in an upfront investment of approximately RMB4.9 million, with the establishment of a joint venture completed in January 2022; (iii) the undeducted balance of input tax increased by approximately RMB2.9 million as compared to 31 December 2020; (iv) we launched more advertising campaigns on the job applicants community and the Xiang Recruitment Platform to attract more job applicants, resulting in an increase in annual promotion fees prepaid to suppliers of approximately RMB2.8 million as at 31 December 2021 as compared to 31 December 2020; and (v) we gradually expanded our digital technology and cloud services in 2021, increasing the balance of relevant tender deposits and performance deposits by approximately RMB1.7 million.

Financial Assets at FVOCI

As at 31 December 2021, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB102.1 million, comprising corporate bonds issued by Henderson Land and Cathay Pacific Airways, and certificates of deposit issued by Bank of Communications, all purchased by us with idle funds.

Financial assets at fair value through profit or loss

As at 31 December 2021, the balance of financial assets at fair value through profit or loss in current assets amounted to approximately RMB112.2 million, which represented our purchase of two bond funds issued by Fidelity International and PIMCO with an average credit rating of A- with idle funds.

As at 31 December 2021, the balance of financial assets at fair value through profit or loss in non-current assets amounted to approximately RMB19.9 million, which represented our investment in Greedy Technology in July 2021.

Trade and Other Payables

As at 31 December 2021, our trade and other payables amounted to approximately RMB588.9 million, representing an increase of approximately RMB155.7 million or approximately 35.9% as compared to approximately RMB433.2 million as at 31 December 2020, which was primarily due to (i) the increase in the balance of accrued payroll and welfare of approximately RMB113.2 million as a result of the increase in the number of comprehensive flexible staffing employees as at 31 December 2021; (ii) the increase in VAT and surcharges payable of approximately RMB29.3 million as a result of the increase in revenue; and (iii) the increase in the amount payable to Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司) as the second payment of approximately RMB14.7 million for acquiring 51.0% equity interest in Shanghai Lingshi.

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

Management Discussion and Analysis

Current Income Tax Liabilities

As at 31 December 2021, our current income tax liabilities amounted to approximately RMB17.7 million, representing a decrease of approximately RMB5.5 million or approximately 23.7% as compared to approximately RMB23.2 million as at 31 December 2020.

Financial liabilities at fair value through profit or loss

The balance of financial liabilities at fair value through profit or loss of approximately RMB4.2 million as at 31 December 2021 represented the remaining 6% of the total consideration for our acquisition of Shanghai Lingshi and Jiangnan Finance Technology, which is payable upon Shanghai Lingshi and Jiangnan Finance Technology achieving the performance targets set out in the relevant sale and purchase agreements.

Property, Plant and Equipment

As at 31 December 2021, the carrying value of our property, plant and equipment amounted to approximately RMB113.2 million, representing an increase of approximately RMB39.3 million or approximately 53.1% as compared to approximately RMB73.9 million as at 31 December 2020, which was mainly due to the following factors: (i) to expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above), resulting in an increase of approximately RMB90.4 million in the original value of right-of-use assets, such as leases, improvements, electrical equipment and furniture, in relation to our new offices; and (ii) an increase of approximately RMB13.6 million in computer equipment for our new digital operation and customer service centres, service locations and recruitment and delivery centre in Suzhou; which was partially offset by depreciation expenses of approximately RMB48.0 million and depletion and asset retirement due to relocation of approximately RMB16.8 million.

Intangible Assets

As at 31 December 2021, the carrying amount of our intangible assets was approximately RMB91.3 million, representing an increase of approximately RMB88.2 million, from approximately RMB3.1 million as at 31 December 2020. This was mainly due to the enhancement in goodwill and client relations as a result of the acquisition of Shanghai Lingshi and Jiangnan Finance Technology in 2021.

Other Non-current Assets

Other non-current assets are lease deposits and employee housing borrowings with recovery periods of more than one year. As at 31 December 2021, our other non-current assets amounted to approximately RMB73.9 million, representing an increase of approximately RMB66.9 million or approximately 949.6% as compared to the amount as at 31 December 2020, which was mainly due to the implementation of an employee housing borrowing plan in June 2021 upon approval by the Remuneration Committee and the Board, for the purpose of enhancing employee benefits and hence increasing the stability of employees, and the accumulated amount of borrowings granted to employees for housing amounted to approximately RMB67.7 million as at 31 December, of which the long-term loan portion is RMB65.1 million. As at 31 December 2021, a total of 71 employees (including members of senior management) had entered into loan agreements with their relevant employers (being subsidiaries of the Group) which remained effective, under the employee housing borrowing plan. Each loan agreement had a term of three years, commencing from the date on which the loan was paid. The average amount loaned to each individual employee was approximately RMB1.0 million.

Deferred Income Tax Assets

As of 31 December 2021, the carrying amount of our deferred income tax assets was approximately RMB12.2 million, representing a decrease of approximately RMB0.5 million or approximately 3.5% as compared to approximately RMB12.7 million as at 31 December 2020.

Management Discussion and Analysis

KEY FINANCIAL RATIOS

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

	For the year ended 31 December		
	2021	2020	2019
Total revenue growth	**67.5%**	23.7%	41.6%
Adjusted net profit growth (non-HKFRS)[(1)]	**-40.9%**	36.5%	98.3%
Gross margin[(2)]	**5.3%**	9.6%	10.5%
Adjusted net margin (non-HKFRS)[(3)]	**2.3%**	6.5%	5.9%
Adjusted current ratio (times)[(4)]	**1.6**	1.6	1.4

Notes:

(1) Adjusted net profit (non-HKFRS) is defined as the net profit for the year excluding items which do not relate to our ordinary course of business and are non-recurring in nature, including fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme.

(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 current assets is not a measure required by or presented in accordance with HKFRS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

Adjusted Net Profit

Adjusted net profit for the year ended 31 December 2021 amounted to approximately RMB108.3 million, representing a decrease of approximately 40.9% as compared to that for the year ended 31 December 2020, primarily due to (i) the decrease in gross profit of approximately RMB19.1 million in 2021 as compared to 2020, the reasons of which as set out under the paragraph headed "Gross Profit and Gross Profit Margin"; (ii) an increase of approximately RMB42.4 million in the aggregate amount of selling and marketing, R&D and administrative expenses in 2021 as compared to that in 2020, due to the increase in the number of internal staff in sales, R&D and management positions, the increase in leasing office space for future business expansion and expansion of service coverage area, and the increase in travel and entertainment expenses as a result of the increase in business volume and the number of internal staff; and (iii) the decrease in foreign exchange gain and investment income from purchasing financial products with idle funds, resulting in a decrease of approximately RMB18.4 million in the total amount of other income and other net income in 2021 as compared to 2020.

Adjusted Net Margin

Adjusted net margin decreased from approximately 6.5% for the year ended 31 December 2020 to approximately 2.3% for the year ended 31 December 2021. Such decrease was due to the same reasons as set out under the paragraph headed "Gross Profit and Gross Profit Margin".

Adjusted Current Ratio

Our current ratio decreased to approximately 2.6 as at 31 December 2021 from approximately 3.3 as at 31 December 2020. This was mainly because (i) we paid cash dividends of approximately RMB53.4 million to the Shareholders; (ii) for the purpose of increasing employee benefits and enhancing the stability of employees, we started to implement the employee housing borrowing plan in June 2021, and granted borrowings of approximately RMB67.7 million in aggregate to employees for housing as at 31 December 2021; (iii) we made an investment in Greedy Technology and paid cash of approximately RMB80.9 million in total for the acquisition of shares of Shanghai Lingshi and Jiangnan Finance Technology. The decrease in cash and cash equivalents was due to the above reasons. After deducting the Net Proceeds received and unutilised, the adjusted current ratio was approximately 1.6, which was basically the same as at 31 December 2020.

Management Discussion and Analysis

Liquidity and Capital Resources

In 2021, we funded our cash requirements principally from our business operations and Net Proceeds.

As at 31 December 2021, we had cash and cash equivalents of approximately RMB638.4 million, representing a decrease of approximately RMB328.8 million or approximately 34.0% as compared to approximately RMB967.2 million as at 31 December 2020. This was mainly because in 2021, (i) we used idle funds to purchase certain financial wealth management products, and approximately RMB214.3 million of financial wealth management products remained outstanding as at 31 December 2021, which increased by approximately RMB28.5 million as compared to that as at 31 December 2020; (ii) we paid cash dividends of approximately RMB53.4 million to the Shareholders; (iii) for the purpose of increasing employee benefits and enhancing the stability of employees, we started to implement the employee housing borrowing plan in June 2021, and granted borrowings of approximately RMB67.7 million in aggregate to employees for housing as at 31 December 2021; (iv) we made an investment in Greedy Technology and paid cash of approximately RMB80.9 million in total for the acquisition of shares of Shanghai Lingshi and Jiangnan Finance Technology; and (v) to expand our business and our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above), resulting in a total cash outflow of approximately RMB69.6 million for rental and renovation.

As at 31 December 2021, the Group had no material capital commitment.

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 (Used in)/Generated from Operating Activities

For the year ended 31 December 2021, net cash used in operations was approximately RMB90.0 million, as compared to net cash generated from operations of approximately RMB155.6 million in 2020. Such change in net cash in operating activities from 2020 to 2021 was primarily because (i) we granted credit terms to some of our newly signed comprehensive flexible staffing strategic customers, and revenue generated therefrom increased in 2021, resulting in an increase in the balance of trade receivables; (ii) for the purpose of increasing employee benefits and enhancing the stability of employees, we started to implement the employee housing borrowing plan in June 2021, and granted borrowings of approximately RMB67.7 million in aggregate to employees for housing as at 31 December 2021; and (iii) according to the result of enterprise income tax settlement in 2020, we paid enterprise income tax of RMB23.6 million in May 2021. As a result, the income tax paid in 2021 increased by approximately RMB19.0 million as compared with that in 2020.

Net Cash Used in Investing Activities

For the year ended 31 December 2021, net cash used in investing activities was approximately RMB126.2 million, representing a decrease of approximately RMB74.0 million as compared to approximately RMB200.2 million for the year ended 31 December 2020. The decrease was mainly due to the decrease of approximately RMB131.8 million in the net investment expenses for the wealth management products purchased from banks in 2021 as compared with 2020, which was partially offset by the increase in investment as follows: (i) the increase of approximately RMB25.9 million in the total expenses for renovation of newly leased office premises and procurement of computer equipment for future business expansion and expansion of service coverage area as compared with 2020; (ii) a significant increase in investments, mergers and acquisitions expenses as compared with 2020. In order to accelerate the development of our comprehensive flexible staffing business in the field of financial institutions, we acquired 51% of the shares of Shanghai Lingshi and Jiangnan Finance Technology, and paid the first and part of the second installments of the purchase price, with a total cash payment of approximately RMB60.9 million.

Management Discussion and Analysis

Net Cash Used in Financing Activities

For the year ended 31 December 2021, net cash used in financing activities was approximately RMB108.9 million, while the net cash used in financing activities for the year ended 31 December 2020 was approximately RMB16.7 million. Such change was mainly due to (i) the payment of cash dividends of approximately RMB53.4 million to the Shareholders in 2021; (ii) the payment of RMB21.3 million for the purchase of the Shares by a limited liability company established in the first half of 2021 through the trustee to hold the trust fund constituted by the trust deed entered into between the Company and the trustee pursuant to the Post-IPO Share Award Scheme; and (iii) the total rental expenses of approximately RMB34.2 million for the additional lease of office premises for future business expansion and expansion of service coverage in order to expand the scale of operation.

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2021, the sum of outstanding principal and interest of borrowings was approximately RMB5.0 million, which was borrowed from Bank of Communications and OCBC Bank by Shanghai Lingshi, a subsidiary acquired in the second half of 2021 to replenish working capital for daily operations. After the acquisition, we plan to repay these two borrowings in the first half of 2022. As at 31 December 2020, we 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 2021, all these covenants had been complied with by the Group.

As at 31 December 2021, we had unutilised banking facilities of approximately RMB150.0 million.

As at 31 December 2021, our lease liabilities in respect of our leased properties amounted to approximately RMB77.9 million, representing an increase of approximately RMB19.3 million as compared to approximately RMB58.6 million as at 31 December 2020. To expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above). As the office areas expanded, the lease liabilities of such leased properties increased accordingly.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2021 and 2020, 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 2021, our capital expenditure amounted to approximately RMB35.9 million, among which, (i) approximately RMB13.3 million was used for the construction of new digital operation and customer service centres and service locations, the establishment of the recruitment and delivery centre in Suzhou, and the renovation of new office premises in Shanghai and other places; (ii) approximately RMB19.4 million was used for the procurement of furniture and computer equipment for the abovementioned newly leased offices; and (iii) approximately RMB3.2 million was used for the upgrade of Xiang Recruitment Platform and the purchase of SAP software licenses and implementation expenses.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2021, we had not entered into any material off-balance sheet commitments or arrangements.

Management Discussion and Analysis

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 2021. For the year ended 31 December 2021, the Group recorded a net exchange gain of approximately RMB5.4 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 2021, none of the Group's assets was pledged or charged (31 December 2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has disclosed on 15 September 2021 that the Group entered into two equity sale and purchase agreements to acquire 51% equity interests in each of the two companies, namely Shanghai Lingshi and Jiangnan Finance Technology. For further details, please refer to the announcements of the Company dated 15 September 2021 and 2 November 2021.

Pursuant to the relevant equity sale and purchase agreements, the vendors have undertaken certain performance targets, including:

(i) the service premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Jiangnan Finance Technology shall increase by at least 19% for the year ending 30 June 2022, as compared to that for the year ended 30 June 2021, which amounted to RMB30,145,285;

(ii) the service premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Jiangnan Finance Technology shall increase by at least 19% for the year ending 30 June 2023, as compared to that for the year ending June 2022; and

(iii) the total service premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Jiangnan Finance Technology from 1 July 2021 to 30 June 2023 shall amount to not less than RMB60,290,570.

Payment of final installment of the consideration (being 6% of the consideration) by the Group to the vendors is subject to the fulfillment of target (i). In the event that target (ii) is not met, the vendors shall pay 6% of the consideration to the Group as compensation within 60 workings days from 1 July 2023. In the event that target (iii) is not met, the Group shall be entitled to request the vendors to transfer part of its shareholding in Shanghai Lingshi and Jiangnan Finance Technology to the Group at a price based on paid-up capital within 60 working days from 1 July 2023 in accordance with the equity sale and purchase agreements.

The Group will continue monitoring the performance of Shanghai Lingshi and Jiangnan Finance Technology and make disclosure in accordance with the applicable Listing Rules as and when appropriate.

For the year ended 31 December 2021, the Group has not disposed of any subsidiaries, associates or joint ventures of the Group which would fall to be disclosed under the Listing Rules.

SIGNIFICANT INVESTMENTS

On 30 July 2021, Renrui Human Resources Group, a wholly-owned subsidiary of the Company, entered into a conditional investment agreement with, among others, Greedy Technology, Mr. Li Wenzhe (the controlling shareholder of Greedy Technology), Mr. Zhou Jingyang and Zhituo Technology. Pursuant to the investment agreement, Renrui Human Resources Group will invest a total of RMB20.0 million in Greedy Technology, and will hold 20.0% interest in Greedy Technology upon completion of the investment. To the best knowledge of the Board, Greedy Technology, the ultimate beneficial owner of Greedy Technology, Mr. Zhou Jingyang and Zhituo Technology and other shareholders of Greedy Technology and their ultimate shareholders are Independent Third Parties. Greedy Technology carries out business operations through its wholly-owned subsidiary, Beijing Greedy Technology Co., Ltd., and is principally engaged in online artificial intelligence pan-information technology vocational training and other related businesses. The investment was completed on 26 September 2021. The Group accounted for the investment in Greedy Technology as financial assets at fair value through profit or loss, with the fair value being

Management Discussion and Analysis

approximately RMB19,946,000 as at 31 December 2021, representing approximately 1.0% of the Group's total assets as at 31 December 2021. The Group recognised a gain of RMB32,000 from the investment for the year ended 31 December 2021.

On 9 September 2021, Chengdu Tianfu, a wholly-owned subsidiary of the Company, entered into an investment agreement with, among others, Kumao Robot, Shanghai Yingtuo Business Consulting Service Center (Limited Partnership), Luobo E-commerce (Shanghai) Co., Ltd., Shanghai Genhui Enterprise Management Center (Limited Partnership), Shanghai Luojin Technology Service Center (Limited Partnership) and Mr. Yu Juncheng. Pursuant to such investment agreement, Chengdu Tianfu will invest a total of RMB20.0 million in Kumao Robot and will hold 10.0% interest in Kumao Robot upon completion of the investment. To the best knowledge of the Board, Kumao Robot, the ultimate beneficial owner of Kumao Robot, Mr. Yu Juncheng and other shareholders of Kumao Robot and their ultimate shareholders are Independent Third Parties. Kumao Robot is a domestic technology service platform integrating industry and education featuring "robot and intelligent manufacturing + industrial internet". It operates three business segments, namely the industrial internet platform "Robot Online", the sales and integration of robot system, and the private school "Shanghai Kumao Vocational School". It is also agreed in the investment agreement that Kumao Robot and Renrui Human Resources Group shall establish a joint venture to carry out the integrated flexible staffing service for robotic operating technicians and the related industry-education integration business. The investment was completed on 21 January 2022.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

On 8 March 2022, the Company published an announcement disclosing, among other things, the entering into of an equity sale and purchase agreement between Shanghai Ruiying, an indirect wholly-owned subsidiary of the Company, and Neusoft Holdings, pursuant to which Shanghai Ruiying agreed to acquire 46.0% equity interests in Shanghai Sirui from Neusoft Holdings at a consideration of RMB408,020,000. Shanghai Sirui is an information technology and software outsourcing service provider dedicated to providing digital transformation and information technology services to customers. Upon completion of the Acquisition, the Group will be entitled to appoint a majority of the board of directors of Shanghai Sirui. As the Group will have the decision-making power over the relevant activities of Shanghai Sirui, Shanghai Sirui will become a non-wholly owned subsidiary of the Company and the financial results of Shanghai Sirui will be consolidated into the financial statements of the Group. To the best knowledge of the Board, Shanghai Sirui, Neusoft Holdings and their ultimate shareholders are Independent Third Parties. For further details, please refer to the announcement of the Company dated 8 March 2022.

Save as disclosed in this annual report, there was no material event affecting the Group which has occurred after the year ended 31 December 2021 and up to the date of this annual report.

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as a leading comprehensive human resources solutions provider, we plan to use the Net Proceeds for certain expansion projects. Details of such expansion projects are set out in the paragraph headed "Use of Net Proceeds from the Listing" in this annual report and the section headed "Future Plans and Use of Proceeds" in the Prospectus. Please also refer to "Outlook and Future Strategies" in this annual report for more details on our investment strategy and direction.

Biographies of Directors and Senior Management

The biographical details of the Directors and senior management are set out as follows:

Executive Directors

Mr. Zhang Jianguo（張建國）

Chairman, Executive Director and Chief Executive Officer

Aged 58

Mr. Zhang Jianguo is also the chairman of the Nomination Committee. He was appointed as a Director in October 2011 and was re-designated as an executive Director and appointed as the Chairman of our Board in March 2019. Mr Zhang Jianguo is also a director, an executive director or a general manager of various subsidiaries of the Group. Mr. Zhang Jianguo has more than 21 years of experience in the HR management sector and he is responsible for the overall strategic planning and business direction, operation and management of our Group while overseeing our flexible staffing services. Prior to joining our Group, Mr. Zhang Jianguo was the chief executive officer of ChinaHR.com (中華英才網), a provider of HR services based in the PRC, from July 2004 to January 2009, where he was responsible for overall management. From January 2003 to July 2004, Mr. Zhang Jianguo was the general manager of China Stone Management Consulting Ltd. (北京華夏基石企業管理諮詢公司), a management consulting company, where he was responsible for overall day-to-day management. From June 2001 to December 2002, Mr. Zhang Jianguo was the general manager of Shenzhen Yihua Times Management Consulting Ltd. (深圳市益華時代管理諮詢有限公司), where he was responsible for overall day-to-day management. From April 1990 to June 2000, Mr. Zhang Jianguo held various positions at Huawei (華為), a provider of information and communications technology infrastructure and smart devices. He served as the vice president before his departure, and was responsible for overseeing HR matters.

Mr. Zhang Jianguo is currently the vice president of Beijing Human Resources Consulting Association (北京市人才行業協會), Shanghai Human Resources Consulting Association (上海人才服務行業協會) and Sichuan Human Resources Services Consulting Association (四川省人力資源服務行業協會), and the vice chairman of the professional committee of China Association of Trade in Services (中國服務貿易協會專家委員會). In 2021, Mr. Zhang Jianguo was awarded the Qualification Certificate of Specialty and Technology with specialty in Senior Economist by Department of Human Resources and Social Security of Hubei Province and the New Pioneer for 2021(2021 新人力先鋒人物) by 36Kr. Mr. Zhang Jianguo was an author of numerous publications, namely Compensation System Design (《薪酬體系設計》), Performance System Design (《績效體系設計》), Professional Process Design (《職業化進程設計》), Flexible Employment (《靈活用工－人才為我所有到為我所用》), Manager's Thought — Winning in Strategic Human Resource Management (《經營者思維－贏在戰略人力資源管理》), a white paper on the development of flexible staffing in China, and a blue paper China Development Report on Flexible Employment (2022) – Efficiency, Flexibility and Compliance for Diverse Employment (《中國靈活用工發展報告 (2021)－多元化用工的效率、靈活性與合規》藍皮書).

Mr. Zhang Jianguo received a master degree in engineering from Lanzhou Jiaotong University (蘭州交通大學) (formerly known as Lanzhou Railway Institute (蘭州鐵道學院)) in January 1987. He also obtained a master degree in business administration from Beijing University in July 2015.

Biographies of Directors and Senior Management

Mr. Zhang Feng（張峰）

Executive Director and Chief Operating Officer

Aged 48

Mr. Zhang Feng (former names: Zhang Haifeng (張海峰) and Zhang Feng (張鋒)), was appointed as a Director in October 2011, and was re-designated as an executive Director and appointed as the Chief Operating Officer of our Group in March 2019. Mr. Zhang Feng is also a director and/or a general manager of various subsidiaries of the Group. He is responsible for overseeing the research and development of our information system (including the Xiang Recruitment Platform), managing the recruitment and delivery centre in Suzhou and the operation infrastructure of our professional recruitment services, and devising the overall product development strategy of our Group. Mr. Zhang Feng has more than 20 years of experience in the HR management sector. Prior to joining our Group, Mr. Zhang Feng worked as a regional general manager at ChinaHR.com (中華英才網), from August 2004 to June 2011, where he was responsible for overseeing sales, operation and management. From July 2000 to August 2004, he held various positions at Datang Telecom Technology Co., Ltd. (大唐電信科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600198)), which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment. He served as the HR manager before his departure, and was responsible for HR management.

Mr. Zhang Feng received a master degree in business administration from Xi'an Shiyou University (西安石油學院) in July 2000. He obtained the vocational qualification of an enterprise HR management officer (企業人力資源管理人員) from the Vocational Skills Identification (Guidance) Center (職業技能鑒定(指導)中心) in January 2004 and the professional qualification of a talent agent (人才中介) from the Shanghai Vocational Testing Authority (上海市職業能力考試院) in April 2013.

Biographies of Directors and Senior Management

Ms. Zhang Jianmei（張健梅）

Executive Director and General Manager of the flexible employment division of the IT industry

Aged 42

Ms. Zhang Jianmei was appointed as a Director in September 2018, and was re-designated as an executive Director in March 2019. Ms. Zhang Jianmei is also a director or a supervisor of various subsidiaries of the Group. She has been responsible for overseeing the Group's flexible staffing services in the IT industry since September 2020 and has no longer been responsible for overseeing the overall sales and business development of our Group. Ms. Zhang Jianmei was awarded the Top 50 Female Entrepreneurs in China's Human Resources Service Industry (中國人力資源服務業女企業家Top 50 獎項) by Tophr (第一資源) in 2021. Ms. Zhang Jianmei has more than 18 years of experience in the HR management sector. Prior to joining our Group, Ms. Zhang Jianmei worked as a vice general manager of the western region of China and a general manager of the Chengdu subsidiary of ChinaHR.com (中華英才網), from July 2004 to March 2011, where she was responsible for the operation and management of its business in the western region of China. From August 2002 to July 2004, she worked as a vice general manager of the Chengdu subsidiary of Times Bright China (時代光華), a company in the education and training industry, where she was responsible for the operation and management of its Chengdu subsidiary.

In September 2013, Ms. Zhang Jianmei completed a part-time practical business management president course (實戰型高級工商管理總裁研究生課程進修班) at Southwestern University of Finance and Economics (西南財經大學). Ms. Zhang Jianmei has completed a part-time Strategic Human Officer (SHO) advanced management course (戰略人力資源官(SHO)高級管理課程班) at Renmin University of China (中國人民大學) in April 2021.

Biographies of Directors and Senior Management

Non-Executive Directors

Mr. Chen Rui (陳瑞), aged 48, our non-executive Director. He was appointed as a Director in April 2012 and was re-designated as a non-executive Director in March 2019. Mr. Chen, is a Director nominated by LC Fund V, L.P. (our substantial shareholder) and LC Parallel Fund V, L.P.

Mr. Chen was a supervisor of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) (a joint stock company listed on the Stock Exchange (stock code: 1599)) from October 2013 to March 2022. From February 2005 up to present, he has held various positions at Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司), a venture capital company, and he currently serves as the co-chief investment officer and managing director, where he is primarily responsible for overseeing investments. Mr. Chen served as an engineer at Shenzhen Lingke Electronic Communication Appliances Co., Ltd. (深圳市靈科電訊器材有限公司), which is primarily engaged in development and production of electronic communication appliances, from February 1998 to May 1999. From June 1999 to November 2002, he worked as an engineer, the manager and the vice general manager of the engineering technical department of Shenzhen Linker Industrial Co., Ltd. (深圳市菱科實業有限公司), which is primarily engaged in research, development and production of numbering machines.

Mr. Chen obtained a bachelor of science in electronics and information system from Shanxi University (山西大學) in July 1997. He obtained a MBA degree from Fordham University of America in February 2005.

Mr. Chow Siu Lui (鄒小磊), aged 61, our non-executive Director. He was appointed as a Director in July 2018, and was re-designated as a non-executive Director in March 2019. He is also a member of the Audit Committee. Mr. Chow is a Director nominated by VMS Strategic Investment Fund, L.P. (our substantial shareholder). Mr. Chow has been a partner of VMS Investment Group (HK) Ltd. since January 2016.

Mr. Chow joined KPMG in July 1983, and was a partner in KPMG from July 1995 to December 2011. Mr. Chow was a council member of the Hong Kong Institute of Chartered Secretaries from 2010 to 2016, the chairman of its professional development committee from 2014 to 2015, and the chairman of its audit committee in 2016. He was the chairman of the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants from 2016 to 2017.

Mr. Chow is currently (i) an independent non-executive director of Genertec Universal Medical Group Company Limited (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited) (stock code: 2666), Futong Technology Development Holdings Limited (stock code: 465), China Everbright Greentech Limited (stock code: 1257), China Tobacco International (HK) Company Limited (stock code: 6055) and AGTech Holdings Limited (stock code: 8279), the shares of which are listed on the Stock Exchange; and (ii) an independent non-executive director of Global Cord Blood Corporation (NYSE stock code: CO), the shares of which are listed on the New York Stock Exchange. Mr. Chow was an independent non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (stock code: 1635) from April 2016 to December 2021, Fullshare Holdings Limited from December 2013 to December 2021 (stock code: 607) respectively, the shares of which are listed on the Stock Exchange.

In November 1983, Mr. Chow obtained the professional diploma in accountancy from the Hong Kong Polytechnic University. Mr. Chow became qualified as a member of the Hong Kong Society of Accountants (now renamed as the Hong Kong Institute of Certified Public Accountants) in October 1986 and a chartered certified accountant with the Association of Chartered Certified Accountants in July 1991. Mr. Chow was admitted as a fellow member of the Association of Chartered Certified Accountants in September 1991 and a fellow member of the Hong Kong Society of Accountants in December 1993.

Biographies of Directors and Senior Management

Independent Non-Executive Directors

Ms. Chan Mei Bo Mabel (陳美寶), aged 50, is our independent non-executive Director and joined our Group in November 2019. She is also the chairlady of the Remuneration Committee and member of the Audit Committee and the Nomination Committee. She established Mabel Chan & Co. (陳美寶會計師事務所) (an accounting firm, formerly known as Mabel M.B. Chan Certified Public Accountant) in February 1999 and became the deputy managing partner of Grant Thornton Hong Kong Limited following their merger in January 2016. Ms. Chan has been serving as an independent non-executive director of Kingmaker Footwear Holdings Ltd. (stock code: 1170), the shares of which are listed on the Stock Exchange. Ms. Chan was also an independent non-executive director of Bank of Zhengzhou Co., Ltd. (stock code: 6196), from June 2015 to December 2021, the shares of which are listed on the Stock Exchange.

Ms. Chan served as the president of the Society of Chinese Accountants and Auditor in 2010, a member of the Council of Hong Kong Baptist University from January 2013 to December 2018, a member of the Appeal Panel (Housing) of Hong Kong from April 2014 to March 2018, a member of the Council of Hong Kong Institute of Certified Public Accountants from 2008 to 2018 and the president of the aforesaid Institute in 2017, a member of the Small and Medium Enterprises Committee of HKSAR from January 2015 to December 2020, a member of Barristers Disciplinary Tribunal Panel of Hong Kong since May 2010 to May 2020, a member of the Export Credit Insurance Corporation Advisory Board of HKSAR since July 2017, a member of the Air Transport Licensing Authority of HKSAR since August 2017, a member of the Securities and Futures Appeals Tribunal of HKSAR since April 2017, a member of the Trade and Industry Advisory Board of HKSAR since September 2017, a member of HKSAR Business Facilitation Advisory Committee since July 2020, a member of Independent Police Complaints Council and a member of ICAC Corruption Prevention Advisory Committee since January 2021.

Ms. Chan obtained a master's degree in business administration from Hong Kong University of Science and Technology (Hong Kong) in November 2000. She is a member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants, the Society of Chinese Accountants & Auditors, the Institute of Chartered Accountants in England and Wales, CPA Australia. She is also currently a certified public accountant (practising) accredited by the Hong Kong Institute of Certified Public Accountants.

Mr. Shen Hao (沈浩), aged 50, is our independent non-executive Director and joined our Group in November 2019. He is also a member of the Remuneration Committee and the Nomination Committee. Mr. Shen has been an independent director of NCH Hua Yang Ltd. (華陽一恩賽有限公司), which is a Sino-USA joint venture providing industrial and commercial maintenance products and services, since November 2013, where he has been responsible for providing independent opinion and judgment to the directors. He was a managing director of H&Q Asia Pacific from November 2010 to July 2013, where he was responsible for investment management in China. He was a vice general manager of China International Capital Corporation Limited (stock code: 3908), the shares of which were listed on the Stock Exchange, from April 2007 to February 2008 where he was responsible for general management. He was an assistant to the chief executive officer of GF Securities Co., Ltd. from September 2001 to August 2006. He was the head of executive education client services in Harvard University from April 1997 to August 2001, where he was responsible for the design and deployment of technology support services and training, and during around the same time from June 1997 to August 2001, he was also the lead advisor of the Asian programme development in the same university.

In May 1995, Mr. Shen obtained his bachelor degree of arts in Gustavus Adolphus College in the United States. In June 1997, Mr. Shen obtained his master degree of education from Harvard University.

Biographies of Directors and Senior Management

Mr. Leung Ming Shu (梁銘樞), aged 46, is our independent non-executive Director and joined our Group in November 2019. He is also the chairman of the Audit Committee. Mr. Leung founded internet private equity fund Harmony Capital as the founding partner in January 2018. Mr. Leung has been the company secretary of China ITS (Holdings) Co., Ltd. (stock code: 1900), the shares of which are listed on the Stock Exchange, since January 2008 and the chief financial officer of this company from January 2008 to January 2018. He is also an independent non-executive director of Sun.King Technology Group Limited (stock code: 580) and Cabbeen Fashion Limited (stock code: 2030), the shares of which are listed on the Stock Exchange. Mr. Leung was the independent non-executive director of Comtec Solar Systems Group Limited (stock code: 712), the shares of which are listed on the Stock Exchange, from June 2008 to February 2021. He was also the independent director of Glory Star New Media Group Holdings Limited (NASDAQ: GSMG), the shares of which are listed on NASDAQ, from February 2020 to April 2022.

Mr. Leung has over 22 years' experience in corporate finance and accounting. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong as an auditor in 1998, where he was responsible for performing statutory audit work on listed companies in Hong Kong. He then worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000, where he was responsible for conducting financial advisory services for government bodies and due diligence exercises for corporate clients. From July 2001 to February 2003, Mr. Leung also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he was responsible for advising companies on issues of strategy, organization and operations. Mr. Leung then spent approximately three years from February 2003 to January 2006 at CDC Corporation, a NASDAQ listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc. (now renamed as Sino Splendid Holdings Limited), a subsidiary of CDC Corporation (stock code: 8006), the shares of which are listed on the Stock Exchange, where he was responsible for overseeing the entire finance operations, mergers & acquisitions, investors relationship, and other capital market activities of that company. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd., a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd., the shares of which are listed on The Shanghai Stock Exchange (stock code: 600198)) which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment, where he was responsible for driving a proposed initial public offering process of that company. From November 2006 to January 2008, he served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd. (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd. (北京靈圖軟件技術有限公司), a PRC digital mapping and navigation software company, where he was responsible for conducting equity fund raising, and overseeing the finance operations of that company. Since April 2021, Mr. Leung has been serving as group chief financial officer, a member of strategy committee of 58.com Inc. and a managing partner of 58 Industry Fund, where he is mainly responsible for overseeing overall financial and legal functions and strategic investment of 58.com Inc.

Mr. Leung obtained his bachelor degree in arts with first class honours in accountancy from the City University of Hong Kong in November 1998 and a master degree in accountancy from the Chinese University of Hong Kong in November 2001. He was admitted as a fellow member of the Association of Chartered Certified Accountants in February 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants in June 2010.

Senior Management

Mr. Li Wenjia (李文佳), aged 38, is the Vice President and Chief Financial Officer of our Group. He also acts as one of the joint company secretaries of the Company. He joined our Group in January 2015. He is responsible for overseeing the finance management and regulatory compliance of our Group, and managing investor relationships of our Group. Mr. Li has more than 14 years of experience in the auditing and finance sector. Immediately prior to joining our Group, Mr. Li worked at PricewaterhouseCoopers Zhong Tian (普華永道中天會計師事務所), from January 2011 to December 2014, where he was responsible for handling the auditing projects for renowned Chinese state-owned enterprises, China A-Share companies and multinational corporations. He worked at Shanghai Mazha'er Certified Public Accountants' Firm (上海瑪澤會計師事務所), from February 2008 to January 2011, where he was responsible for handling the auditing projects for French corporations investing in China. He worked at Shanghai Certified Public Accountants (上海上會會計師事務所), from September 2007 to January 2008, where he was responsible for handling the auditing projects for China A-Share companies.

Mr. Li received a bachelor degree, majoring in econometrics and business management from Shanghai University of Finance and Economics (上海財經大學) in July 2007. He became a PRC certified public accountant in September 2010, a PRC registered tax agent in August 2011 and a PRC certified public valuer in November 2011.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2021.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 October 2011 as an exempted company with limited liability under the laws of the Cayman Islands. The Shares were listed on the Main Board of The Stock Exchange on 13 December 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of one-stop HR solutions comprising flexible staffing services, professional recruitment services, BPO services, corporate training services, labour dispatch services and other miscellaneous services in more than 300 cities in China. Details of the principal activities of the Group are set out in Note 1 to the audited consolidated financial statements.

Business Review

A review of the business of the Group and a discussion and analysis of the Group's performance using financial key performance indicators are provided in the section headed "Management Discussion and Analysis" on pages 9 to 36 in this annual report.

Impact of COVID-19 Pandemic

Since the beginning of 2020, the outbreak of the COVID-19 has brought unprecedented challenges and uncertainties to the global economy. In 2021, due to the effective control of the COVID-19 pandemic and implementation of economic recovery policies by the PRC government, the domestic economy has grown steadily. The Group did not experience any material disruption to our business operation caused by COVID-19 pandemic, nor did COVID-19 pandemic have any material adverse impact on the Group's results of operation and financial position for the year ended 31 December 2021.

However, the recent emergence and wide spread of new variants of viruses has added uncertainties to the duration and extent of the impact that COVID-19 pandemic may have on the Group's business, financial position, results of operation and prospect. As at the date of this annual report, various control and prevention measures, including quarantine, social distancing and travel restrictions were still in place in a number of cities in the PRC, which may lead to a decline in demand for comprehensive flexible staffing and professional recruitment amid economic slowdown, and in turn have a material adverse impact on the Group's financial position and business operation. The Group will continue to monitor the situation and make disclosure in accordance with the Listing Rules as and when appropriate.

Important Events after the Reporting Period

Particulars of important events affecting the Group that have occurred since the year ended 31 December 2021 are disclosed in Note 35 to the audited consolidated financial statements and the paragraph headed "EVENTS OCCURRING AFTER THE REPORTING PERIOD" under section of "Management Discussion and Analysis" in this annual report.

Principal Risks and Uncertainties

There are certain key risks and uncertainties in relation to our business and our industry as set out below: (i) a considerable portion of our revenue was generated from our clients in the fast-growing new economy industries which we anticipate will continue to be the case in near future, and any slowdown in their growth or significant reduction in these clients' staffing needs may materially and adversely affect our business, results of operations and prospects; (ii) any significant decrease in revenue generated from our five largest clients would materially and adversely affect our business, results of operations and financial condition; (iii) our inability to rapidly source adequate candidates who meet the requirements of our clients may adversely affect our reputation, business prospects and future financial performance; (iv) we have a limited operating history in a dynamic market and we may not be able to successfully manage our current and potential future growth; (v) we face significant competition from other HR services providers and may suffer from a loss of clients, registered individual users and contract employees as a result, and we also have to keep up with rapid changes in the HR services industry; and (vi) if we fail to improve our user experience or respond to changes in user or client preferences, we may not be able to attract and retain registered individual users and clients. However, this is non-exhaustive as there may be other risks and uncertainties arising, resulting from changes in the economy and other conditions over time.

Report of the Directors

For risks in relation to the Modified Contractual Arrangements (as defined below), please refer to the paragraph headed "Connected and continuing connected transactions – Risks relating to the Contractual Arrangements" on pages 53 to 54 in this annual report. The Group is also exposed to certain financial risks which are set out in Note 3 to the audited consolidated financial statements in this annual report.

Environmental Performance and Policies

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. Details of such are set out in the section headed "Environmental, Social and Governance Report" on pages 86 to 119 in this annual report.

Compliance with Laws and Regulations

During the year ended 31 December 2021, to efficiently administer the contributions to social insurance and housing provident fund in certain cities in the PRC where our contract employees prefer to participate in their place of residency and we do not maintain a subsidiary or branch office due to our extensive service coverage, we engaged third-party agents to assist with social insurance and housing provident fund payment for some of our contract employees, but such arrangement is not in strict compliance with the relevant PRC laws and regulations since the obligation to make contributions to social insurance and housing provident fund rests on us and should not be delegated to a third party agent. Further, we had not made full contributions for social insurance and housing provident fund based on the actual salary levels of our employees (including those paid by the agents as described above). On the basis of, among others, our communication with the competent authorities and the confirmations received from them, the views of our PRC legal advisor and the remote possibility of being ordered to settle a material portion of the shortfall of contributions for social insurance and housing provident fund for the year ended 31 December 2021, we consider that the above non-compliance issues would not have a material adverse effect on our business, financial condition or results of operation. For further details, please refer to pages 248 to 250 of the Prospectus.

Save as disclosed above, the Group was not aware of any non-compliance under the laws and regulations in jurisdiction where the Group operates during the year ended 31 December 2021 that could have a material adverse impact on the Group's business, financial condition and operating results.

Relationship with Stakeholders

The Group is of the view that its employees, customers and business partners are important to its sustainable development. The Group is committed to maintaining close relationship with its employees, providing quality services to customers and strengthening the cooperation with its business partners. The Group provides competitive remuneration and benefits and career development opportunities to the staff based on their merits and performance. The Group provides trainings and development resources to its employees so that they can keep abreast of the latest development of the market and the industry, and at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the services in a way that satisfies needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with promptly.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2021 are set out in the audited consolidated financial statements on pages 128 to 212 in this annual report.

Report of the Directors

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.24 per Share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK$0.42), representing a total payment of approximately HK$37.6 million. The final dividend is subject to the approval of the Shareholders at the AGM and the final dividend is expected to be payable on Tuesday, 12 July 2022 to the Shareholders whose names appear on the register of members of the Company on Monday, 20 June 2022.

As at the date of this annual report, the Board was not aware that any Shareholders had waived or agreed to any arrangement to waive any dividends.

FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years are set out on page 4 in this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2021 are set out in Note 24 to the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2021 are set out on page 132 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company has distributable reserves of approximately RMB2,199.1 million in total available for distribution (2020: RMB2,252.5 million).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2021, the Group had bank borrowings amounting to RMB5,017,000 (as at 31 December 2020: Nil). For more details, please refer to Note 26 to the audited consolidated financial statements for the year ended 31 December 2021 contained in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 17 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Shares.

DIRECTORS

The Directors during the year ended 31 December 2021 and up to the date of this annual report are:

Executive Directors:

Mr. Zhang Jianguo *(Chairman of the Board and Chief Executive Officer)*
Mr. Zhang Feng
Ms. Zhang Jianmei

Non-executive Directors:

Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors:

Ms. Chan Mei Bo Mabel
Mr. Shen Hao
Mr. Leung Ming Shu

Report of the Directors

In accordance with article 16.19 at every annual general meeting of the Company one-third of the Directors for time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Zhang Feng, Mr. Chow Siu Lui and Mr. Leung Ming Shu shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM of the Company.

The biographical details of the Directors to be re-elected at the AGM will be set out in the relevant circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 37 to 42 in this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year commencing from the Listing Date (in respect of non-executive Directors) and 29 November 2019 (in respect of independent non-executive Directors), which may be terminated by not less than one month's notice in writing served by either the respective Director or the Company. Their term of office would be extended on a monthly basis unless separate arrangement in writing or termination is made by either party.

Each of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Ms. Chan Mei Bo Mabel, Mr. Shen Hao and Mr. Leung Ming Shu), and the Company considers such Directors to be independent from the date of their appointment to 31 December 2021 and remain so as at the date of this annual report.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Total number of Shares/ underlying Shares held(9)	Approximate percentage of shareholding interest in the Company(10) (%)
Zhang Jianguo	Interest of controlled corporation (1)	46,408,500(L)	29.65%
	Interests held jointly with other persons (4)	13,216,600(L)	8.44%
	Beneficial owner (1)	150,000(L)	0.10%
Zhang Feng	Interest of controlled corporation (2)	5,796,000(L)	3.70%
	Interests held jointly with other persons (4)	53,403,300(L)	34.11%
	Beneficial owner (2)	575,800(L)	0.37%
Zhang Jianmei	Interest of controlled corporation (3)	5,796,000(L)	3.70%
	Interests held jointly with other persons (4)	52,930,300(L)	33.81%
	Beneficial owner (3)	1,048,800(L)	0.67%
Chow Siu Lui	Beneficial owner (5)	40,000(L)	0.03%
Chan Mei Bo Mabel	Beneficial owner (6)	40,000(L)	0.03%
Shen Hao	Beneficial owner (7)	40,000(L)	0.03%
Leung Ming Shu	Beneficial owner (8)	40,000(L)	0.03%

Notes:

(1) Ming Feng Holdings Limited ("**Ming Feng**") is wholly owned by Mr. Zhang Jianguo and under the SFO, Mr. Zhang Jianguo is deemed to be interested in the 46,408,500 Shares held by Ming Feng. In addition, Mr. Zhang Jianguo was granted options under the Post-IPO Share Option Scheme which entitle him to subscribe for 150,000 Shares.

(2) Wu Fu Min Feng Holdings Limited ("**Wu Fu Min Feng**") is wholly owned by Mr. Zhang Feng and under the SFO, Mr. Zhang Feng is deemed to be interested in the 5,796,000 Shares held by Wu Fu Min Feng. In addition, Mr. Zhang Feng was granted options under the Mid-senior Level Management Pre-IPO SOS and Post-IPO Share Option Scheme which entitle him to subscribe for 455,800 and 120,000 Shares respectively.

(3) Lin Feng Holdings Limited ("**Lin Feng**") is wholly owned by Ms. Zhang Jianmei and under the SFO, Ms. Zhang Jianmei is deemed to be interested in the 5,796,000 Shares held by Lin Feng. In addition, Ms. Zhang Jianmei was granted options under the Mid-senior Level Management Pre-IPO SOS and Post-IPO Share Option Scheme which entitle her to subscribe for 928,800 and 120,000 Shares respectively.

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

(5) Mr. Chow Siu Lui was granted options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.

(6) Ms. Chan Mei Bo Mabel was granted options under the Post-IPO Share Option Scheme which entitle her to subscribe for 40,000 Shares.

(7) Mr. Shen Hao was granted options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.

(8) Mr. Leung Ming Shu was granted options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.

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

(10) As at 31 December 2021, the Company had 156,543,279 issued Shares.

Report of the Directors

Interests in associated corporation of the Company

Name of Director/ Chief Executive	Associated Corporation	Capacity/Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated corporation (%)
Zhang Jianguo	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	4,000,000	80.00%
Zhang Feng	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.00%
Zhang Jianmei	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.00%

Note:

As Chengdu Tianfu Renrui Education Consultation Co., Ltd. is a limited liability company established in the PRC, the total number of issued shares represents the total registered capital. The percentage of shareholding is determined with reference to the percentage of subscribed registered capital of each shareholder.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held(7)	Approximate percentage of shareholding interest(8) (%)
Wang Fen (1)	Interest of spouse	59,775,100(L)	38.18%
Wu Qi (2)	Interest of spouse	59,775,100(L)	38.18%
Chen Bin (3)	Interest of spouse	59,775,100(L)	38.18%
Ming Feng	Beneficial owner	46,408,500(L)	29.65%
LC Fund V, L.P. (4)	Beneficial owner	20,266,244(L)	12.95%
LC Fund V GP Limited (4)	Interest of controlled corporation	21,750,495(L)	13.89%
VMS Strategic Investment Fund, L.P. (5)	Beneficial owner	16,747,481(L)	10.70%
VMS Strategic Investment GP Limited (5)	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Investment Management Inc. (5)	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Financial Services Group Limited (5)	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Holdings Limited (5)	Interest of controlled corporation	16,747,481(L)	10.70%
Mak Siu Hang Viola (5)	Interest of controlled corporation	16,747,481(L)	10.70%
FIL Limited (6)	Interest of controlled corporation	13,879,683(L)	8.87%
Pandanus Associates Inc (6)	Interest of controlled corporation	13,879,683(L)	8.87%
Pandanus Partners L.P. (6)	Interest of controlled corporation	13,879,683(L)	8.87%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	10,870,983(L)	6.94%

Notes:

(1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo and under the SFO, Ms. Wang Fen is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Mr. Zhang Jianguo is interested.

(2) Ms. Wu Qi is the spouse of Mr. Zhang Feng and under the SFO, Ms. Wu Qi is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Mr. Zhang Feng is interested.

(3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei and under the SFO, Mr. Chen Bin is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Ms. Zhang Jianmei is interested.

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

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

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

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

(8) As at 31 December 2021, the Company had 156,543,279 issued Shares.

Report of the Directors

Save as disclosed above, as at the date 31 December 2021, the Directors and the chief executives of the Company were not aware of any other persons (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2021 or as at 31 December 2021, there subsisted any arrangements to which the Company or any of its subsidiaries was a party that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

ISSUANCE OF DEBENTURES

During the year ended 31 December 2021, no debentures or debt securities was issued by the Company or its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Save as disclosed above, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2021.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The transactions contemplated under the modified series of contractual arrangements entered into by, among others, Chengdu Renrui Qicheng Education Consultation Co., Ltd. (成都人瑞啟程教育諮詢有限公司) ("**Chengdu Qicheng WFOE**"), Chengdu Tianfu, its subsidiaries and Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei (the "**Registered Shareholders**") on 1 April 2019 (the "**Modified Contractual Arrangements**") are non-exempt continuing connected transactions, which are subject to reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the entities we control through the Modified Contractual Arrangements, namely, Chengdu Tianfu, Shanghai Renrui Network Technology Co., Ltd. (上海人瑞網絡科技有限公司) ("**Shanghai Renrui**"), Liaoning Renrui Business Process Outsourcing Service Co., Ltd. (遼寧人瑞服務外包有限公司) ("**Liaoning Renrui**") and Beijing Ruilian Network Technology Co., Ltd. (北京瑞聯網絡科技有限公司) ("**Beijing Ruilian**") (collectively, the "**Consolidated Affiliated Entities**"), are treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders and their respective associates are treated as the Company's connected persons.

Report of the Directors

Reasons for the Contractual Arrangements

We provide one-stop HR solutions comprising flexible staffing services, professional recruitment services, BPO services and other HR solutions including corporate training services, labour dispatch services and other miscellaneous services in the PRC.

According to the applicable PRC laws and regulations, value-added telecommunication services (增值電信業務) (the "**VATS**") are subject to foreign investment restrictions, and there are restrictions on foreign investors in owning interests in entities holding the value-added telecommunication services licence (增值電信業務經營許可證) (the "**VATS Licence**") in the PRC. In particular, based on the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施(負面清單)(2018年版)) issued by the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) (the "**MOFCOM**") and the National Development and Reform Commission on 28 June 2018, which took effect on 28 July 2018, (the "**Old Negative List**") and the consultations with the Market Division of Information and Communication Administration (信息通信管理局市場處) of the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) (the "**MIIT**") conducted on 18 January 2019 and 1 February 2019 (the "**MIIT Consultations**") and as advised by our PRC legal advisor, (i) the operation of the Xiang Recruitment Platform by Shanghai Renrui to provide the recruitment services, which forms part of our professional recruitment services (including all of our paid membership services) and provides support to our flexible staffing services and BPO services (the "**Shanghai Renrui Recruitment Services**"), constitutes the provision of commercial Internet information services to online users, which is a type of VATS, and (ii) the provision of a specific type of BPO services catered for the clients' needs for client service call center representatives whereby the contract employees work at our Group's premises under our Group's direct supervision (the "**Client Service Representative BPO Services**") operated by Liaoning Renrui constitutes the provision of call center services, which is another type of VATS (collectively, the "**Relevant Businesses**"). The Relevant Businesses involve the provision of the VATS and were subject to foreign ownership restriction under the Old Negative List.

Although the provision of flexible staffing services is not explicitly subject to any foreign investment restrictions under the relevant PRC legal and regulatory framework, a specific type of flexible staffing services catered for the clients' needs for client service call center representatives whereby the contract employees work at the clients' premises pursuant to work assignments set by the clients (the "**Client Service Representative Flexible Staffing Services**") conducted by Beijing Ruilian is subject to the requirement (the "**Client-imposed Licence Requirement**") imposed by certain clients of our Group, as set out in the relevant client contracts, tender documents, and/or as confirmed by these clients, that the relevant contracting entity of our Group which provides Client Service Representative Flexible Staffing Services to such clients must be a holder of the VATS Licence in the category of call center services (the "**VATS Call Center Licence**").

Furthermore, there is no clear guidance or interpretation on the applicable qualification requirements. Therefore, we could not hold any equity interest in Chengdu Tianfu (certain wholly-owned subsidiaries of which hold the VATS Licences) and/or its wholly-owned subsidiaries, including Shanghai Renrui, Liaoning Renrui and Beijing Ruilian, which currently operate the Relevant Businesses and/or hold the VATS Licences. Please refer to the sections headed "Contractual Arrangements — PRC Laws and Regulations relating to Foreign Ownership Restrictions –"Restrictions on foreign ownership in Shanghai Renrui Recruitment Services and Client Service Representative BPO Services" and "Restrictions on foreign ownership in Client Service Representative Flexible Staffing Services subject to the Client-imposed Licence Requirement" on pages 172 to 178 of the Prospectus for further details of their business activities. During the year ended 31 December 2021, through the Consolidated Affiliated Entities and based on the Old Negative List and the MIIT Consultations, our Company operated (i) the Shanghai Renrui Recruitment Services, (ii) the Client Service Representative BPO Services and (iii) the Client Service Representative Flexible Staffing Services subject to the Client-imposed Licence Requirement.

Under the Modified Contractual Arrangements, Chengdu Qicheng WFOE has acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities, and has become entitled to all the economic benefits derived from their operations.

Report of the Directors

Our Directors believe that the Modified Contractual Arrangements are fair and reasonable because: (i) the Modified Contractual Arrangements were freely negotiated and entered into between on the one hand Chengdu Qicheng WFOE, which is an indirect wholly-owned subsidiary of our Company established in the PRC, and, on the other hand and among others, Chengdu Tianfu, its subsidiaries, and the Registered Shareholders, (ii) by entering into the Exclusive Services Agreement (as defined below) with Chengdu Qicheng WFOE, the Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies whose shares are listed on the Stock Exchange use similar arrangements to accomplish the same purpose.

Subsequently, on 30 June 2019, the MOFCOM and the National Development and Reform Commission issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**New Negative List**"), which took effect on 30 July 2019 and superseded the Old Negative List. According to the New Negative List, the restrictions on foreign ownership percentage to no more than 50% no longer apply to call center services and the holder of the VATS Call Center Licence. Despite the lack of further guidance on, among others, the interpretation and implementation of the New Negative List and the impact of the New Negative List on the processing of applications for the VATS Call Center Licence by the relevant regulatory authorities after the telephone consultations with the MIIT and subsequent searches on the official website of the MIIT, our Company has established Liaoning Renrui Corporate Business Process Outsourcing Service Co., Ltd. (遼寧人瑞企業服務外包有限責任公司) ("**Liaoning Corporate**"), an indirect wholly-owned subsidiary of our Company, on 10 September 2019. Liaoning Corporate has on 23 September 2019 submitted to the MIIT the application for the VATS Call Center Licence, and it obtained on 30 July 2021 the VATS Call Center Licence issued by the Ministry of Industry and Information Technology, which is a license that must be held for the operation of Client Service Representative BPO Services. The Company is currently transferring (1) the Client Service Representative BPO Services operated by Liaoning Renrui and (2) the Client Service Representative Flexible Staffing Services operated by Beijing Ruilian to Liaoning Corporate, together with all relevant contracts, which is expected to be completed by the end of 2023. For more details, please refer to the Section headed "Contractual Arrangements — PRC Laws and Regulations relating to Foreign Ownership Restrictions — Subsequent Development in Response to the New Negative List" on Pages 178 to 181 of the Prospectus.

For the year ended 31 December 2021, the Group intends to carry out a specific type of business process outsourcing service through its subsidiary domestic institutions to undertake various digital processing of classified files. According to the "Administrative Measures for the Printing Qualifications of State Secret Carriers" (the "**Administrative Measures**")《國家秘密載體印製資質管理辦法》, the entity intends to carry out this business needs to obtain a national secret carrier printing qualification certificate in the category of digital processing of classified files. According to the relevant provisions of the Administrative Measures, entities apply for qualifications for digital processing of classified documents and materials, classified optical and electromagnetic media, and classified archives shall not have foreign investors. Therefore, the company or its subsidiary domestic companies, as the main body of foreign investors' investment, cannot directly apply for the qualification for digital processing of confidential files, and the Consolidated Affiliated Entities (Liaoning Renrui, Beijing Ruilian and Shanghai Renrui) applied for the qualification for digital processing of classified files and carried out business process outsourcing services for digital processing of classified files.

The amount of revenue our Group derived from the Client Service Representative BPO Services amounted to approximately RMB144.8 million (2020: RMB57.8 million), and accounted for approximately 3.1% of our Group's total revenue (2020: 2.0%) for the year ended 31 December 2021.

Qualification Requirements

In addition to restrictions on foreign ownership, there are also regulatory requirements on the experience and operations of a foreign investor who intends to invest in the VATS in the PRC.

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises《外商投資電信企業管理規定》(the "**FITE Regulations**") was promulgated on 11 December 2001 and amended on 6 February 2016 by the State Council. According to the FITE Regulations, foreign investor in a foreign-invested telecommunications enterprise that is engaged in VATS shall have a proven track record and experience in operating VATS under the relevant regulations (the "**VATS Qualification Requirement**"). Subsequently, on 29 March 2022, the State Council issued The Decision of the State Council on the Amendment and Abolishment of Certain Administrative Regulations (the "**2022 Decision**"), which repealed the VATS Qualification Requirement for foreign investors in the FITE Regulations, which is subject to be valid on 1 May 2022. No applicable PRC laws, regulations or rules can by far provide clear guidance or interpretation for the implementation of the 2022 Decision.

Report of the Directors

Efforts and Actions Undertaken to Comply with the Qualification Requirements

According to the existing FITE Regulations, the foreign investor in a foreign-invested telecommunications enterprise that is engaged in VATS must possess the VATS Qualification Requirement.

We have taken the following measures to meet the VATS Qualification Requirement, so as to be qualified to acquire the relevant interests in Chengdu Tianfu and its subsidiaries, namely, Shanghai Renrui, Liaoning Renrui and Beijing Ruilian, which are permitted to be held by a foreign investor when there is clear guidance or interpretation of the VATS Qualification Requirement or the foreign investment restrictions in operating the VATS and/or holding the VATS Licence are lifted:

- Renrui Education (Hong Kong) Limited ("**Renrui (HK)**") and Tournesol Human Resources Limited, both wholly-owned subsidiaries of our Company, have been incorporated in Hong Kong for the purposes of establishing and expanding our operations overseas;
- we have applied for, and are in the process of registering, trademarks outside the PRC for the promotion of our relevant businesses overseas;
- we have obtained four domain names outside the PRC, and are in the process of constructing our overseas website, primarily for introducing our relevant businesses to overseas users; and
- we have obtained a Hong Kong local phone number for the promotion of our call centre businesses overseas.

However, the 2022 Decision to be valid on 1 May 2022 repealed the VATS Qualification Requirement for foreign investors in the FITE Regulations. No applicable PRC laws, regulations or rules can by far provide clear guidance or interpretation for the implementation of the 2022 Decision. There is still great uncertainty in the true construction and implementation of the 2022 Decision and relevant regulations by government bodies.

Risks Relating to the Contractual Arrangements

We believe the following risks are associated with the Modified Contractual Arrangements. Further details of these risks are set out on pages 71 to 80 of the Prospectus.

- The PRC government may determine that the Modified Contractual Arrangements do not comply with applicable PRC laws and regulations, which may subject us to severe penalties, and our business may be materially and adversely affected.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (promulgated by the National People's Congress on 15 March 2019 and effective on 1 January 2020) and it may impact the viability of our current corporate structure, corporate governance and business operations.
- Our Modified Contractual Arrangements may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership.
- The owners of our Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Our exercise of the option to acquire the equity interests in and/or the relevant assets of Chengdu Tianfu may be subject to certain limitations and we may incur substantial costs.
- Our Modified Contractual Arrangements may be subject to scrutiny by PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations and the value of the investment of our Shareholders.
- Substantial uncertainties exist with the regulations regarding foreign ownership restrictions and the New Negative List may impact the viability of our current corporate structure, corporate governance and business operations.

Report of the Directors

- Certain terms of the Modified Contractual Arrangements may not be enforceable under PRC laws.
- We rely on dividend and other payments from Chengdu Qicheng WFOE and Renrui HR Group, which is an indirect wholly-owned subsidiary of our Company and was held as to 95% by Renrui (HK) and 5% by Tournesol Human Resources Limited as at the date of this annual report after an increase in subscribed capital contribution by Renrui (HK) on 10 July 2020, to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of Chengdu Qicheng WFOE or Renrui HR Group to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.
- If any of our Consolidated Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

Modified Contractual Arrangements in Place

A brief description of the major terms of the Modified Contractual Arrangements which were in place during the year ended 31 December 2021 is as follows:

Exclusive Services Agreement

Pursuant to the exclusive services agreement entered into among Chengdu Qicheng WFOE, Chengdu Tianfu and its subsidiary entities as described therein which include our Consolidated Affiliated Entities, and the Registered Shareholders on 1 April 2019 (the "**Exclusive Services Agreement**"), Chengdu Qicheng WFOE has the exclusive right to provide or to designate any third party to provide technical support and consultancy services to our Consolidated Affiliated Entities. Such services to our Consolidated Affiliated Entities include comprehensive technical support and business support, corporate management consultancy, intellectual property licensing services, advisory services on asset and business operation, debt disposal, material contracts or mergers and acquisitions, employee training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, software and trademark and other types of intellectual property rights and other additional services as the parties may mutually agree from time to time. Without Chengdu Qicheng WFOE's prior written consent, none of our Consolidated Affiliated Entities and the Registered Shareholders may accept services covered by the Exclusive Services Agreement from any third party. Chengdu Qicheng WFOE exclusively owns all intellectual property rights arising out of the performance of this agreement.

Pursuant to the Exclusive Services Agreement, Chengdu Tianfu and the Registered Shareholders have undertaken to procure any subsidiary entity to be established after the date of such agreement invested and controlled by Chengdu Tianfu to acknowledge that it will assume the rights and obligations as a subsidiary entity of Chengdu Tianfu under the agreement. In consideration of the services provided by Chengdu Qicheng WFOE or its designated third party, our Consolidated Affiliated Entities agreed to pay service fees equal to total revenue deducting the relevant costs, fees, tax expenses and reserved funds as required by applicable PRC laws and regulations to Chengdu Qicheng WFOE or its designated third party which provided the services, and they will agree with Chengdu Qicheng WFOE or its designated third party which provided the services on the actual amount of the service fees to be paid based on the actual situation. The Exclusive Services Agreement shall remain valid during the term of operation of each of the parties to the agreement unless the parties mutually agree to terminate. In addition, during the period of validity, Chengdu Qicheng WFOE has the unilateral right to terminate by providing 30 days' advance written notice to Chengdu Tianfu and the Registered Shareholders.

Exclusive Option Agreement

Under the exclusive option agreement entered into among Chengdu Qicheng WFOE, the Registered Shareholders and Chengdu Tianfu on 1 April 2019 (the "**Exclusive Option Agreement**"), the Registered Shareholders agreed to grant Chengdu Qicheng WFOE an exclusive, unconditional and irrevocable option for Chengdu Qicheng WFOE or its designated third party to purchase all or part of the equity interests in and/or the relevant assets of Chengdu Tianfu at the lowest price permitted under the PRC laws and regulations, under circumstances in which Chengdu Qicheng WFOE or its designated third party is permitted under PRC laws and regulations to own all or part of the equity interests in and/or the relevant assets of Chengdu Tianfu. The Registered Shareholders shall return the amount of purchase price they have received to Chengdu Tianfu, Chengdu Qicheng WFOE or its designated third party as requested by Chengdu Qicheng WFOE after deduction of the relevant expenses, expenditure and taxes. The Exclusive Option Agreement shall remain valid unless Chengdu Qicheng WFOE or its designated third party exercises the option and has acquired all of the equity interests in and/or the relevant assets of Chengdu Tianfu, or all parties to the Exclusive Option Agreement have executed a written agreement to terminate the Exclusive Option Agreement, whichever is earlier.

Share Pledge Agreement

Pursuant to the share pledge agreement entered into among Chengdu Qicheng WFOE, the Registered Shareholders and Chengdu Tianfu on 1 April 2019 (the "**Share Pledge Agreement**"), the Registered Shareholders unconditionally and irrevocably pledged all of their equity interests in Chengdu Tianfu as the first charge to Chengdu Qicheng WFOE to guarantee performance of the obligations of Chengdu Tianfu and its subsidiary entities as described therein which include our Consolidated Affiliated Entities, and the Registered Shareholders under the Share Pledge Agreement, the Exclusive Option Agreement, the Exclusive Services Agreement and the Exclusive Business Operation Agreement (as defined below, including Powers of Attorney (as defined below)). The Share Pledge Agreement shall remain valid until (i) the full performance, or the nullification or termination of the Exclusive Option Agreement, the Exclusive Services Agreement and the Exclusive Business Operation Agreement (including Powers of Attorney), or (ii) all parties to the Share Pledge Agreement have executed a written agreement to terminate the Share Pledge Agreement, whichever is later.

Exclusive Business Operation Agreement

Pursuant to the business operation agreement entered into among Chengdu Qicheng WFOE, Chengdu Tianfu and its subsidiary entities as described therein which include our Consolidated Affiliated Entities, and the Registered Shareholders on 1 April 2019 (the "**Exclusive Business Operation Agreement**"), the Registered Shareholders agreed that, unless with the prior written consent from Chengdu Qicheng WFOE or its designated third party, Chengdu Tianfu and its subsidiary entities will not conduct any transaction that may have impact on their assets, businesses, manpower, obligations, rights or the operation of these companies on terms as set out in the Exclusive Business Operation Agreement. Chengdu Tianfu and the Registered Shareholders agreed to accept and strictly enforce the advice from Chengdu Qicheng WFOE regarding the recruitment and dismissal of employees, daily operation management and financial management of Chengdu Tianfu and its subsidiary entities. The Exclusive Business Operation Agreement shall remain valid during the term of operation of each of the parties to the agreement unless Chengdu Qicheng WFOE exercises its unilateral right to terminate by providing 30 days' advance written notice to Chengdu Tianfu and the Registered Shareholders.

Powers of Attorney

Each of the Registered Shareholders and Chengdu Tianfu has entered into irrevocable powers of attorney with Chengdu Qicheng WFOE dated 1 April 2019 (the "**Powers of Attorney**") appointing Chengdu Qicheng WFOE, or any person designated by Chengdu Qicheng WFOE, as his/her/its attorney-in-fact to, among others, appoint directors and vote on his/her/its behalf on all matters of our Consolidated Affiliated Entities requiring shareholders' approval under their respective articles of association (as applicable) and under the relevant PRC laws. These Powers of Attorney will remain effective as long as each of the Registered Shareholders and Chengdu Tianfu remain a shareholder of Chengdu Tianfu or its subsidiary entities (as the case maybe), unless Chengdu Qicheng WFOE requests to replace the appointed designee under the Powers of Attorney.

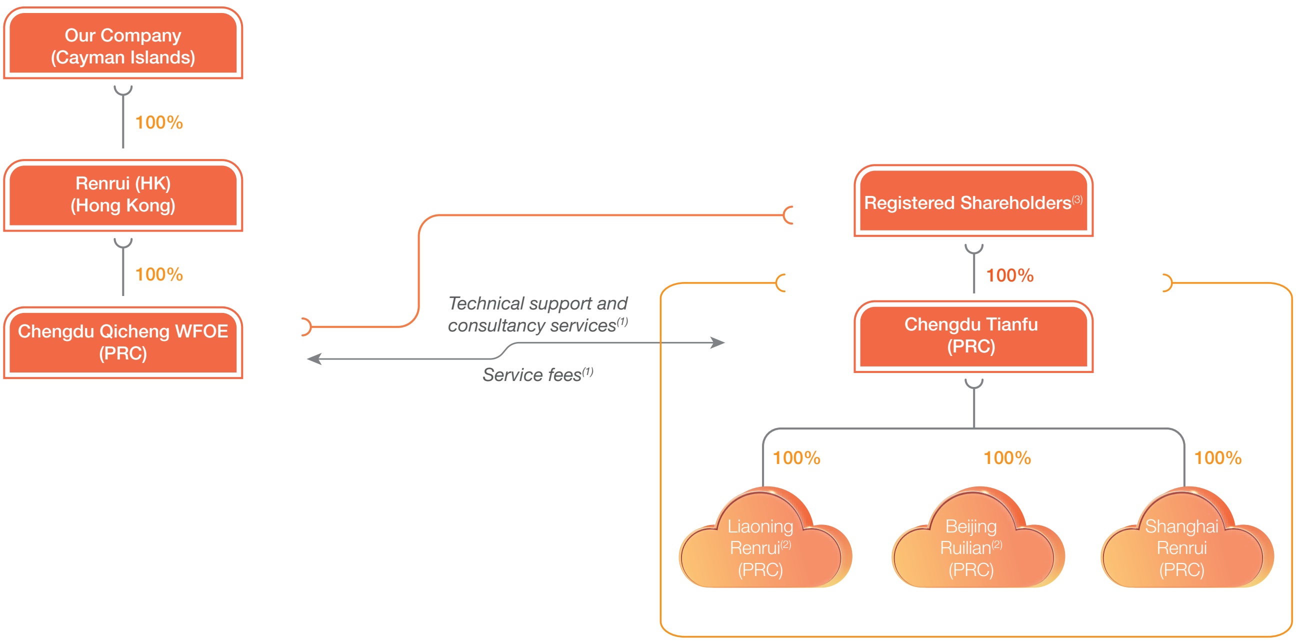
Report of the Directors

Spouses' Undertakings

Ms. Wang Fen, Ms. Wu Qi, and Mr. Chen Bin, being the respective spouses of the Registered Shareholders, executed unconditional and irrevocable consent letters on 1 April 2019 (the "**Spouses' Undertakings**") whereby he or she unconditionally and irrevocably (i) acknowledged the entry into of the Modified Contractual Arrangements by Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei, respectively; (ii) undertook that he or she shall not take any actions that are in conflict with the purpose and intention of the Modified Contractual Arrangements, including asserting that any equity interests held by Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei, respectively, fall within the scope of their communal properties; and (iii) confirmed that his or her authorization or consent is not required for the implementation of the Modified Contractual Arrangements, any amendments or the termination thereof.

For details of the Modified Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Modified Contractual Arrangements.



Notes:

" " denotes direct legal and beneficial ownership in the equity interest.

" " denotes contractual relationship.

" " denotes control by Chengdu Qicheng WFOE over the Registered Shareholders and Chengdu Tianfu primarily through (i) powers of attorney to exercise all shareholders' rights in Chengdu Tianfu, (ii) exclusive options to acquire all or part of the equity interests in and/or assets of Chengdu Tianfu and (iii) share pledges over the equity interests in Chengdu Tianfu.

(1) Our Consolidated Affiliated Entities will pay services fees to Chengdu Qicheng WFOE in exchange for technical support and consultancy services.

(2) We intend to deregister Liaoning Renrui and Beijing Ruilian in the event that all relevant contracts entered into by Liaoning Renrui and Beijing Ruilian have been transferred to Liaoning Corporate after Liaoning Corporate has obtained the VATS Call Center Licence.

(3) Chengdu Tianfu is held as to 80%, 10% and 10% by Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei, respectively.

Report of the Directors

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the financial year ended 31 December 2021. There was no material change in the Modified Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2021.

For the year ended 31 December 2021, none of the Modified Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Modified Contractual Arrangements has been removed. As at 31 December 2021, we had not encountered interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entities under the Modified Contractual Arrangements.

Save as disclosed in this annual report, during the year ended 31 December 2021, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

We have been advised by our PRC legal advisor that the Modified Contractual Arrangements do not violate the relevant PRC laws and regulations.

The amount of revenue our Group generated from our Consolidated Affiliated Entities for the year ended 31 December 2021 was approximately RMB220.7 million (2020: RMB126.4 million), which accounted for approximately 4.7% of our total revenue (2020: 4.5%), representing an increase by 0.2% as compared to that of 2020.

The net assets of our Consolidated Affiliated Entities were approximately RMB151.8 million as at 31 December 2021 (2020: approximately RMB318.6 million).

Mitigation Actions Taken by the Company

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Modified Contractual Arrangements and our compliance with the Modified Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Modified Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

2. our Board will review the overall performance of and compliance with the Modified Contractual Arrangements at least once a year;

3. our Company will disclose the overall performance and compliance with the Modified Contractual Arrangements in our annual reports; and

4. our Company has engaged external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Modified Contractual Arrangements, review the legal compliance of Chengdu Qicheng WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Modified Contractual Arrangements.

The Extent to which the Contractual Arrangements Relate to Requirements Other than the Foreign Ownership Restriction

All of the Modified Contractual Arrangements are subject to the restrictions as set out on pages 168 to 182 and pages 191 to 196 of the Prospectus.

Listing Rule Implications

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions under the Modified Contractual Arrangements are expected to be more than 5%. As such, these transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of the Directors

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Modified Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transactions under the Modified Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

a) no change without independent non-executive Directors' approval;

b) no change without independent Shareholders' approval;

c) the Modified Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities;

d) the Modified Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Modified Contractual Arrangements; and

e) our group will disclose details relating to the Modified Contractual Arrangements on an on-going basis.

During the year ended 31 December 2021, the Company had complied with the waiver conditions set out by the Stock Exchange and all necessary Listing Rules requirements as required by the Stock Exchange.

Annual Revenue Cap on Client Service Representative Flexible Staffing Services subject to the Client-imposed Licence Requirement

As disclosed on page 175 of the Prospectus, our Group has adopted the annual cap on the revenue derived from the contracts subject to the Client-imposed Licence Requirement of no more than 5% of our Group's revenue in respect of the relevant year (the "**Annual Revenue Cap**").

The amount of revenue our Group derived from the Client Service Representative Flexible Staffing Services subject to Client-imposed Licence Requirement amounted to approximately RMB21.2 million (2020: RMB25.9 million) and accounted for approximately 0.4% of our Group's total revenue (2020: 0.9%) for the year ended 31 December 2021. Since the contract between our Group and Client B (a company principally engaged in property development and property investment in the PRC) had been terminated in March 2020 and was not renewed afterwards, such amount of revenue for the year ended 31 December was derived solely from Client A (a leading American multinational technology company which operates e-commerce and cloud computing platform).

Confirmations from the Independent Non-executive Directors and the Auditor

Our independent non-executive Directors have confirmed that in relation to the Modified Contractual Arrangements for the year ended 31 December 2021:

a) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Modified Contractual Arrangements and have been operated so that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Chengdu Qicheng WFOE;

b) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

c) no new contracts were entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the reporting period;

d) our relevant business units have engaged in re-negotiations with Client A to remove the Client-imposed Licence Requirement but it has not agreed to remove the Client-imposed Licence Requirement;

e) the transactions carried out pursuant to the Modified Contractual Arrangements have not exceeded the Annual Revenue Cap for the year ended 31 December 2021; and

f) the Modified Contractual Arrangements are entered into in the ordinary and usual course of business of our Group on normal commercial terms and according to the relevant agreements governing them on terms that are fair, reasonable and advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders of our Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, confirming that, with respect to the transactions carried out pursuant to the Modified Contractual Arrangements during the year ended 31 December 2021:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

c. with respect to the Modified Contractual Arrangements, nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by Chengdu Tianfu to its registered equity holders which are not otherwise subsequently assigned or transferred to the Group.

A copy of the letter has been provided by the Company to the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance in relation to the business of the Group subsisting during the year ended 31 December 2021 or as at 31 December 2021.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Company shall indemnify any Director out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director of the Company in defending any proceeding, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. The Company has arranged appropriate directors' liability insurance coverage for the Directors as at the date of this annual report.

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2021, we had 1,135 internal employees (as at 31 December 2020: 889 internal employees). The remuneration package for our employees generally includes salaries, bonuses and allowances. Other staff benefits include social insurance and housing provident contribution made by the Group, employee housing borrowing plan, and share options and share awards available under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Our remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

The Remuneration Committee was set up for reviewing the Company's emolument policy and structure for all remuneration of the Directors and senior management of the Company, which are determined with reference to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Report of the Directors

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2021 are set out in Note 8 and Note 7 to the audited consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in Note 32 to the audited consolidated financial statements of the Group for the year ended 31 December 2021 contained in this annual report. To the best knowledge of the Directors, no related party transactions disclosed in the audited consolidated financial statements constituted a non-exempt connected transaction as defined under the Listing Rules. The Company has complied with the disclosure requirements pursuant to Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group for the year ended 31 December 2021.

SHARE OPTION SCHEMES

1. Pre-IPO share option schemes

The Company conditionally adopted two pre-IPO share option schemes predominantly for certain mid-senior level management members of our Group (i.e. the Mid-senior Level Management Pre-IPO SOS) and certain non-managerial employees of our Group (i.e. the Non-managerial Employee Pre-IPO SOS) respectively on 12 March 2019 (collectively, the "**Pre-IPO Share Option Schemes**").

The purpose of the Pre-IPO Share Option Schemes is to enable our Group to grant options to the participants as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimise their performance and efficiency for the benefit of our Group; (ii) to attract and retain them whose contributions are or will be beneficial to our Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group.

(i) Mid-senior Level Management Pre-IPO SOS

(a) Who may join
Our Board shall have the right to invite and determine any person belonging to any of the following classes of eligible participants, to take up options to subscribe for Shares: (i) mid-senior level management member(s) (including directors) of any Group company or any advisors/consultants, or (ii) former mid-senior level management member(s) (including former directors) of any Group company who hold unexercised and valid options previously granted by any Group company.

(b) Maximum number of Shares
The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mid-senior Level Management Pre-IPO SOS at any time shall not exceed 17,142,600 Shares, representing approximately 10.9% of the total issued Shares of the Company as at the date of this annual report.

(c) Acceptance of grant of options
A grant of options shall be accepted upon payment of RMB1.00 in accordance with the scheme rules.

(d) Performance target
The right to exercise an option is not subject to or conditional upon the achievement of any performance target, unless otherwise stated in the grant by way of a supplemental confirmation letter or any letter.

(e) Vesting period
Any option granted to the participant(s) shall be subject to the vesting period stated herein below. For each of the participant(s), provided that he/she remains in employment with any Group company: (i) one-fourth (1/4) of the options granted to him/her shall be vested on the day immediately following the expiry of a period of six months after the Listing Date; (ii) another one-fourth (1/4) of the options so granted shall be vested on the day immediately following the expiry of a period of 12 months after the Listing Date; (iii) another one-fourth (1/4) of the options so granted shall be vested on the day immediately following the expiry of a period of 18 months after the Listing Date; and (iv) the remaining one-fourth (1/4) of the options so granted shall be vested on the day immediately following the expiry of a period of 24 months after the Listing Date. Our Board reserves the right to vary or accelerate the vesting of the options in such circumstances as it, in its absolute discretion, deems appropriate and any such variation or acceleration shall be effective only when set forth in a written instrument executed with the authority of our Board.

(f) Exercise of option
An option may be exercised by the grantee (or, as the case may be, by his legal personal representative(s)) giving notice in writing to our Company copying the relevant committee and the relevant trustee in the form set out in the Mid-senior Level Management Pre-IPO SOS or in such other form as may be approved by our Board from time to time.

(g) Basis of determining the subscription price
The subscription price shall be set out in a supplemental confirmation letter or any letter or such other price as our Board may from time to time decide in its absolute discretion and notify to the participant(s) and shall be no less than the par value of the Share in any event, subject to adjustment in accordance with the Mid-senior Level Management Pre-IPO SOS.

(h) Exercise period
An option shall be exercised before the expiry of eight years from the adoption date of the Pre-IPO Share Option Schemes or as the Board may otherwise determine, which shall not commence before the Listing Date.

(ii) Non-managerial Employee Pre-IPO SOS

Save for the following terms, all of the terms of the Non-managerial Employee Pre-IPO SOS are substantially the same with those of the Mid-senior Level Management Pre-IPO SOS.

(a) Who may join
Our Board shall have the right to invite and determine any person belonging to any of the following classes of eligible participants, to take up options to subscribe for Shares: (i) non-managerial employee(s) of any Group company, or (ii) former non-managerial employee(s) of any Group company who hold unexercised and valid options previously granted by any Group company.

(b) Maximum number of Shares
The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Non-managerial Employee Pre-IPO SOS at any time shall not exceed 5,972,262 Shares, representing approximately 3.8% of the issued Shares of the Company as at the date of this annual report.

Report of the Directors

(c) Vesting period
Any option granted to the participant(s) shall be subject to the vesting period stated herein below. For each of the participant(s), provided that he/she remains in employment with any Group company: (i) one-third (1/3) of the options granted to him/her shall be vested on the day immediately following the expiry of a period of 6 months after the Listing Date; (ii) another one-third (1/3) of the options so granted shall be vested on the day immediately following the expiry of a period of 12 months after the Listing Date; and (iii) another one-third (1/3) of the options so granted shall be vested on the day immediately following the expiry of a period of 18 months after the Listing Date. Our Board reserves the right to vary or accelerate the vesting of the options in such circumstances as it, in its absolute discretion, deems appropriate and any such variation or acceleration shall be effective only when set forth in a written instrument executed with the authority of our Board.

(d) Exercise of option
An option may be exercised by the grantee (or, as the case may be, by his legal personal representative(s)) giving notice in writing to our Company copying the relevant committee and the relevant trustee in the form set out in the Non-managerial Employee Pre-IPO SOS or in such other form as may be approved by our Board from time to time.

As at 31 December 2021, options to subscribe for an aggregate of 19,623,400 Shares (representing approximately 12.5% of the total issued Shares of the Company) under the Pre-IPO Share Option Schemes remained outstanding, 78,200 of the options granted under the Pre-IPO Share Option Schemes had been exercised, and 92,900 options had been lapsed or forfeited in accordance with the terms of the Pre-IPO Share Option Schemes during the year ended 31 December 2021. No option was cancelled under the Pre-IPO Share Option Schemes for the year ended 31 December 2021.

No further options shall be granted under the Pre-IPO Share Option Schemes after the Listing Date. Therefore, no option was granted under the Pre-IPO Share Option Schemes for the year ended 31 December 2021.

Report of the Directors

Details of movements in the share options granted under the Pre-IPO Share Option Schemes during the year ended 31 December 2021 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options: Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Lapsed/ Forfeited during the year ended 31 December 2021	Outstanding as at 31 December 2021	Vesting period of share options	Exercise price of share options
Executive Directors								
Mr. Zhang Feng	31 January 2013 and 20 February 2013	455,800	–	–	–	455,800 *(Note 2)*	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111
Ms. Zhang Jianmei	31 January 2013, 20 February 2013 and 16 October 2018	928,800	–	–	–	928,800 *(Note 2)*	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111 - USD0.88
In aggregate		1,384,600	–	–	–	1,384,600		
Other management members and employees of our Group								
In aggregate	31 January 2013 – 31 July 2019	15,580,200	–	–	(92,900)	15,487,300 *(Note 3)*	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD2.80
Other participants *(Note 1)*								
In aggregate	31 January 2013 – 5 November 2018	2,829,700	–	(78,200) *(Note 4)*	–	2,751,500 *(Note 2)*	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD0.88
Total		19,794,500	–	(78,200)	(92,900)	19,623,400		

Note 1: They include former mid-senior level management members, former non-managerial employees of our Group and consultants.

Note 2: Exercise period of the outstanding options is eight years from the adoption date of the Pre-IPO Share Option Schemes, subject to the vesting period and shall only commence after the Listing Date.

Note 3: Exercise period of 13,694,600 outstanding options is eight years from the adoption date of the Pre-IPO Share Option Schemes, subject to the vesting period and shall only commence after the Listing Date. Exercise period of 1,792,700 outstanding options is three years from the adoption date of the Pre-IPO Share Option Schemes, subject to the vesting period and shall only commence after the Listing Date.

Note 4: Such options were exercised on 30 April 2021 at an exercise price of USD0.1111 (equivalent to approximately HK$0.87) per Share. The closing price of the Shares immediately before the date on which the options were exercised, being 29 April 2021, was HK$25.30.

Further details of the Pre-IPO Share Option Schemes are set out on pages IV-29 to IV-48 of the Prospectus.

Report of the Directors

2. Post-IPO share option scheme

The Company conditionally adopted the Post-IPO Share Option Scheme on 26 November 2019.

(a) Purpose
The purpose of the Post-IPO Share Option Scheme is to enable our Group to (1) recognise and acknowledge the contributions that eligible participants have (or may have) made or may make to our Group (whether directly or indirectly); (2) attract, retain and appropriately remunerate the best possible quality of employees and other eligible participants; (3) motivate the eligible participants to optimise their performance and efficiency for the benefit of our Group; (4) enhance its business, employee and other relations; and/or (5) retain maximum flexibility as to the range and nature of rewards and incentives which our Group can offer to eligible participants.

(b) Eligible participants
Eligible participants mean (1) any employee or officer employed by any member of our Group or an affiliate (whether full time or part time) and any of his/her close associates; (2) any director or proposed director of any member of our Group or any company which is an affiliate and their respective close associates; and (3) any consultant, professional, customer, supplier, agent, franchisee, partner, advisor or contractor of any member of our Group or any of the affiliates and their respective close associates, who the Board in its absolute discretion determines to be qualified to be (or, where applicable, to continue to be qualified to be) an eligible participant.

(c) Total number of Shares available for issue under the Post-IPO Share Option Scheme
The maximum number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and other schemes shall not, in aggregate, exceed 15,053,947, being 10% of the total number of issued Shares as at the Listing Date ("**Scheme Mandate Limit**") and representing approximately 9.6% of the total issued shares of the Company as at the date of this annual report. Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Scheme Mandate Limit may be refreshed if so approved by the Shareholders at general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10% of the Shares in issue as at the date of approval of such renewal by our Shareholders at general meeting. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and other schemes shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(d) Maximum entitlement of each participant
The total number of Shares issued and to be issued upon exercise of options already granted or to be granted to any grantee (including exercised, cancelled and outstanding options) under the Post-IPO Share Option Scheme, in any 12-month period up to and including the date of such grant shall not exceed 1% of the Shares in issue.

Report of the Directors

(e) Period within which the Shares must be taken up under an option
An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the commencement date subject to the provisions of early termination thereof.

(f) Minimum period for which an option must be held before it can be exercised
The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets that must be achieved before an option can be exercised.

(g) Time of acceptance and the amount payable on acceptance of the option
An offer shall be deemed to have been accepted when the Company receives a duplicate offer letter duly signed from the grantee together with a remittance of RMB1.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof.

(h) Basis of determining the exercise price
The exercise price in respect of any particular option shall be a price determined by the Board and stated in the offer letter, and shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer; and (iii) the nominal value of a Share prevailing on the date of the offer.

(i) Life of the Post-IPO Share Option Scheme
The Post-IPO Share Option Scheme became unconditional on the Listing Date and shall be valid and effective for a period of ten years commencing therefrom, subject to the early termination provisions contained in the Post-IPO Share Option Scheme. As at 31 December 2021, the remaining life of the Scheme is approximately 7 years and 11.5 months.

Share options which are forfeited prior to the expiry date (if any) will be released back to the pool of Shares available to be issued under the Post-IPO Share Option Scheme.

As at 31 December 2021, options to subscribe for an aggregate of 4,760,000 Shares (representing approximately 3.0% of the total issued Shares of the Company) under the Post-IPO Share Option Scheme remained outstanding. 4,390,000 options had been granted, 20,000 options had been lapsed or forfeited while no option had been exercised nor cancelled under the Post-IPO Share Option Scheme during the year ended 31 December 2021.

Please refer to Note 16(b) to the financial statements for the year ended 31 December 2021 contained in this annual report for fair value of the share options granted under the Post-IPO Share Option Scheme for the year ended 31 December 2021, which were calculated using the Binomial option-pricing model as at the date of grant. Given the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of Binomial model itself, the fair value calculated using Binomial model are subject to certain fundamental limitations.

Report of the Directors

Details of movements in the share options granted under the Post-IPO Share Option Scheme during the year ended 31 December 2021 are as follows:

		Number of share options						
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Forfeited/ Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021	Vesting period of share options	Exercise price of share options
Executive Directors								
Mr. Zhang Feng	29 October 2020	120,000	–	–	–	120,000	The Options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the Date of Grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 *(Note 1)*	HK$30
Ms. Zhang Jianmei	29 October 2020	120,000	–	–	–	120,000	The Options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the Date of Grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 *(Note 1)*	HK$30
Mr. Zhang Jianguo	29 October 2020	150,000	–	–	–	150,000	The Options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the Date of Grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 *(Note 1)*	HK$30

Report of the Directors

Category and Name of grantee	Date of grant of share options	Number of share options: Outstanding as at 1 January 2021	Granted during the year ended 31 December 2021	Exercised during the year ended 31 December 2021	Forfeited/ Lapsed during the year ended 31 December 2021	Outstanding as at 31 December 2021	Vesting period of share options	Exercise price of share options
Non-executive Director								
Mr. Chow Siu Lui	22 January 2021	–	40,000	–	–	40,000	(i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant *(Note 2)*	HK$27.3
Independent non-executive Directors								
Ms. Chan Mei Bo Mabel	22 January 2021	–	40,000	–	–	40,000	(i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
Mr. Shen Hao	22 January 2021	–	40,000	–	–	40,000	(i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
Mr. Leung Ming Shu	22 January 2021	–	40,000	–	–	40,000	(i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
Other management members and employees of our Group								
In aggregate	22 January 2021	–	2,400,000	–	–	2,400,000	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 28 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 40 months after the Date of Grant *(Note 2)*	HK$27.3
	16 July 2021	–	1,830,000	–	(20,000)	1,810,000	(i) one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant	HK$10.668
Total		390,000	4,390,000	–	(20,000)	4,760,000		

Report of the Directors

Note 1:

The vesting of the Options is conditional upon the fulfilment of the following performance targets:

Adjusted net profit* of the Group for the year ending 31 December 2021	Number of Shares entitled upon exercise of options in full		
	Zhang Jianguo	Zhang Feng	Zhang Jianmei
Less than RMB250 million	Nil	Nil	Nil
RMB250 million or above and less than RMB260 million	100,000	70,000	70,000
RMB260 million or above	150,000	120,000	120,000

Note 2:

The entitlement of the options by the employees of the Group is conditional upon the fulfilment of the performance targets which comprises (a):

Adjusted net profit* of the Group for the year ending 31 December 2021	Number of Shares entitled upon exercise of options in full
Less than RMB250 million	60% of the maximum number of Shares
RMB250 million to RMB260 million	80% of the maximum number of Shares
More than RMB260 million	100% of the maximum number of Shares

and/or (b) other individual targets such as the service premium charged on cash basis, the flexible staffing service premium, the number of BPO seats and the number of flexible staffing employees deployed to the IT industry.

* Adjusted net profit refers to the net profit for the year excluding share-based payment expenses.

Note 3:

For options granted on 22 January 2021, the exercise period was from 22 January 2021 to 21 January 2031. For options granted on 16 July 2021, the exercise period was from 16 July 2021 to 15 July 2031.

Note 4:

For options granted on 22 January 2021, the closing price of the Shares immediately before the date on which the options were granted, being 21 January 2021, was HK$28.35. For options granted on 16 July 2021, the closing price of the Shares immediately before the date on which the options were granted, being 15 July 2021, was HK$10.68.

Note 5:

The above table has not taken into account whether the vesting condition has been fulfilled based on the performance targets in relation to the Group's financial results for the year ended 31 December 2021.

Further details of the Post-IPO Share Option Scheme are set out on pages IV-48 to IV-58 of the Prospectus.

SHARE AWARD SCHEME

The Company conditionally adopted the Post-IPO Share Award Scheme on 26 November 2019, which was further amended on 26 June 2020.

(a) Purpose of the Post-IPO Share Award Scheme
The Post-IPO Share Award Scheme is established to enable our Group to (1) recognise and acknowledge the contributions that the directors, senior management and employees of our Group or any advisors or consultants who satisfy the eligibility requirements as determined by our Board ("**Eligible Persons**") have (or may have) made or may make to our Group (whether directly or indirectly); (2) attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Persons; (3) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of our Group; (4) enhance its business, employee and other relations; and/or (5) retain maximum flexibility as to the range and nature of rewards and incentives which our Group can offer to Eligible Persons.

Report of the Directors

(b) Participants of the Post-IPO Share Award Scheme and Basis for Determining the Eligibility of the Selected Participants
Our Board may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Post-IPO Share Award Scheme ("**Selected Participants**"), subject to the terms and conditions set out in the Post-IPO Share Award Scheme. In determining the Selected Participants, our Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Selected Participants to our Group.

(c) Scheme Limit
Our Company shall not make any grant of award (the "**Award**") which will result in the number of Shares allotted and issued to or acquired by the trustee amounting or exceeding 10% of the total number of issued Shares immediately after completion of the global offering (assuming (i) no exercise of the over-allotment option, (ii) no exercise of the options which have been or may be granted under the share option schemes and (iii) no Shares are issued pursuant to the grant of the Awards under the Post-IPO Share Award Scheme). The maximum number of Award which may be granted to a grantee but unvested under the Post-IPO Share Award Scheme shall not exceed 1% of the total number of issued Shares from time to time.

(d) Awards
The Shares underlying the Award ("**Award Shares**") may be satisfied with newly allotted and issued Shares or existing Shares acquired by the Trustee, in accordance with the terms of the Post-IPO Share Award Scheme. An Award granted by our Board to the grantee may be settled by allotting and issuing Award Shares to the grantee or his/her wholly owned entity (only if the grantee is a connected person) or the payment of the actual selling price at which the Award Shares are sold, netting of the benchmarked price and related charges, in cash (only if the relevant grantee is not a connected person), upon vesting of such Award. Each Award may be subject to such other vesting conditions as may be imposed by our Board at its absolute discretion, including without limitation, a vesting period.

(e) Grant and Acceptance of the Awards
Our Company shall issue a letter to each Selected Participant in such form as our Board may from time to time determine, specifying the date of grant, the number of Award Shares underlying the Award, the vesting dates (if any) and such other criteria and vesting conditions and further details as our Board may consider necessary.

(f) Duration of the Post-IPO Share Award Scheme
Subject to any early termination as may be determined by our Board pursuant to the rules of the Post-IPO Share Award Scheme, the Post-IPO Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date, after which period no further Awards will be granted but the provisions of the Post-IPO Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any Awards granted prior to the expiration of the Post-IPO Share Award Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Post-IPO Share Award Scheme.

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 Trustee, for the administration of the Post-IPO Share Award Scheme. In addition, on 26 June 2020, the Company entered into the trust deed and appointed Trident Trust Company (HK) Limited as the trustee for the administration of the Post-IPO Share Award Scheme pursuant to the rules of the Post-IPO Share Award Scheme. For further details, please refer to the announcement of the Company dated 26 June 2020.

On 22 January 2021, a total of 2,300,000 Award Shares were granted by the Company to 29 awardees, none of whom is connected persons, pursuant to the Post-IPO Share Award Scheme. Those Award Shares will be settled in the form of payment of the actual selling price, netting of the benchmarked price of HK$25 per Award Share and related charges, in cash upon the vesting of such Award. For further details, please refer to the Company's announcement dated 22 January 2021. For the year ended 31 December 2021, a total of 180,000 Award Shares were forfeited in accordance with the terms of the Post-IPO Share Award Scheme.

Further details of the Post-IPO Share Award Scheme are set out on pages IV-58 to IV-65 of the Prospectus and the Company's announcement dated 26 June 2020.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, purchases from the Group's five largest suppliers accounted for 3.7% (2020: 3.2%) of the Group's total purchases and purchases from the largest supplier accounted for 1.6% (2020: 0.8%).

For the year ended 31 December 2021, the Group's sales to its five largest customers accounted for 59.4% (2020: 53.2%) of the Group's total sales and sales to the largest customer accounted for 41.7% (2020: 38.6%).

During the year ended 31 December 2021, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Company's five largest customers or suppliers.

There existed reliance on the largest client by the Group given that 41.7% of the Group's total sales was generated from such client for the year ended 31 December 2021. The client was a private Chinese internet technology company providing various content platforms. The credit terms granted to such client was in line with those granted to other customers and the Group had not experienced any material issue in trade receivable settlement by the client. As disclosed in the announcements of the Company dated 30 June 2021, 7 July 2021 and 31 October 2021, the term of the comprehensive flexible staffing services for information verification and customer services representatives provided by the Group to such client would expire on 15 January 2022, upon which the client would employ the comprehensive flexible staffing employees originally deployed by the Group who are willing to join the major client as its own employees. For the year ended 31 December 2021, the Group's revenue generated from the comprehensive flexible staffing services provided to this major client in relation to information verification and customer services representatives amounted to approximately RMB1,862.2 million, representing approximately 40.3% of the Group's revenue generated from comprehensive flexible services in 2021 and approximately 39.3% of the Group's total revenue for the year. As a result, the Group expected that its reliance on such client would decrease in 2022. The Group will continue to diversify its client base to mitigate single client concentration risk.

CHARITABLE DONATIONS

During the year ended 31 December 2021, the Group donated pandemic prevention materials worth approximately RMB12,000 in value to the government of Zhanqian District, Yingkou City.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as otherwise disclosed in this annual report, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Shares during the year ended 31 December 2021.

USE OF NET PROCEEDS FROM THE LISTING

The Company has utilised the Net Proceeds in accordance with the intended use as set out in the Prospectus for the year ended 31 December 2021.

The amount of Net Proceeds utilised as at 31 December 2021 was approximately HK$277.8 million and the amount of unutilised Net proceeds was approximately HK$714.4 million.

As set out in the announcement of the Company dated 8 March 2022, after taking into account the reasons for and the benefits of the Acquisition, in order to better utilize the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the plan for the use of the Net Proceeds and resolved to re-allocate part of the Net Proceeds of approximately HK$396.5 million for the Acquisition.

Report of the Directors

Details of the amount of the Net Proceeds utilised as at 31 January 2022 and the intended use of the Net Proceeds before and after the re-allocation are set out below:

	Intended use of Net Proceeds	Original allocation of Net Proceeds (HK$ million)	Amount of Net Proceeds utilised as at 31 January 2022 (HK$ million)	Amount of Net Proceeds unutilised as at 31 January 2022 (HK$ million)	Balance of the unutilised Net Proceeds after the re-allocation (HK$ million)	Intended timetable for the use of unutilised Net Proceeds
(i)	Expand our geographic coverage to better support our clients and new opportunities	198.4	129.8	68.6	30.8	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, information technology industry and new retail clientele	168.7	81.6	87.1	466.0	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	129.0	31.1	97.9	48.3	By/ before 31 December 2022
(iv)	Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	31.1	187.2	95.8	By/ before 31 December 2024
(v)	Further promote our brand and launch marketing and promotion activities	99.2	32.9	66.3	11.3	By/ before 31 December 2022
(vi)	Support our global expansion strategy in the next four years	79.4	0.0	79.4	23.0	By/ before 31 December 2023
(vii)	Working capital and general corporate purposes	99.2	10.5	88.7	0.0	By/ before 31 December 2022
	Total	**992.2**	**317.0**	**675.2**	**675.2**	

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

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 73 to 85 in this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 10 June 2022. The notice of the AGM will be published and dispatched to the Shareholders in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2022 (Tuesday) to 10 June 2022 (Friday), both days inclusive, during which no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed Share transfer forms accompanied by the relevant Share certificates, must be lodged with the Company's Hong Kong Share Registrar, 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 6 June 2022 (Monday).

In order to determine the entitlement to the proposed final dividends, subject to the approval of the Shareholders at the AGM, the register of members of the Company will be closed from 16 June 2022 (Thursday) to 20 June 2022 (Monday), both days inclusive, during which period no transfer of Shares of the Company will be registered. In order to be qualified to obtain final dividends, all duly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, 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 15 June 2022 (Wednesday).

AUDIT COMMITTEE

The Audit Committee, together with the management and the external auditor, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Company's consolidated financial statements for the year ended 31 December 2021.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers shall retire and being eligible, offer itself for re-appointment, and a resolution to this effect shall be proposed at the AGM.

On behalf of the Board
Zhang Jianguo
Chairman of the Board

PRC, 30 March 2022

Corporate Governance Report

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 Shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that during the year ended 31 December 2021, the Company has complied with all code provisions set out in the CG Code which are applicable for listed issuers with a financial year commencing before 1 January 2022, except for the deviation from code provision A.2.1 (as it then was) as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

The Company is committed to enhancing its corporate governance practices appropriate to the conduct and the growth of its business and to reviewing such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment and Compliance Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight Directors, consisting of three executive Directors, two non-executive Directors and three independent non-executive Directors.

Executive Directors:

Mr. Zhang Jianguo
(Chairman of the Board and Chief Executive Officer)
Mr. Zhang Feng
Ms. Zhang Jianmei

Non-executive Directors:

Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors:

Ms. Chan Mei Bo Mabel
Mr. Shen Hao
Mr. Leung Ming Shu

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical information of the Directors is set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

Save as disclosed in the Prospectus and this annual report, to the best knowledge of the Company, there are no financial, business, family or other material relationships among the members of the Board.

Chairman and Chief Executive Officer

Code provision A.2.1 (as it then was) of the CG Code stipulates that the roles of chairman and chief executive 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.

Corporate Governance Report

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 the Board believes 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 they act 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 strategic 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. Key decisions made by Mr. Zhang Jianguo are effectively monitored and scrutinized by other Directors and members of management of the Group. Finally, as Mr. Zhang Jianguo is our principal founder, 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 for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Independent Non-Executive Directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Among the three independent non-executive Directors, both Mr. Leung Ming Shu and Ms. Chan Mei Bo Mabel possess appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent and remain so as at the date of this annual report.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year commencing from the Listing Date (in respect of non-executive Directors) and 29 November 2019 (in respect of independent non-executive Directors), which may be terminated by not less than one month' notice in writing served by either the respective Director or the Company. Their term of office would be extended on a monthly basis unless separate arrangement in writing or termination is made by either party.

Each of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles.

None of the Directors has a service contract with the Company which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with article 16.19 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

In accordance with article 16.2 of the Articles, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibilities for leadership and control of the Company and be collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

Corporate Governance Report

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decisions on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Board has clearly set out the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. The Board regularly reviews the above said circumstances and ensures they remain appropriate.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal action taken against them arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company, full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, the Company organised training for all Directors covering a wide range of relevant topics, including consultation paper on Review of Corporate Governance Code and Related Listing Rules, the Environmental, Social and Governance Reporting Guide, the Business Ethics Training Materials for Listed Companies, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/ legal and regulatory updates/online training videos/ case sharing have been provided to the Directors for their reference and studying.

Corporate Governance Report

The training records of the Directors for the year ended 31 December 2021 are summarised as follows:

Name of Directors	Nature of continuous professional development programs
Executive Directors	
Mr. Zhang Jianguo	A, B
Mr. Zhang Feng	A, B
Ms. Zhang Jianmei	A, B
Non-executive Directors	
Mr. Chen Rui	A, B
Mr. Chow Siu Lui	A, B
Independent Non-executive Directors	
Ms. Chan Mei Bo Mabel	A, B
Mr. Shen Hao	A, B
Mr. Leung Ming Shu	A, B

Notes:

A: Attending training sessions, including but not limited to, briefings, seminars, training videos, case sharing, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and publications

BOARD COMMITTEES

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment and Compliance Committee, each of which has been delegated responsibilities and shall report back to the Board. The roles and functions of these committees are set out in their respective terms of reference. The terms of reference of each of these committees will be revised from time to time to ensure that they continue to meet the needs of the Company and to ensure compliance with the latest CG Code. The terms of reference of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment and Compliance Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Leung Ming Shu and Ms. Chan Mei Bo Mabel and one non-executive Director, namely Mr. Chow Siu Lui. Mr. Leung Ming Shu is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary 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 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 Company.

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During the year ended 31 December 2021, four Audit Committee meetings were held on 12 January 2021, 24 March 2021, 28 August 2021 and 7 December 2021. Works performed by the Audit Committee during the year ended 31 December 2021 include to discuss the audit plan for the 2021 financial year with the auditor, to review the annual financial results and report for the year ended 31 December 2021 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor, engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties, and to review the Group's unaudited interim results for the six months ended 30 June 2021.

The Audit Committee had met with the external auditor without the presence of the executive Directors at the four meetings held on 12 January 2021, 24 March 2021, 28 August 2021 and 7 December 2021, respectively.

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors, namely Ms. Chan Mei Bo Mabel and Mr. Shen Hao and one executive Director, namely Mr. Zhang Jianguo. Ms Chan Mei Bo Mabel is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, and establishing a formal and transparent procedure for developing remuneration policy to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2021, four Remuneration Committee meetings were held on 18 January 2021, 29 March 2021, 8 June 2021 and 16 July 2021. Works performed by the Remuneration Committee during the year ended 31 December 2021 include to review and make recommendation to the Board on the remuneration policy and the structure of the Company and the remuneration packages of the Directors, to review and make recommendations to the Board on the grant of the share award scheme and to review and make recommendations to the Board on grant of share options, and to discuss and make recommendations to the Board on the adoption of employee housing borrowing plan.

Pursuant to code provision B.1.5 (as it then was) of the CG Code, the remuneration paid to the members of senior management by bands for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of Individuals
Nil to HK$1,000,000	1

Nomination Committee

The Nomination Committee comprises three members, including one executive Director, namely Mr. Zhang Jianguo and two independent non-executive Directors, namely Ms. Chan Mei Bo Mabel and Mr. Shen Hao. Mr Zhang Jianguo is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed change to the Board

Corporate Governance Report

to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy (the "**Board Diversity Policy**"). The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy (the "**Director Nomination Policy**") that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 December 2021, one Nomination Committee meeting was held on 29 March 2021. Works performed by the Nomination Committee during the year ended 31 December 2021 include to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board was maintained.

Investment and Compliance Committee

The Investment and Compliance Committee comprises three members, including one non-executive Director, namely Mr. Chow Siu Lui, one executive Director, namely Mr. Zhang Jianguo and one independent non-executive Director, namely Mr. Leung Ming Shu. Mr. Chow Siu Lui is the chairman of the Investment and Compliance Committee.

The primary duties of the Investment and Compliance Committee are to review, evaluate investment projects for long-term development of the Company and make recommendations to the Board, to study and make recommendations to the Board on major investments and financing solutions, major capital investments and other significant investment matters which may have effect on the development of the Company, to supervise the implementation of the above-mentioned matters duly approved by the Board, to review the Company's financial controls, investing capital, financing strategy and treasury risk management from time to time, to discuss the Company's position in respect of investment risk, to make recommendations to the Board on compliance matters in relation to rules and regulations issued by the Stock Exchange, the SFO and the relevant rules and regulations and to make recommendations to the Board in relation to the policy of corporate governance of the Company.

During the year ended 31 December 2021, three Investment and Compliance Committee meeting were held on 22 July 2021, 10 August 2021 and 26 August 2021. Works performed by the Investment and Compliance Committee during the year ended 31 December 2021 include to review and make recommendations to the Board concerning the respective investment projects and proposals of the Company, its subsidiaries and consolidated affiliated entities.

BOARD DIVERSITY POLICY AND NOMINATION POLICY

The Board has adopted a Board Diversity Policy which sets out the basic principles to be followed to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

The Board has also adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at the Board level.

Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. The Nomination Committee has primary responsibility for identifying individuals qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Selection of board candidates shall be based on amongst others, integrity and character, commitment in respect of available time and relevant interest, a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

Corporate Governance Report

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

As at the date of this annual report, the Board comprised six male Directors and two female Directors, providing the Board with a direct and diversified channel of the opinion from both genders. In addition, the Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and effective leadership, taking into account the extensive experience, skills and knowledge of each Director and the balanced mix of three executive Directors, two non-executive Directors and three independent non-executive Directors. The Directors are of the opinion that Board diversity (including gender diversity) has been achieved with reference to the current circumstances of the Company, and the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Shareholders.

The Nomination Committee is responsible for reviewing the Board Diversity Policy and Director Nomination Policy, developing and reviewing measurable objectives for implementing such policies and monitoring the progress on achieving these measurable objectives at least annually and as appropriate to ensure continued effectiveness of the Board.

The Board reviews the implementation and effectiveness of the Board Diversity Policy and the Director Nomination Policy on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is delegated by the Board to perform the functions set out in the code provision D.3.1 (as it then was) of the CG Code.

During the year ended 31 December 2021, the Audit Committee had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance with the Model Code, and the compliance with the CG Code and the disclosure in this Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2021, nine Board meetings and one annual general meeting were held. Since the Listing Date, the Company has adopted the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.

The attendance records of each Director at the Board meetings and Board committee meetings of the Company as well as general meetings held during the year ended 31 December 2021 are set out below:

	Attendance/Number of Meeting(s)					
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment and Compliance Committee	Annual General Meeting
Mr. Zhang Jianguo	9/9	N/A	4/4	1/1	3/3	1/1
Mr. Zhang Feng	9/9	N/A	N/A	N/A	N/A	1/1
Ms. Zhang Jianmei	8/9	N/A	N/A	N/A	N/A	1/1
Mr. Chen Rui	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Chow Siu Lui	8/9	4/4	N/A	N/A	3/3	1/1
Ms. Chan Mei Bo Mabel	9/9	4/4	4/4	1/1	N/A	1/1
Mr. Shen Hao	9/9	N/A	4/4	1/1	N/A	1/1
Mr. Leung Ming Shu	8/9	4/4	N/A	N/A	3/3	1/1

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Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committee meetings, notice will be generally given at a reasonable time.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attends all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have potential or actual conflicts of interests.

DIVIDEND POLICY

The Company has adopted a dividend policy on the payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors, among others, financial results, cash flow situation, business conditions and strategies and future operations and earnings, as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

The Board shall review the dividend policy as and when necessary.

After considering the financial conditions of the Company and the Group and various factors as set out in the dividend policy, the Board recommended the payment of a final dividend of HK$0.24 per share for the year ended 31 December 2021 (for the year ended 31 December 2020: HK$0.42 per share), subject to the approval of the Shareholders at the forthcoming AGM.

Subject to the Cayman Islands Companies Act and the Articles, no dividend may be declared in excess of the amount recommended by the Board and the dividends are declared from statutory distributable reserves.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Company has adopted and implemented comprehensive risk management policies in various aspects of its business operations such as information system, data security, payment and payroll cycle with the following principles, features and processes:

Information system risk management

During the year ended 31 December 2021, we have not experienced any material disruption to our information and technology system due to malfunctioning of software or hardware. To avoid any service interruption due to power outage, our digital operation and customer service centers and dedicated storage server are equipped with uninterruptible power supply (UPS) apparatuses and can provide emergency power support for up to one hour. Our office at Yingkuo BPO services centers is equipped with uninterruptible power supply apparatuses and can provide emergency power support for up to two hours. We maintain and update our core system on a weekly basis. We also have a dedicated team of engineers to debug, upgrade and maintain the reliability and security of our system. If there is a need for system debugging, our team of engineers can typically complete the task within one hour. Benefiting from an experienced team led by one of our Founders and Chief Operating Officer, Mr. Zhang Feng, we believe we have built our technology infrastructure system according to a high industry standard and this cannot be easily replicated by our competitors.

Data security

We collect a substantial amount of personal data relating to our growing pool of candidates for our HR services, including names, phone numbers, mailing addresses and specific information and preferences relating to the candidates, such as past work history, education and other background information. The candidates' personal data is only received and collected by us after the candidate registers as a user through the Xiang Recruitment App (the mobile application which enables registered individual users to remotely access our Xiang Recruitment Platform) with clear consent to our user agreement and privacy policy and submits his or her details. Our user agreement sets out the terms and conditions for how we collect personal data as well as how it will be handled, stored and used. For our clients and suppliers, we also store all past contracts. As such, we have adopted robust internal control measures to ensure the security and confidentiality of our data system:

- **Right to access**: Access to data is restricted to a need-to-know basis. For example, users are assigned to different security clearance levels for uploading and downloading data from our system. Furthermore, our system is designed to allow access only from pre-authorised IP locations. Lastly, visitor logs embedded in our system track all access and usage of visitors to our website. We constantly update and maintain policies relating to data access in our key business activities.

  Some third parties, including our clients and candidates, are given limited access to certain personal data in order for us to render our services. For instance, our comprehensive flexible staffing service clients can access personal data of those contract employees assigned to their projects, and our professional recruitment service clients are granted limited access to candidate information of our talent pool, within the scope of consent under the user agreements and user privacy policy or further obtained from the owner of such information. We set out standard confidentiality provisions or use separate confidentiality agreements when we contract with third parties, which require these third parties to maintain the security and confidentiality of such personal information, and on some occasions, return or destroy such confidential information including personal data in their possession upon our request.

- **Data storage and backup:** We have one dedicated storage server currently located in our Shanghai office with system backup on a daily basis in order to minimise the risk of data loss or leakage, as well as an off-site backup storage server in Beijing with weekly data backup. Our database has been encrypted and our policies have been designed to prevent any unauthorised member of the public or third parties from accessing or using our data in any unauthorised manner. To safeguard our operation and data system, we have installed two separate systems for applications and data, each walled-off from the other so that the integrity of our data can be preserved without interfering with our daily operations. Our computer system and information processing facilities are protected by firewalls and anti-virus software to prevent and detect threats by computer viruses and other malicious software.

- **Physical security of the data system**: We host a server room in an independent area isolated from the employee office area in our Shanghai office. Access to the server room is limited, and only authorised IT personnel responsible for its operation and maintenance are granted entry. Closed-circuit monitoring has been installed for the server room. Off-site backup has been implemented for all data on a weekly basis to our dedicated data storage server in Beijing. We have established secured communication channels using our VPN connections for data transmission between operation sites and our own data storage site.

We have taken various measures to ensure the collection, storage and use of our user data are in compliance with applicable laws and regulations. For example, our user agreements clearly specify the rules, purposes, methods and scope of our collection and use of users' data. By acknowledging the terms and conditions of the user agreement, our users provide consent to our collection, use and disclosure of their data subject to the limitations set forth therein. Upon a user's deregistration with our online platform, we will terminate our use of the personal data of such user as required by applicable PRC laws and regulations, other than data that has been processed by us and hence can no longer be linked to the identity of such deregistered user. Our collection, use and disclosure of employees' or job candidates' personal data are for the purposes consented to by the data subject, who provided the relevant data and remain the owner of such data, and the personal data will not be utilised for any other purposes without their prior consent. We do not set a fixed duration for how long the personal data will be kept in our system. Therefore, unless the owner of the data requests for deletion or such data has become obsolete, we will continue to maintain this data in accordance with our policy to ensure security and confidentiality. We generally retain data in relation to users' search and browsing history for about

Corporate Governance Report

two months. According to the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), Internet service providers including us are required to take proper measures including keeping records of certain information about their users for at least 60 days. We comply with these requirements, taking measures to keep cyber-related logs with user information, including registration details, IP addresses, user-uploaded content and time of posts, for at least 60 days.

We also have various internal control measures to ensure the security and confidentiality of the data, including personal data of individuals and other customer information. In addition to restricting how personal data and client information can be obtained, stored and used, as well as restricting access by assigning different security clearance levels, our IT department will also conduct system checks, review account information and require account passwords to meet a certain level of complexity for security purposes. In addition, they will also monitor access rights to confirm that each is in line with business needs and in the event of a remote login, a text message will be sent to relevant personnel, including IT personnel and project managers. Our employees who are given access to data on a need-to-know basis are required to adhere to all relevant laws and regulations in relation to the data privacy protection.

During the year ended 31 December 2021, we have not been in material breach of any PRC laws or regulations in relation to the privacy and personal information protection during our collection, use, disclosure and protection of personal information. During the year ended 31 December 2021, we have not received any complaints from any third party, or been involved in any dispute with any third party, or been investigated or punished by any competent authorities in relation to privacy and personal information protection.

Payment and payroll cycle

We generally make payments to our internal employees on the 10th of each month, and start to pay benefits and then social insurance and housing provident fund contributions. For our contract employees, at each monthly payroll cycle, we generally make payments to our contract employees for their salaries, benefits, social insurance and housing provident fund contributions. Before these payments are made, we have measures in place to confirm whether the relevant payments have been received from our clients for the period these contract employees were working on their assignments. As time is required for checking of invoices, calculation of payroll, and processing of payments, we generally structure our monthly invoice, client payment, and contract employee payroll schedule in such a way as to have clients settle invoices before salaries are to be paid to our contract employees. For some comprehensive flexible staffing clients, we will also require a risk deposit or an upfront payment. We typically grant a credit period of 10 to 90 days to our clients based on the client's creditworthiness, prior payment history and additional client-specific information. If any client has delayed or failed to make payment, this will be flagged in our system and dedicated personnel will follow up with the relevant client.

We also face numerous market risks, such as interest rate, credit, liquidity and currency risks that arise in the ordinary course of our business. For a discussion on these market risks, please refer to the section headed "Management Discussion and Analysis" in this annual report.

INTERNAL AUDIT FUNCTION

The Company has established its internal audit function to assist the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems on an annual basis covering the preceding financial year.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2021, and considered that such systems are effective and adequate. The annual review also covered the financial reporting, internal audit function, adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

WHISTLEBLOWING POLICY

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee of the Company shall review such arrangement regularly and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

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INSIDE INFORMATION

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 at all time complied with the Model Code during the year ended 31 December 2021.

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 2021.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2021 which provide a true and fair view of the state of affairs of the Company and of the results of its operations and its cashflows.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, announcements relating to disclosure of inside information and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The basis on which the Company generates or preserves value over long term and the strategy for delivering its objectives are explained in the section headed "Management Discussion and Analysis" in this annual report.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Company for the year ended 31 December 2021 is set out in the Independent Auditor's Report contained in this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services (being services in relation to review of the Company's interim results) provided by the Auditor to the Group during the year ended 31 December 2021 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit related services	2,000
Non-audit services	950
Total	2,950

Corporate Governance Report

JOINT COMPANY SECRETARIES

Mr. Li Wenjia and Ms. Siu Pui Wah are the joint company secretaries of the Company. Ms. Siu is a director and head of accounting and corporate services of Trident Corporate Services (Asia) Limited, a global professional services provider. Ms. Siu's primary contact with the Company is Mr. Li, and they worked and communicated closely to discharge the functions of joint company secretaries.

During the year ended 31 December 2021, each of Mr. Li and Ms. Siu has undertaken not less than 15 hours of relevant professional training.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The general meetings of the Company provide a platform for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees, are available to answer Shareholders' questions at general meeting. The external auditor of the Company is also invited to attend the annual general meetings of the Company to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website (www.renruihr.com), where information and updates on the Company's financial information, corporate governance practices, biographical information of the Board and other information are available for public access.

The Company has also adopted a Shareholders' Communication Policy, which complies with the Listing Rules and provides all Shareholders with equal access to such information, in order to keep Shareholders informed of its performance, operations and significant business developments. The Shareholders' Communication Policy of the Company is available on the website of the Company.

The Board shall review the implementation and effectiveness of the Shareholders' Communication Policy on an annual basis and amend its terms as and when necessary.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting and Putting Forward Proposal at General Meeting

Article 12.3 of the Articles provides that any one or more members may deposit written requisition to convene an extraordinary general meeting at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Corporate Governance Report

For proposal of a person for election as Director, pursuant to Article 16.4 of the Articles, no person shall, unless proposed by the Board pursuant to the recommendation of the Nomination Committee, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the company secretary of the Company notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected, and such person has been approved by the Nomination Committee and the Board.

As to the relevant procedures for Shareholders to propose a person for election as a Director, they are also available on the Company's website at www.renruihr.com.

There are no provisions allowing Shareholders to propose new resolutions at the general meetings of the Company under the Companies Act of the Cayman Islands or the Articles. However, the Shareholders who wish to put forward a resolution at a general meeting may request the Company to convene an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiry to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 17th Floor, Block B, Jing'an International Center, No. 88 Puji Road, Jing'an District, Shanghai, China

(For the attention of the Board of Directors)

Email: ir@renruihr.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Change in Constitutional Documents

During the year ended 31 December 2021, no changes have been made to the Articles. The Articles are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Company has prepared this Environmental, Social and Governance Report (the "**2021 ESG Report**") in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules, which sets out the environmental, social and governance (ESG) performance of the Group in 2021. This is the third ESG Report of the Company since the listing. In order to gain a more comprehensive understanding of the Company's performance in relation to ESG, the Report shall be read in conjunction with the Corporate Governance Report.

SCOPE OF REPORTING

The ESG Report covers the overall environmental and social performances of our principal businesses and comprehensive flexible staffing, professional recruitment and other HR solution businesses of the Company and all of its subsidiaries. The reporting period is from 1 January 2021 to 31 December 2021, and description in some parts of the Report goes beyond the above period.

STANDARDS OF REPORTING

The Group assesses the relevant aspects and key performance indicators ("**KPIs**") in terms of applicability and materiality in accordance with the Environmental, Social and Governance Reporting Guide. The Report has explained the disclosure rules which are not applicable to us. The Report complies with the reporting principles in relation to the Guide:

- "Materiality": materiality assessments have been carried out to identify environmental and social issues that have impacts on stakeholders, the main stakeholders and procedures are presented in the section "Stakeholder Engagement" in this report;
- "Quantitative": The Report has quantified KPIs in environmental and social aspects, accompanied by instructions and relevant comparative data;
- "Consistency": Statistical methods and KPIs in environmental aspects are consistent with those for 2020, and compare with relevant data;
- "Balance": In accordance with the principle of "Balance", the Company discloses its ESG performance objectively.

DESCRIPTION OF DATA

All data are derived from relevant statistical reports and official documents. We guarantee the objectivity and authenticity of the relevant data in the ESG Report.

ESG MANAGEMENT

1.1 ESG Strategy

The Group adheres to the business philosophy of "technology-driven HR services" and the corporate vision of "becoming a world-class influential human resources integrated services provider from the PRC". The Group is committed to the core values of being "client-oriented, striver-oriented, and long-term committed to hard work and self-judgment". We always believe that only a company that is committed to fulfilling environmental and social responsibilities can lead and promote the sustainable development of the society. In 2021, The Group launched the "Corporate Culture Outline" and released the "Corporate Culture Outline" in 15 January 2022, which clarified our social responsibility in article 1 of section one.

In addition, the Group has incorporated ESG-related risks and opportunities in its business strategy, and established an ESG management structure with clear responsibilities to guide daily operation. We review ESG policies and strategies on a regular basis, to ensure that the content therein is suitable for and applicable to our businesses.

1.2 ESG Governance

The Board supports our commitment to fulfilling its ESG responsibilities and assumes full responsibility for the ESG strategies and reporting. The Board reviews the ESG performance of the Company and its subsidiaries on annual basis. It identifies, evaluates and manages important ESG-related matters. It monitors and approves the annual ESG report.

The management is responsible for assessing and determining ESG-related risks, ensuring that the Company has in place an appropriate and effective ESG risk management and internal monitoring system, reporting ESG-related risks and opportunities to the Board, and confirming the effectiveness of the ESG system.

Environmental, Social and Governance Report

To carry out ESG management in full swing, we have established an ESG working group, which consists of the investor relations department, HR department, procurement department, legal department, operation management department and finance department, etc. Each department head is directly involved in it and has assigned personnel in charge of ESG management and reporting who report to the management the progress of ESG management and reporting.

1.3 Stakeholder Engagement

We maintain the communication with internal and external stakeholders regularly through different means and channels, for example, we pay attention to the feedback from internal and contract employees through regular meetings, internal activities, compliant hotlines, daily operational communication etc. We also keep connected with the governments and regulators, shareholders, clients, suppliers, industry associations and so on through means such as company's website, social platforms, visits, seminars, formal meetings and hotlines etc. in order to understand their views to our Group's development.

Our key stakeholders include governments and regulators, shareholders and investors, internal employees, contract employees, clients, suppliers, industry associations and communities, and non-governmental organizations. We put a premium on communication with stakeholders by establishing effective channels of communication and actively responding to stakeholders' demands and expectations, to contribute to the mutual growth of both sides.

Stakeholders	Expectations and Requirements	Means of Communication
Government and Regulatory Authorities	• Compliance with laws and regulations • Tax payment according to laws • Labour rights	• Daily supervision • Official correspondence • Meetings
Shareholders and Investors	• Information disclosure • Investment return • Corporate governance • Risk control • Sustainable development	• General meetings • Company's website • Mails, phones and faxes • Investor relations activities • Stock Exchange's website
Internal Employees	• Wages and benefits • Health and safety • Training and development opportunities • Democratic communication and Human rights protection	• E-mails and complaint hotline • Annual meetings, daily meetings, etc. • Staff activities

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Stakeholders	Expectations and Requirements	Means of Communication
Contract Employees	• Wages and benefits • Health and safety • Training and development opportunities • Democratic communication and human rights protection	• System and platform • On-site team communication • Annual meetings, daily meetings, etc. • Staff activities
Clients	• Responsible operation • Quality services • Service innovation • Sustainable development	• Client satisfaction survey • System and platform • Client visits • Client compliant handling
Suppliers	• Supply chain management • Quality and price • Integrity and compliance	• Project cooperation and negotiation • Supplier visits • Quality communication
Industry Associations and Communities	• Environmental protection • Social welfare activities • Industry promotion	• Charity donation • Social welfare activities • Volunteer services • Industry exchange activities • Seminars, forums, publications
Non-governmental Organisations	• Compliance operation • Labour rights • Industry development	• Social network platform • Official website • Seminars, forums, publications

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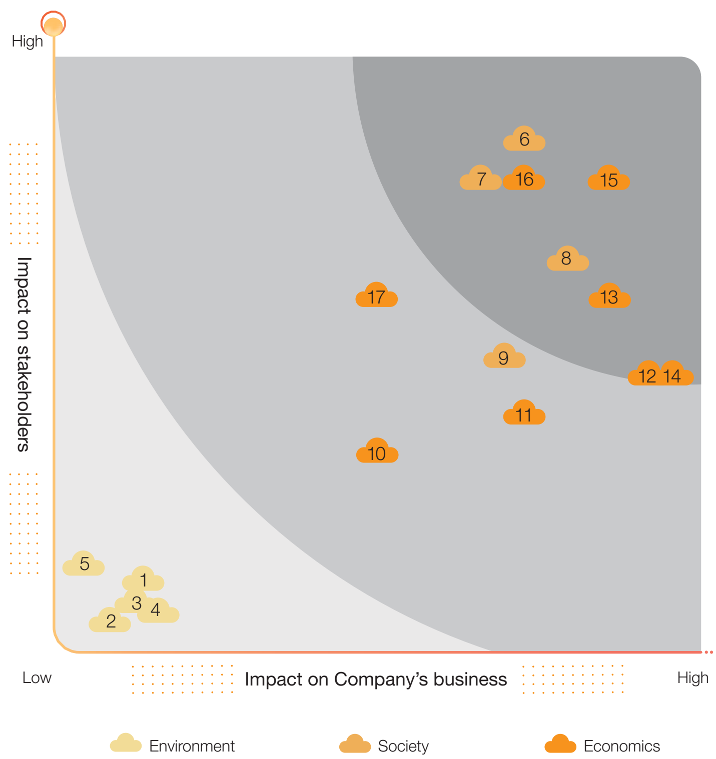
1.4 Materiality Assessment

To improve the quality of disclosure, we have selected key issues of stakeholders' concern and made targeted disclosure by using ESG materiality assessment. In 2021, the ESG working group took the following steps to conduct materiality assessment:

- **Identification of issues:** Considering factors such as current condition of the Company, industry overview, risks and opportunities encountered, 17 issues were identified. These issues were related to and affected the Company and its stakeholders in environmental, social and economic aspects;
- **Questionnaires:** The Group designed and distributed questionnaires to internal stakeholders on the identified issues. It consolidated answers from those questionnaires and conducted materiality analysis to obtain preliminary results of materiality evaluation; and
- **Confirmation of results:** The preliminary results were discussed, verified and confirmed by the management and the ESG working group. The following materiality assessment results were concluded as the basis of disclosure in the ESG Report.

In the preparation of the 2021 ESG report, the Company's management and the ESG working group discussed the previous assessment results again, to confirm that such results still apply to the Company's ESG management status.

人瑞指示	指示編號
Waste management	1
Wastewater discharge management	2
Energy management	3
Water resource management	4
Adapting to climate change	5
Rights and benefits of employees	6
Occupational health and safety	7
Development and training of employees	8
Prohibition of child labour and forced labour	9
Supply chain management	10
Protection of intellectual properties	11
Service quality and business innovation	12
Privacy management	13
Customer satisfaction	14
Protection of contract employees' rights	15
Compliance operation with integrity	16
Charity and social welfare	17



Environmental, Social and Governance Report

2. RESPONSIBLE OPERATION

With the aid of an advanced and integrated human resources ecosystem, the Group constantly innovates traditional integrated human resources services and flexibly provides innovative and tailored solutions for enterprises with staffing demands, to achieve sustained growth at a rate that leads the industry. We strictly abide by the Civil Code of the People's Republic of China (《中華人民共和國民法典》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), Law of the People's Republic of China on Promotion of Employment (《中華人民共和國就業促進法》), Regulations on Employment Service and Employment Management (《就業服務與就業管理規定》), Regulations on the Management of the Talent Market (《人才市場管理規定》), Interim Provisions for the Management of Chinese and Foreign Joint Venture Talent Intermediaries (《中外商合資人才中介機構管理暫行規定》) and other policies and regulations related to human resources services as well as the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), Regulations on the Management of Information Services for Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》), Measures of Cybersecurity Review (Trial)《網絡安全審查辦法(試 行)》, Protection of Personal Information Law of People's Republic of China《中國人民共和國個人信息保護法》, and regulations related to the review of Internet services and information security, to provide human resources services and create value for clients with staffing demands legally and in an orderly manner.

As at the end of 2021, we had established 66 subsidiaries and branches nationwide, including West China, North China, East China, South China and Central China, covering more than 300 cities in China. We can respond to the staffing needs of our clients at multiple outlets nationwide: (i) providing comprehensive flexible staffing services to clients to improve the staffing mode of clients, effectively dispatching eligible contract employees, and reducing the turnover rate of contract employees; and (ii) maximizing employment opportunities for job seekers while providing professional recruitment services to clients by using our innovative 020 recruitment method and using online and offline candidate resources.

In 2021, the Group received 21 awards and recognitions for its high quality professional services and leading innovation granted from zhitongcaijing (智通財經), TopHR (第一資源), 36Kr (36氪) and Chengdu Enterprise Federation (成都企業聯合會), including but not limited to "Golden Hong Kong Stocks Annual Best New Economy Company Award" (金港股年度最佳新經濟公司獎), "2021 China Top 100 HR Services Providers" (中國人力資源服務機構100強), "Wise 2021 New King of the Economy Annual Hardcore Enterprise" (新經濟之王年度硬核企業) and "2021 Chengdu Top 100 in Service Industry and Top 100 Private Enterprises" (2021年成都服務業100強、民營企業100強) etc.

2021 Chengdu Top 100 Enterprises in Service Industry, Top 100 Private Enterprises

Wise 2021 New King of the Economy Annual Hardcore Enterprise

2021 China Top 100 HR Services Brands

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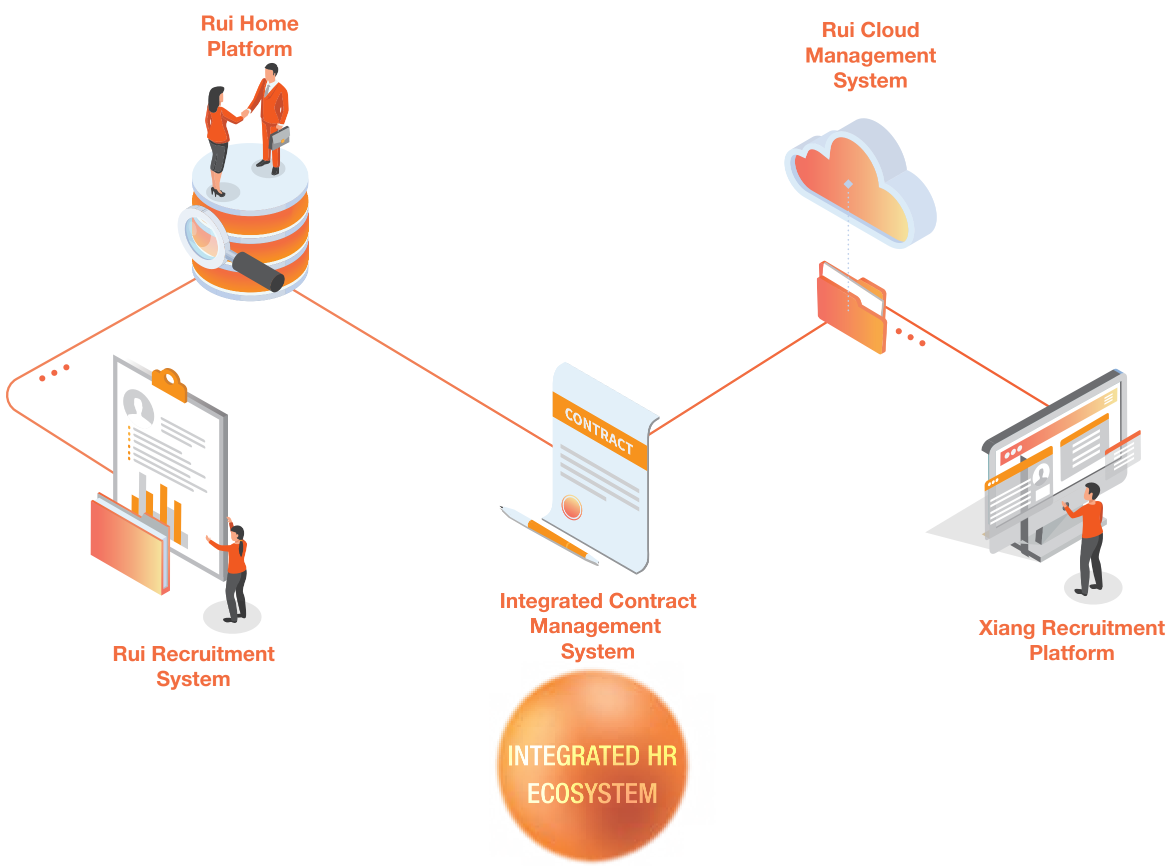
2.1 Philosophy of Service

Service innovation

As the leading integrated human resources solutions provider, the Group, upholding the philosophy of being "client-focused and result-oriented", provides enterprises with services including comprehensive flexible staffing, professional recruitment and other human resources solutions etc. Our comprehensive and integrated human resources ecosystem consisting Xiang Recruitment Platform, Rui Recruitment System, Rui Home Platform, Rui Cloud Management System, and Integrated Contract Management System. These internal management systems are interoperable with the platform open to candidates and contract employees, thereby improving the recruitment efficiency and the contract employees' management abilities. These systems and platforms play an important role in providing customers integrated services, including basic HR services such as posting recruitment advertisements, online communication with candidates, interview appointments, interview process and result management, candidate onboarding and pre-job training, and to follow-up personnel management, and employee data storage, salary and bonus calculation, social security and provident fund payment and resignation processing.

The Group has always adhered to the philosophy of "science and technology-driven human resources services", continuously enhances its core competitiveness through technology research and development and investment, and occupies a favourable ecological position in the human resources service industry. For the year ended 31 December 2021, we invested approximately RMB 18.1 million in the information system R&D, representing an increase of approximately 30.1% as compared to that of approximately RMB 13.9 million for the year ended 31 December 2020. We increased the number of R&D staff, to further ensure the continuous iteration and upgrade of our existing systems and platforms. Every year, new systems are incorporated into our ecosystem to support our business development and satisfy clients' service requirement. For example, in 2021 we developed systems of digital operations and customer service business, and in the fourth quarter of 2021, the research and development of the information technology talent occupation ecological chain platform was launched in response to the business development and recruitment in response to the business development and recruitment needs of digital technology and cloud services.



Environmental, Social and Governance Report

Service optimization

The Group is constantly looking for areas where demand and technological advancement curves overlap as an opportunity for our development to lead the direction of our business expansion and resource investment. Technology-driven human resources services have always been the direction that the Group strives forward. With digital and intelligent technology, through the system to realize online, instant, intelligent and large-scale matching of labour supply and demand, and focusing on improving labor market allocation effectiveness. At the same time, by creating a digital and systematic management system, we strive to improve the efficiency of organizational management and provide customers with efficient service. In the future we will further increase members of professional system R&D team that is responsible for monitoring, maintaining and iterating the Group's proprietary systems and platforms, continuously upgrading the integrated human resources ecosystem, to ensure the quality and efficiency of services and maintain the advanced nature of the integrated human resources ecosystem.

In 2021, we have applied artificial intelligence technologies to automated job searching and matching between resumes and positions, the intelligent matching function of candidates and positions added to Xiang Recruitment Platform continuously speed at which candidates find suitable jobs, improve overall recruitment efficiency and ultimately enhance client satisfaction. In the future, the Group will continue to increase its investments in the information systems research and development while further improve service systems and platforms, and maintain the advanced nature of the integrated human resources ecosystem.

Service control

We continuously improve service processes, optimize the performance appraisal of project management and execution teams, further reduce the turnover rate of comprehensive flexible staffing employees, enhance their work efficiency, and help clients bring down employment risks and costs.

Taking comprehensive flexible staffing projects as an example, we have formulated the Implementation Measures for Flexible Staffing Service System Qualification 《靈活用工服務體系任職資格執行辦法》 and the Assessment for Flexible Staffing Business Department Recruitment Projects 《靈活用工業務部招聘項目考核辦法》 on the basis of System for the Management of Special Flexible Staffing Projects (《靈活用工專項管理制度》) in 2020 according to client demands, to realize the unity of objectives of the recruitment team and the onsite team. We motivate project team members to quickly recruit comprehensive flexible staffing employees for clients while working to reduce the turnover rate of comprehensive flexible staffing employees. Specific measures include:

Earlier stage of a project	At the beginning of each month, the recruitment targets and plans for the current month as well as the control targets and key management measures for the turnover rate of comprehensive flexible staffing employees are formulated, and the recruitment targets and the control targets for the turnover rate of comprehensive flexible staffing employees are used as the key basis for appraisal.
Middle stage of a project	A project summary is conducted in the form of semi-monthly and monthly meetings. For comprehensive flexible staffing projects under key control, problems encountered in the recruitment and in the control of the turnover rate of flexible staffing employees are put forward at weekly meetings, and solutions are also discussed.
Later stage of a project	Projects are appraised on a monthly basis, and the results of project appraisal are linked to the bonuses of project team members who provide services.

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Performance growth is fundamental to the Group's sustainable growth. In 2021, we issued the Competition Incentive for the Net Increase in the Number of Comprehensive Flexible Staffing Employees in Regions (《大區綜合靈活用工在崗人數淨增競賽激勵》) additional to the Competition Rules for the Net Increase in the Number of Comprehensive Flexible Staffing Employees of 2020, we continued to launch the "competition for the net increase in the number of comprehensive flexible staffing employees in various regions in 2021". For the region ranking first in each quarter, we offered corresponding incentives based on its contribution to the net increase in the number of comprehensive flexible staffing employees. This activity aimed at providing clients with a large number of comprehensive flexible staffing employees quickly while improving the stability of comprehensive flexible staffing employees, to ensure the continuous growth in the number of fully employed flexible staffing employees. Due to our operation characteristics, KPI B6.1 "Percentage of total products sold or shipped subject to recalls for safety and health reasons" and KPI B6.4 "Description of quality assurance process and recall procedures" do not apply; therefore, no disclosure has been made in this regard.

2.2 Client first

Client satisfaction

Being "client-focused" is an important element of our service philosophy. We have been providing clients with continuous, stable and professional quality services. To better understand client satisfaction and expectations, improve client retention, stickiness, and renewal rate, we continuously improve the service quality of our comprehensive flexible staffing services and professional recruitment services by continuously optimizing the performance indicators and standards for our internal employees.

Comprehensive flexible staffing	In respect of general service outsourcing and digital technology and cloud management services, we conduct performance appraisal of employees from the aspects of work results and key behaviors to continuously improve the professionalism of their services. In respect of digital operation and customer service, by translating our client's assessment of our service results into our assessment of internal and contract staff, our objectives are always aligned with the results required by our clients in the course of the project.
Professional recruitment	We understand client satisfaction in terms of work results and key behaviors, we evaluate, summarize and improve based on feedback, especially about satisfaction with a candidate from our clients.

In respect of general service outsourcing and digital technology and cloud management services, we conduct performance appraisal in terms of work results (recruitment completion rate and full team rate of comprehensive flexible staffing employees, monthly turnover rate, comprehensive performance, etc.) and key behaviors (such as building the service outsourcing and management team, setting up standardized service processes, service quality of key projects and completion results of key tasks, enhancing service values to clients, etc.). In 2020, on the basis of paying special attention to the performance of recruitment project managers and onsite teams in terms of recruitment, basic HR services, care for contract employees, communication with and feedback from clients, etc., the requirement for system operation standards and the knowledge of labour contract law are added to continuously improve the professionalism of services.

For our digital operation and customer service management teams, we assess performance in terms of both results (project net profit, number of new seats) and key behaviours (e.g., productivity per person). In particular, we analyse the impact of project incentives and penalties on project net profit as a result of key performance indicators set by our clients to understand our clients' satisfaction and to continuously improve project management practices to increase clients' satisfaction.

In respect of professional recruitment, we conduct performance appraisal in terms of work results (recruitment income, completion rate of number of recruited and employed employees, etc.) and key behaviors (building the recruitment project manager team, registration volume on the Xiang Recruitment Platform, service quality of key projects and completion results of key tasks, speed of completing client recruitment needs, etc.). We understand client satisfaction in terms of the completion rate of number of recruited and employed employees, recruitment completion time, matching rate of candidates with posts, and efficiency of overall arrangement for the entire recruitment process, and optimizes the implementation of recruitment projects based on client feedback. In addition, in 2021, we will also organize a professional recruitment team to study the laws and regulations on Internet information services and personal information protection, so as to improve the awareness of candidates' personal information protection by recruiting project managers in the process of serving candidates.

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Customer complaint

The Group values the feedback and opinions of every client and comprehensive flexible staffing employee, and has set up customer complaint hotlines (400-175-0886 and 400-179-0886) and compliant mailbox (BMD@renruihr.com) to collect complaints from clients and comprehensive flexible staffing employees. Clients and comprehensive flexible staffing employees may also provide their suggestions or opinions through sending emails to the designated mailbox and directly to our onsite team.

The Group has issued service standards such as the Service Demands on Complaint Hotlines (《關於投訴專線的服務要求》) and adopted the First Inquiry Responsibility System. The management department arranges for specially-assigned persons to answer the compliant calls and receive compliant emails. After receiving a complaint from a client or a comprehensive flexible staffing employee, our client service department will report the investigation results to the client or comprehensive flexible staffing employee within 2 working days, and handle the compliant within 1 week. After the handling of the complaint is completed, the client service department will conduct a review with the client or comprehensive flexible staffing employee to understand his/her satisfaction with the complaint handling result. The Group also conducts regular analysis and summary of complaints, tracks the root cause, analyses the reasons and the entire processes of the issues complained by clients or comprehensive flexible staffing employees, and proposes specific improvement suggestions, so as to enhance the quality and level of services to clients and comprehensive flexible staffing employees. For the year ended 31 December 2021, the Company received less than 10 service related complaints, mostly in relation to the work quality of the staffing employees. Upon receipt of the complaint, the Company would refer the complaint to the responsible team, who would then approach the client to understand the background and the cause of the work quality issue, so as to find out ways to improve work quality of the staffing employees, such as providing more specific training to the staffing employees or identifying more suitable candidates for the client. After the complaint is handled, the responsible team would follow up with the client to see if the issue has been sorted out.

2.3 Compliance operation

Intellectual property

Intellectual property is an important link of business. The Group protects our brand and trademarks, software, domain names and other intellectual property rights through complying with the Trademark Law of the PRC (《中華人民共和國商標法》), the Copyright Law of the PRC (《中華人民共和國著作權法》) and other relevant laws and regulations on intellectual property rights, as well as signing confidentiality agreements with our employees, suppliers and clients. Meanwhile, the Group also respects the intellectual property rights of others. The Group issues warnings from time to time and prevents acts of infringement.

Based on public search, it came to the Directors' attention that on 1 April 2021, a claim was brought by Hefei Liyu Shengya Information Consultation Co., Ltd.* (合肥璃語生涯信息諮詢有限公司) (the "**Claimant**") in Hefei High-tech Industrial Development Zone People's Court (合肥高新技術產業開發區人民法院) against Beijing Renrui Human Resources Service Co., Ltd.* (北京人瑞人力資源服務有限公司), a wholly-owned subsidiary of the Company, on the ground of infringement of right of dissemination on information networks. The claim was subsequently allowed by the court to be withdrawn by the Claimant on 28 April 2021. To the best knowledge of the Board, the Claimant had no business relationship with the Group and was an Independent Third Party. Since the claim was not otherwise made known to the Group, the Group was not aware of any further details about the claim or dispute value. Other than the said claim, to the best knowledge of the Board, for the year ended 31 December 2021, there was no claim brought against the Group in relation to intellectual property.

To avoid intellectual property disputes, we have taken internal audit and supervision measures regarding intellectual property rights to raise employee awareness of intellectual property protection and ensure that intellectual property is used in line with the Company's business needs. For the year ended 31 December 2021, we obtained a number of intellectual property rights such as those relating to 25 trademarks, 83 software copyrights and 27 domain names.

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Brand management

The Group strictly abides by the Advertising Law of the PRC (《中華人民共和國廣告法》) and other relevant laws and regulations, and places advertisements through outdoor advertising and new media such as Weibo, WeChat, apps and online website and other major channels to carry out brand promotion in compliance with laws and regulations. At the same time, we regulate the publication of advertisements in accordance with the Advertisement Placement Process of Renrui Human Resources (《人瑞人才廣告投放流程》) and other documents on internal process, and strictly control various stages of advertisement placement. The Group will also impart legal knowledge such as prohibited words in the Advertising Law to employees by e-mail.

the Group arranged for marketing staff, including those responsible for public relation dissemination, brand planning, business development, event execution, copywriting and design, etc., to participate in the thematic study on the content of the Advertising Law of the PRC (Revision) (《中華人民共和國廣告法》修訂版), training and discussion were conducted through several dimensions such as banned words, rules of use, penalty regulations and analysis of practical case studies to further strengthen understanding and usage of the content by the relevant internal responsible personnel, and understanding of penalty regulations, to prevent from violating and using inappropriate advertising terms in future work. This actively ensures the proper output of the brand value and influence of the Company.

Based on the Group's business development in 2021, the Company has revised the VI Use Standard and Management System of Renrui Human Resources (《人瑞人才VI使用標準及管理制度》) to standardize the identification standards of each channel in different scenarios, thereby laying a good brand foundation for the internationalization of Renrui in July 2021. The Group further regulates the use of the Group's brands through training for and supervision over the entire staff. We adopt a responsibility-to-person system where the head of each business system designates a contact point and person-in-charge, and the brand director of the marketing department is responsible for the effective supervision of the usage standards of each channel to ensure the standardization of brand use.

To improve brand awareness among professionals and industry leaders, we increase brand exposure and increase the pool of talents through a variety of marketing channels, including cooperating with other renowned brands, through our internal job referral and recommendation systems etc. In 2021, we continued to attract the attention of potential candidates by means such as providing high-quality job opportunities on the Xiang Recruitment Platform and we-media advertising platforms, as well as through offline promotion like publishing articles in widely recognized magazines in the human resources industry, participating in association forums, holding industry seminars and cooperating with colleges and universities, and to promote our brands. The content output by the Group, combined with its innovative practices leading the development of the industry, has received attention and recognition from a lot of media. In 2021, there were more than 1,200 media articles focusing on the development of Renrui talents and the flexible employment industry. The diversified dynamic marketing methods guarantee market exposure for our brands and continue to maintain strong brand recognition of our services. During the promotion of our brand through diversified channels, we also strictly observe the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and relevant laws and regulations. Our marketing strategy targets corporate customers and potential candidates, and we are of the view that our professionalism and compliance on marketing, accompanied by word-of-mouth effect, are instrumental for strengthening brand awareness among professionals and industry leaders.

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2.4 Protecting information security

To build the Group's candidate talent pool, we collect a great deal of personal data, including names, telephone numbers, email addresses, and job search intention and preferences of candidates (such as past work history, education and other background information). The Group strictly complies with the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》). We collect the personal data of candidates only after the candidates have registered as users through the Xiang Recruitment App, expressly agreeing to our User Agreement and Privacy Policy and submitting their details. Comprehensive Flexible Staffing Employee Compliant Hotlines (綜合靈活用工僱員投訴專線)(400-179-0886) also accepts complaints about personal data protection and it is available for contract employees and candidates to provide feedback on any questions, comments and suggestions.

Our User Agreement contains terms and conditions on how we collect, process, store, and use personal data. We also maintain all past contracts with our clients and suppliers. We take effective internal controls to ensure the security and confidentiality of data systems, set policies and rules for information security, and organize data security training, to safeguard information security. In October 2021, the legal department conducted a training on personal data protection precautions for all employees of recruitment service department, flexible staffing department, HR department, research and development and finance department based on the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) which was effective from 1 November 2021.

The Group regulates all aspects of the collection, storage, usage and disclosure of business information of corporate clients and personal information of candidates based on the Personal Information Protection and Business Secrecy Policy (《個人信息保護與商業秘密保密制度》) and other internal policies. If employees are found to have violated the personal information confidentiality rules and the commercial confidentiality rules, the Group will issue warnings, severe warnings or will directly terminate their labour contracts by considering the seriousness of the issues.

In addition, we have adopted effective internal control measures to ensure the security and confidentiality of the information system, such as setting up multiple security verifications to restrict access, conducting data back-up at least once a week, using its own servers to store data, limiting personnel's access to server rooms, and letting the technology development review users' rights in the system quarterly. The Group requires internal employees to sign the Confidentiality Agreement (《保密協議》), the Notice on Employee Information Security (《員工信息安全須知》) and the Employee Competition Restriction and Confidentiality Agreement (《員工競業限制和保密協議》), and enters into confidentiality agreements with clients and suppliers. For details, please refer to the content in relation to data security in "Corporate Governance Report" of this annual report. At the usual time, we actively carry out legal training and publicity on information security, making employees fully aware of the responsibility to protect information security, and guide employees to actively implement corporate confidentiality system.

The Group encourages internal and external personnel to report violations of personal privacy and trade secrets, including via the reporting mailbox (compliance@renruihr.com). We reward the reporters mentally or materially depending on the severity of the violations. For the year ended 31 December 2021, we did not receive any complaints about the disclosure of personal privacy and trade secrets.

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2.5 Contract employees' rights and interests

The Group's contract employees include comprehensive flexible staffing employees and dispatched employees. We comply with the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) and other laws and regulations, to provide contract employees with comprehensive services for protecting their rights and interests and enhancing their sense of belonging.

Recruitment and dismissal: The recruitment of contract employees commences via our innovative O2O business model. We communicate with candidates who visit Xiang Recruitment App, Xiang Recruitment's WeChat public account and social media platforms, allowing them to become members of our candidate community. According to the different job-seeking intentions of candidates, the Rui Recruitment System will automatically match positions and send job fair information or interview invitations to candidates. We follow the principles of fairness, impartiality and openness in the selection of talents under the same conditions. The Group generally signs a two-year labour contract with contract employees, which specifies the circumstances of terminating the labour contract, regulates the conditions and procedures for the resignation of employees in accordance with the requirements under the national laws, and not to dismiss employees at will.

Salary and benefits: The Group sets the basic salaries, position allowances and performance bonus incentives of contract employees with our clients with reference to the salary and benefit standards of the labour markets in the places where flexible staffing employees are deployed. The Group clearly stipulates in the labour contract the salary components, salary standard, salary payment date, etc., and that salaries are paid on time. In accordance with the prevailing laws and regulations of the cities where the signing units of contract employees' labour contracts are located, the Group paid social insurance and housing provident fund for contract employees on time to protect their legal rights and interests.

Working hours and holidays: The Group specifies the working hours system in the labor contract. For contract employees at job positions under the standard work hours system, if an employee needs to work overtime due to work requirements or the need to complete the work within the day, we will arrange the employee to take the same time off or pay overtime salary according to the law; for job positions that are not applicable to the standard work hours system due to nature of work and specification of production, we will apply to the relevant labor security administrative department for implementation of the comprehensive work hours system or irregular work hours system according to the law, which will be implemented upon approval.

The Group guarantees the rest rights of the contract employees, who are entitled to statutory holidays, sick leave, injury leave, marriage leave, maternity leave, breast-feeding leave, bereavement leave, etc.

Training Contract Employees

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Training and development: Our Renrui Academy (人瑞學院) provides all sorts of trainings for flexible staffing employees to help them understand the corporate culture and management style of our customers as well as our service standards. The Group conducts on-going evaluation of each contract employee and provides training courses that match the job functions and requirements of contract employees to improve their performance and facilitate their personal development. We conducted 1,004 pre-job training for contract employees, with more than 13,000 participants; 254 on-the-job training, with a total of 6,635 people trained; targeted skills training such as "Honghu Project"(鴻鵠計劃) and "Spark Project"(星火計劃), and the COPC training with a total of 63 courses, and 376 trainees.

Democratic communication: The Group has established the Rui Home Platform. Through the Rui Home Platform, contract employees may process and sign their employment contracts online, apply for leaves, inquire about salary distribution and social security and provident fund payment at any time and apply for employee benefits, etc. Contract employees may also communicate with our onsite teams at real time to express their opinions and suggestions regarding their work in relation to their employments, thereby effectively safeguarding their rights and interests as employees.

Health and safety: We attach great importance to the contract employees' health and safety. In accordance with the relevant state labor safety and health regulations, the Group equips contract employees with necessary safety protection measures, provide the necessary personal protection equipment based on corresponding positions. To reflect the company's daily care of employees, in 2021, we will focus on the actual situation of different workplaces and projects and set up a small first-aid kit at the reception of some workplaces, which is equipped with emergency medicines (gauze, cotton swab, temperature meter, etc.), medicine can be found in the medicine cabinet for initial treatment if contract employees in their daily work, have minor symptoms of minor stab wounds, scratches or headaches. The Group establishes accountability system for the prevention and control of occupational diseases, so as to improve the management implementation and level of occupational disease prevention and control. The Group offers medical checkup packages below market prices and customized business insurance packages with significantly higher price-performance ratio than the market for our contract employees to purchase according to their needs, exactly the same as Renrui employees. At the same time, in order to enhance the fire safety awareness of contract employees and improve emergency response capabilities, we conducted fire emergency drills at the digital operation and customer service centers in Yingkou and Luzhou on 12 October and 8 December 2021, respectively. In 2021, we continue to promote the use of the following functions on the Rui Home Platform to fully guarantee the health of contract employees: health registration and punching in/out, home office working hour registration, online application for back-to-work-certificate, etc.

Small First-aid Kit at the Reception

Environmental, Social and Governance Report

Caring for contract employees: We care for our contract employees and create a relaxed and caring work atmosphere for them. In 2021, we have established activity rooms in regional offices, which are equipped with lazy sofas, leisure tables and chairs, table football, sandbags, etc., so that contract employees can fully relax during their breaks. In addition, a variety of activities can also be carried out in the activity room, for example, giving out small gifts to contract employees during holidays, organizing pertinent activities to help them relieve stress and improve their happiness.


Leisure Room of the Digital Operation and Customer Service Centre in Yingkou


Decorate A Confession Wall and Give Roses on Valentine's Day

Christmas Theme's Event

2.6 SUPPLIER MANAGEMENT

Our suppliers include agents providing payment services for social insurance, housing provident fund, and commercial insurance, call centers and technical support for digital operations and customer service, providers of transportation services and other human resources solution providing services related to job seekers, suppliers of IT services, and subcontractors providing comprehensive flexible staffing services.

We established the Purchasing Department in June 2021, and gradually integrated the suppliers who were previously managed by each department to the Purchasing Department for centralized management. We standardize suppliers 'review and management based on the Procurement and Supplier Management Policy of Renrui Group (《人瑞集團採購及供應商管理制度》). During the access stage, we assess and confirm the service capability of the suppliers, review their qualification assessment and then put them on the list of suppliers. For those suppliers that have been included in the list, we evaluate the performance of them on an annual basis to ensure quality. For suppliers with subpar performance, the Group will cease to work with them.

For our major suppliers, i.e. suppliers of social insurance and housing provident fund, the Group has formulated the Management Policy of Renrui Group's Suppliers of Social Insurance Provident Fund (《人瑞集團社保公積金供應商管理制度》) to standardize supplier management, establish a safe and stable team of suppliers of social insurance and housing provident fund, and ensure the service quality of suppliers:

Access link	✓	Organize the flexible staffing business department, the finance department and the legal department to audit suppliers'materials, including suppliers' professional competence, financial position and continuity of service, compliance and quality of operations.
Assess link	✓	Check the suppliers' payment of social insurance and provident fund through monthly spot check and self-check of contract employees.

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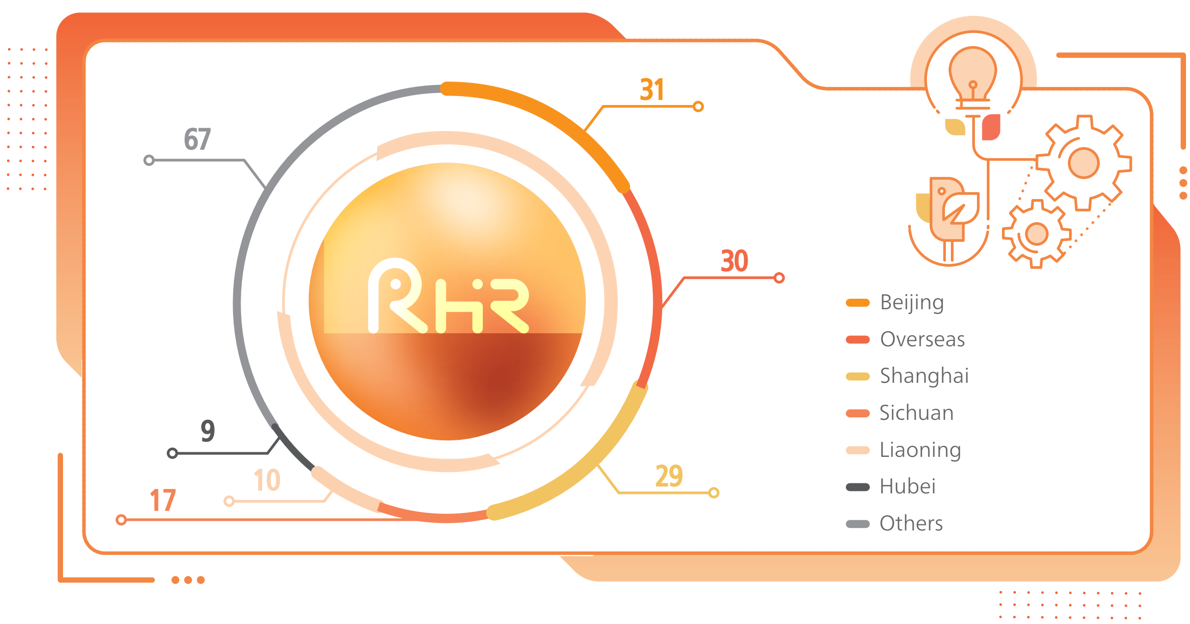
Audit link	✓	Monthly visits are made to contract staff via Rui Home Platform and by telephone to check their experiences and if social insurance provident fund is paid in a timely manner, and are used as a key basis for the audit of suppliers' qualification every six months.
	✓	Audit and adjust existing suppliers every six months, and remove unqualified suppliers in time, thus establishing a safe and stable supplier team for social insurance and housing provident fund agency.

In addition, the Group is also concerned about suppliers' performance in environmental and corporate social responsibility, including but not limited to:

- Asking all suppliers to sign the Social Responsibility Commitment (《社會責任承諾書》) and accept supervision and inspection. We expect qualified suppliers to meet their commitments to high-standard social responsibilities, including: prohibiting child labour and forced labour, providing a safe and healthy work environment, protecting human rights, etc. If a supplier cannot undertake corresponding commitments, we will stop the business cooperation with it;
- Asking all suppliers to comply with the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations, and signing the Integrity Commitment (《廉潔承諾書》) with them, thus regulating activities of both parties and avoiding fraud.

In 2021, the Group introduced 143 suppliers. For the year ended 31 December 2021, there are a total of 193 suppliers providing services to the Group. The number of suppliers by region is shown in the figure below:

All of our suppliers are non-related parties. For the year ended 31 December 2021, our purchases from our five largest suppliers accounted for approximately 3.7% of our total cost of revenue. Additionally, all of our subcontractors are Independent Third Parties and we do not place undue reliance on any subcontractor.



Environmental, Social and Governance Report

3. STAFF CARE

The Group strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Provisions on Prohibition of Child Labour (《禁止使用童工規定》) and other relevant laws and regulations, and has formulated a series of internal personnel management systems. In addition, we offer more competitive remuneration, performance-based bonuses, stock option programs, internal training, career development consulting services and other incentive measures to care for the health and job satisfaction of internal employees and to attract, retain and motivate outstanding talents.

As at 31 December 2021, we had a total of 55,160 employees based in various cities in the PRC, among which we had 1,135 internal employees, representing an increase of 246 employees, or an increase of approximately 27.7% as compared to 889 employees as at 31 December 2020. The average age of our internal employees was less than 28 years old, and approximately 95.0% 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 2021:

Function	Number of Employees	% of total Employees
Internal Employees		
—Senior management	4	0.0
—R&D	75	0.1
—Sales and marketing	137	0.3
—Project management/execution	808	1.5
—Others (note)	111	0.2
Subtotal	1,135	2.1
Contract employees		
—Comprehensive flexible staffing employees	50,447	91.5
—Labour dispatch employees	3,578	6.5
Subtotal	54,025	97.9
Total	55,160	100.0

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

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3.1 Employment Management for Internal Employees

Recruitment and dismissal

The Group has adhered to the principles of open recruitment, internal recruitment first, and equal competition, standardized the recruitment and staff movement and other relevant procedures in accordance with the Regulations on Recruitment Process Management (《招聘流程管理規範要求》) to effectively respond to the needs of staff in various business departments. The Company employs individuals over the age of 18 who meet the job requirements, have development potential, have no criminal record, and have full capacity for civil conduct.

We recruit the most suitable candidates through online job advertisements, internal referrals, recruitments in schools and headhunting companies recommendations. We conduct adequate background investigations on candidates, including personal information such as their education qualifications, work experience and the remuneration packages provided to them by their previous employers. At the same time, we require employees to provide their identity cards during admissions, and verify the information on employees' identity cards to eliminate the employment of child labour from the source. We sign the Labour Contract (《勞動合同》) with employees and specify the circumstances of terminating the Labour Contract, regulates the conditions and procedures for the resignation of employees, and not to dismiss employees at will.

We provide each new employee with the Corporate Culture Manual (《企業文化手冊》) and the New Employee Guide (《新人攻略》) to share the Company's culture, orientation procedure, employee training and other relevant information. On the Ruixuetang platform of enterprise WeChat, new employees can learn the Company's basic business, product introduction, rules and regulations anytime, anywhere, receive management training, thus helping them better fit in the new environment.

For the year ended 31 December 2021, the Group had a total of 1,135 employees, all of whom were full-time employees.

Category		Number of employees	Average monthly employee turnover[1]
By gender	Male	340	6.7%
	Female	795	6.4%
By age group	≤25 years old	254	7.3%
	26-35 years old	749	6.4%
	36-45 years old	121	4.5%
	>45 years old	11	0.0%
By region	Beijing	81	6.8%
	Sichuan	140	4.8%
	Guangdong	129	5.1%
	Zhejiang	26	7.4%
	Shanghai	376	6.4%
	Jiangsu	117	8.5%
	Hubei	79	8.8%
	Shaanxi	33	7.8%
	Chongqing	27	6.4%
	Tianjin	19	7.5%
	Others	108	5.7%

1 Monthly employee turnover = Number of dimissions of a month/(Number of employees at the beginning of the month + Number of new employees of the month) * 100%

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Compensation and Benefits

The Group strictly complies with local laws and regulations at the places of our branches and subsidiaries and internal remuneration policies of the Group, provides employees with remuneration system comprising basic salary, job allowance and performance-based incentives, and pays social insurance and housing provident fund on time. Our remuneration policies are formulated based on the performance of individual employee and are reviewed regularly.

For employees who are dispatched to work in other cities and recruitment project executives who take business trips overseas, we provide subsidies to employees for off-site work in accordance with the requirements of the Management Policy of Off-site Work (《異地工作管理制度》) and the Regulations on Subsidies for Off-site Business Trips of Project Executives (《項目執行人員異地出差補貼規定》).

The Group has a complete set of performance appraisal system for employees in each department. Based on the performance targets for 2021, a total of about 46 appraisal programs have been formulated for various departments and positions within the Group. In addition, in order to further promote collaboration between teams, give full play to the market resources, and guarantee high-efficiency and high-standard to complete the performance goals set at the beginning of the year, 9 incentive schemes have been added in different periods.

Working hours and Holidays

The Group has formulated the Attendance Management and Leave Policy of Renrui Group (《人瑞集團考勤管理及休假制度》) to strictly regulate the attendance and leave of employees. We have implemented a standard working hour policy where employees work 8 hours per day and 40 hours per week. In case of overtime work, employees apply for overtime work in accordance with the procedures stipulated in the policy, which shall be approved by the immediate supervisors and department directors. Employees approved for overtime work shall receive compensation leave in priority. In case of failure to arrange for compensation leave, the Group shall pay overtime wages to employees according to the law, to protect the legal rights of employees.

Our employees are entitled to national statutory holidays, as well as annual leave, personal leave, sick leave, marriage leave, maternity leave, pregnancy checkup leave, paternity leave, breast-feeding leave, bereavement leave and work-related injury leave.

Equality and Diversity

The Group abides by the principles of fairness, impartiality and openness, recruits employees on the basis of merit under the same conditions, and does not discriminate on the basis of race, gender, color, age, family background, ethnicity, religion, physical fitness and nationality to ensure that they are treated fairly.

Since 2020, through the use of the "distributed home seat system", the Group has made a major breakthrough in employing disabled persons as recruitment project managers, contract administrators, cashier and salary accounting. In 2021, the Group continued to use the "distributed home seat system" to solve the problems of on-the-job training and work management of employees with disabilities, further provided a variety of jobs for the disabled, and created work opportunities for the disabled to work from home. As at 31 December 2021, the Company had employed a total of 27 disabled employees: 1 for a managerial position and 20 for professional positions mainly as recruitment project managers and 7 for functional positions, and gave them the same remuneration in terms of salary standard, performance appraisal, working hours, leaves, training, development, etc. as other employees in the same position in the same city. By creating employment opportunities for people with disabilities, we help them build their self-confidence, integrate into society and realize their self-worth.

Talent fostering

The Group pays close attention to development of employees' individual abilities, and provides career development channels for employees in different positions according to their individual career development needs and the actual situation of the Company. For example, for the flexible staffing business department and the professional recruitment business department, the Group has developed a clear professional and managerial dual-line qualification assessment channel, to help employees implement reasonable planning for personal career development channels.

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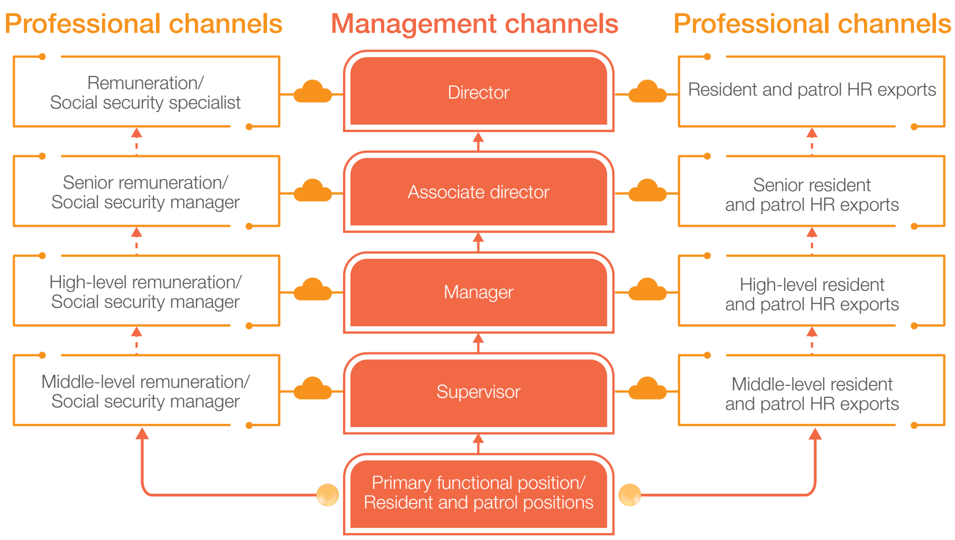
Every employee may be promoted to a position or qualification through hard work and ability improvement at work. Renrui has set up three major career development channels, adhering to the principles of classified assessment, voluntary selection, and automatic placement.

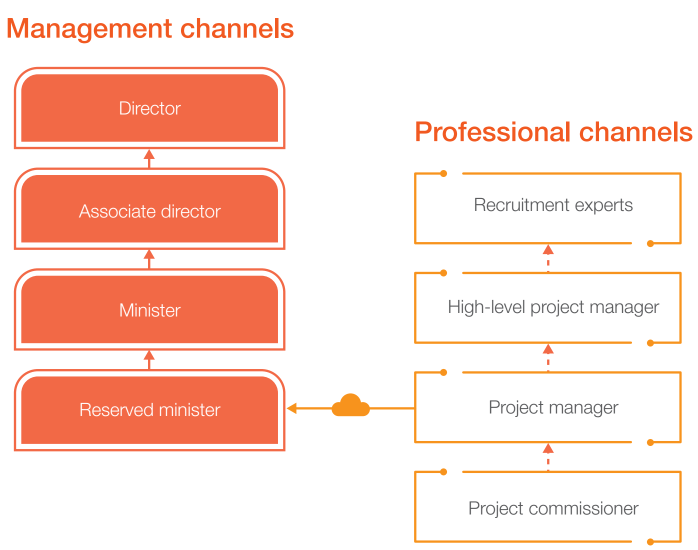
——Leaders: Leaders or managers who have managerial positions, management responsibilities, administration authority, and are responsible for organizational development and performance.

——Experts: People who contribute knowledge and technology, pursue the profundity of knowledge and experience, and become experts in professional and functional fields.

——Employees: People who focus on business and functional tasks and engage in routine work.



CAREER DEVELOPMENT CHANNELS FOR EMPLOYEES IN FUNCTIONAL POSITIONS OF THE FLEXIBLE STAFFING BUSINESS DEPARTMENT AND MEMBERS OF ONSITE TEAMS



CAREER DEVELOPMENT CHANNELS FOR PROJECT MANAGERS IN THE PROFESSIONAL RECRUITMENT BUSINESS DEPARTMENT

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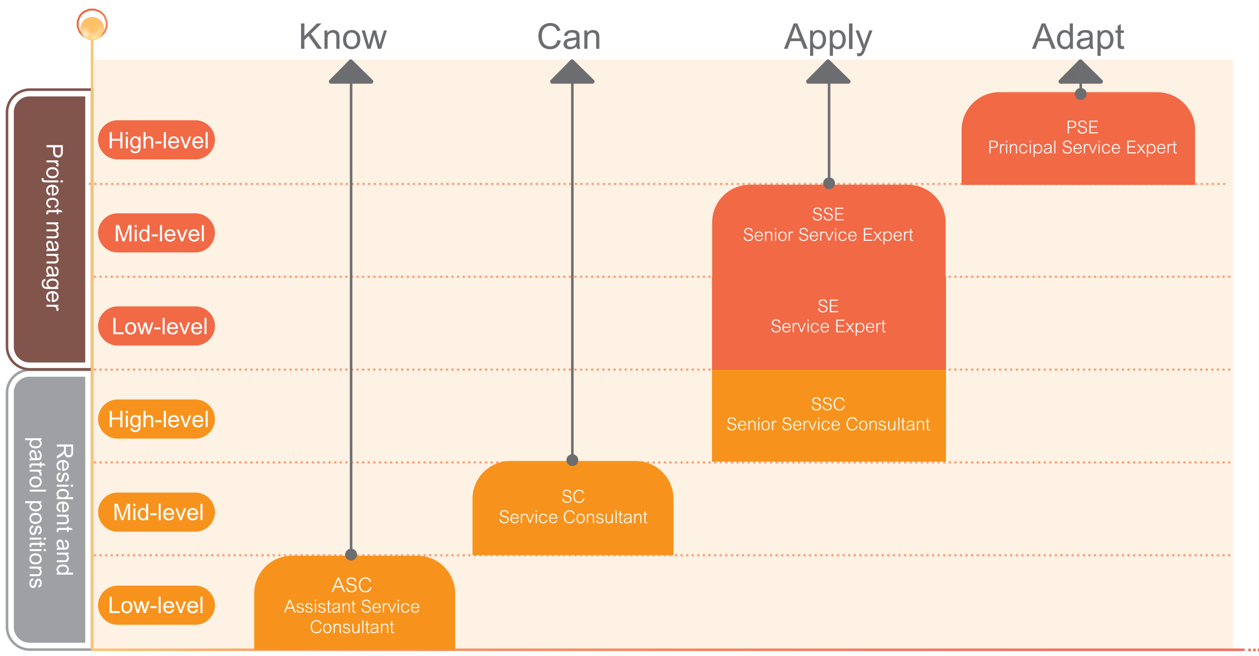
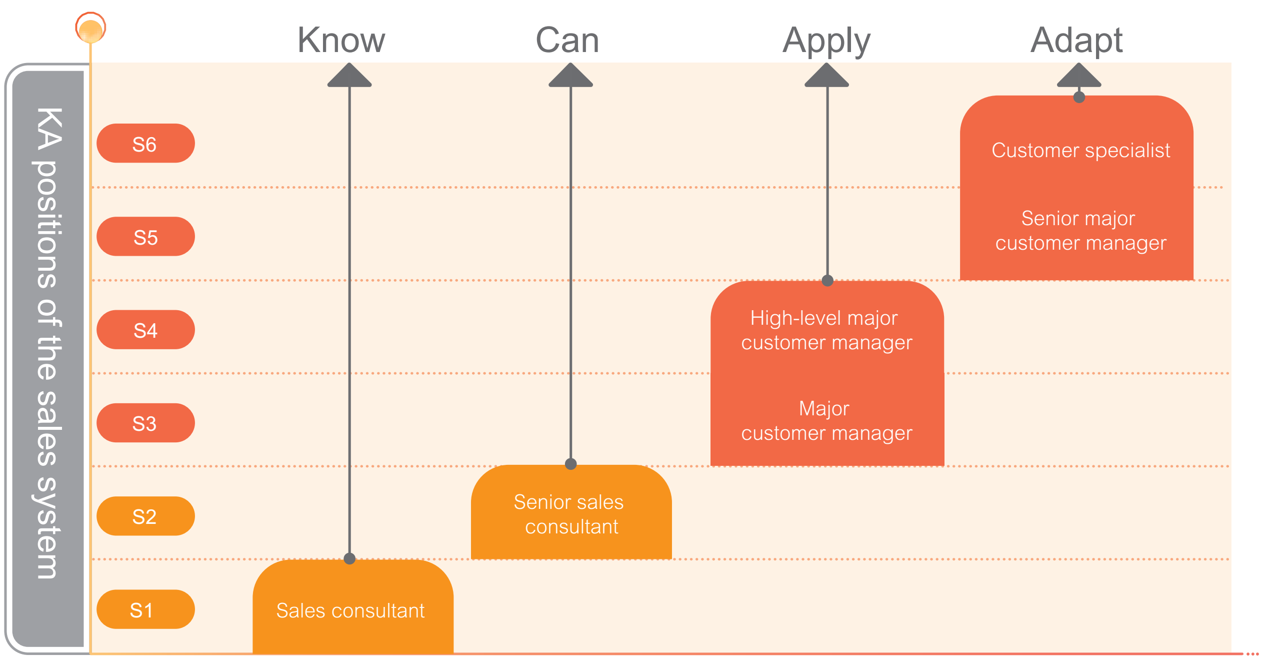


QUALIFICATIONS FRAMEWORK OF THE FLEXIBLE STAFFING BUSINESS DEPARTMENT



QUALIFICATIONS FRAMEWORK OF THE SALES SYSTEM

Environmental, Social and Governance Report

In order to help employees at all levels improve their skills and keep up with market changes and the pace of industry development, the Group provides various training for the general manager, directors, managers and ordinary employees, including corporate culture, business knowledge, and management knowledge. We continue to expand the team of internal trainers and also hire external professional lecturers to help employees improve their work and performance and realize knowledge sharing, thus consolidating their position-based professional knowledge, business foundation and skill level, and promoting common development of the Company and its employees.

In 2021, the Group continued to provide customized training and development courses for employees based on the training in 2020 and the results of monthly employee qualification assessment, further enhancing the professional training and serving capabilities of the team. For senior, middle and first-line management, we organized trainings named "Showing Sword Training Camp (亮劍訓練營)", "Sword Training Camp (礪劍訓練營)" and "Casting Sword Training Camp (鑄劍訓練營)" to teach management methods. The second phase of "Wave (後浪)" training was organized for employees of the comprehensive flexible staffing system and recruitment system to help recruitment project managers improve their professional recruiting capabilities. For the employees who joined the newly established Delivery Center in Suzhou, a training called "Tinder (火種)" was organized to help the new recruiting specialists quickly master professional recruitment skills, understand the corporate culture, and get familiar with the operation of recruitment systems such as Xiang Recruitment Platform and Rui Recruitment. The various trainings carried out by the Group in 2021 adopted a variety of courses, focused on improving the professional service capabilities of internal employees, helped young employees to grow rapidly, and prepared the Group for outstanding talents.

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TOPIC: The Second Phase of "Wave" Training

The second phase of "Wave" training was launched by our Group for 16 days in April 2021. The second phase of "Wave" training aims to cultivate "promising youngster" for the comprehensive flexible staffing system and recruitment system. For the training participants, engagement in military training was the first stage, immediately after which was their attendance to certain modules including corporate culture, service and communication skills, risk management for contract employees and instructions for using Rui Cloud, Rui Recruiting and Xiang Recruitment Platform, and the culmination was their participation in the practical exercise of recruitment and flexible staffing service skills with a combination of acquisition from the training.

A total of 33 employees participated in the second phase of "Wave" training, of which about 61% serve in the recruitment system and the rest the comprehensive flexible staffing system. After the training, the participating employees summarized their training experience around the four aspects of "team", "work", "professionalization" and "dream" based on their acquisition relating to comprehensive flexible staffing service and professional recruitment skills.

Subsequent to the training, all the courses of the second phase of "Wave" training were uploaded to Ruixuetang platform, which facilitated the training availability for employees across the country to learn.

We continue to pay attention to the performance of employees pertinent to the "wave" training in their routine work. In the future, such employees with good performance would be eligible for the "Casting Sword Training Camp" which is specific for junior management with regard to their seniority in the Group, performance and managerial potential, thus, a manager-oriented training system gradually forms.

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TOPIC: "Casting Sword Training Camp"

Since its launch in May 2021, the "Casting Sword Training Camp" has been conducted for three sessions through offline training and was successfully concluded on September 26. A series of relevant trainings were conducted in the order of "teaching - self-study outside classroom - simulation training - completion test" to guarantee expected results and cultivate junior management talents for the Group. At the end of this training, 10 out of 44 participants were chosen as excellent trainees upon results of the completion test.

Improving the problem-solving and team management skills of junior managers were the main objectives of the "Casting Sword Training Camp", which was characterized by:

✓ teaching: after the training course, trainees are required to review through watching videos prepared with refined contents of training course and displayed on Ruixuetang platform;

✓ simulation training: all assignments after training are included in simulation training to promote the practice of managerial skills acquired, and the lecturer creates a group chat in which trainees were supervised and urged to feedback the practice results as required; and

✓ completion test: theory test every day after training is arranged to enable trainees clearly remember the key components of managerial skills.

The Group aims to enhance the management ability and leadership of outstanding grassroots employees through the " Casting Sword Training Camp", and to develop more junior management talents for us.

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TOPIC: "Sword Training Camp (礪劍訓練營)"

The "Sword Training Camp (礪劍訓練營)" launched in April 2021 is a training programme for middle managers. Since its launch on 21 April, a total of 3 offline trainings have been carried out, and external teachers have followed up on the performance of trainees online. The whole training was successfully concluded on 22 August. The three training courses of "Sword Training Camp (礪劍訓練營)" are set to impart knowledge on organizational effectiveness and personal achievement in management studies to middle managers. A total of 33 trainees completed the training, of which 6 were selected as outstanding trainees. The three training courses mainly consist of: 1. key behaviors of managers, including managers' perspectives and capabilities, comprehension ability, empowerment, and care for employees; 2. inter-departmental communication and underlying impact: inter-departmental communication, efficient meetings, nonviolent communication and in-depth influence; 3. combining with the knowledge imparted and analyzing the practical cases in trainees' daily management.

The Group has carried out the training activities of "Casting Sword Training Camp (鑄劍訓練營)" to improve the management and communication skills of middle managers, facilitating better communication and cooperation at work between middle managers and other departments in the future, as well as clear and efficient communication up and down.

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Based on the service philosophy of "technology-driven human resources services", in 2021, we gave full play to our advantages in system research and development to improve "Ruixiang", an online learning platform and an enterprise knowledge base, providing employees with a variety of online courses covering human resources professional service, sales, management and other knowledges to meet their multifarious learning needs. Through the "Ruixiang" platform developed on the WeCom, employees can more flexibly and conveniently participate in learning and consolidate learned knowledge and skills at any time. In 2021, we provided a total of 306 new courses, 157 learning videos and 151 learning documents on "Ruixiang". The total number of learning times for all employees reaches 7,898, with 7 times per person.

"Ruixiang" online learning platform

In addition, we created more and updated content on "Ruixiang", including not only business and institution training sharing, but also staff care, various notifications, etc.

For the year ended 31 December 2021, the percentages of trained employees in the Group and the average time for completing the training per employee by gender and position are shown in the table below:

Category		Percentage of trained employees	Average time for completing the training of each employee (hour/employee)
By gender	Male	29.45%	43.3
	Female	70.55%	43.3
By position	General manager	3.06%	28.8
	Director	9.77%	27.6
	Manager	19.36%	60.0
	General staff	67.81%	41.5

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3.2 Health and Safety

The Group attaches great importance to employees' health and safety management, and provides the employees with common emergency medicine in the office in case of any physical discomfort.

Although there is a low risk affecting employees' health concerning the Group's business operation, the Group still took various measures to improve employees' physical and mental health. For example:

- All employees are entitled to paid sick leave as required by law.
- The Group promotes morning exercises in all offices in the PRC to alleviate pains in cervical vertebra, lumbar vertebra and back as well as other problems for employees, thus enabling them to work with better vitality.
- Following the purchase of fitness equipment for its employees in the east China region in the second half of 2020, in 2021, the strategic customer department bought fitness equipment for its employees to exercise during breaks.
- In 2021, employees in Shanghai, Suzhou, Jinan and Chengdu moved to new offices. All old furniture would be maintained for reuse in new offices, thereby reducing the emission of harmful gases including formaldehyde from new furniture purchased. The packaging cartons used for relocation are all reusable cartons, which would be returned to the logistics company for recycling after use.

We strictly comply with the Fire Prevention Law of the PRC (《中華人民共和國消防法》) and other relevant laws and regulations, and actively cooperate with the property management in fire drills, fire linkage tests and other fire safety activities. For example:

- In November 2021, the property management company in the building where the Wuhan office is located will conduct fire prevention promotion to all employees of the Group in Wuhan. At the same time, we also participated in the fire drill organized by the property management company. Through fire drills, we can strengthen employees' awareness of fire and emergency response procedures when encountering fires, and help employees understand that everyone is coordinating and cooperating after a fire occurs.
- In November 2021, all employees of the Shenzhen office participated in the fire drill organized by the property management company of the building, and some employees participated in the fire prevention safety production seminar organized by the property management company.

We are aware that there was no case of work-related death of internal employees from 1 January 2018 to 31 December 2021. For the year ended 31 December 2021, there was no lost workday due to work-related injuries of internal employees.

TOPIC: COVID-19 PANDEMIC PREVENTION AND CONTROL

Since March 2021, the government has successively promoted vaccination across the country. In the early stage of vaccination promotion, many employees were unable to make an appointment for vaccination due to the limited individual appointments for vaccination in Shanghai. Considering that many internal employees need to travel frequently to visit customers or are responsible for recruitment management and interviewing candidates in customer companies, it's important for our internal staff to be vaccinated. By applying to the government for corporate vaccination appointments, Shanghai office helped nearly 70% of the internal employees working in the Shanghai office complete the vaccination in the early stages of the government's promotion of vaccination. As at 31 December 2021, more than 95% of the Group's internal employees have completed the vaccination.

In order to better respond to the pandemic prevention policy, the Group has provided employees with masks, disinfectant, gloves, alcohol cotton pads, alcohol hand sanitizer and other kinds of pandemic prevention materials, thus providing protection for employees and stopping the spread of the pandemic. The subsidiaries of the Group have strictly abided by the local pandemic prevention measures, including measuring temperatures of employees in the offices in the morning or implementing homeworking according to the local government's pandemic prevention and control requirements. In 2021, none of the internal employees contracted the Covid-19.

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3.3 Care for employees

In 2021, the Group organized a rich variety of activities, including: Singing of the Company's song, birthday parties, festival activities, and "Striver" commendation conferences, so as to enrich employees' spare-time life, let employees feel the care of the Company, and enhance the cohesiveness of the enterprise.

Christmas Celebration

Lantern Festival Riddle Contest

It is the practice of the Group for all employees to sing the Company's song and shout slogans together every morning, which has been passed down since 2012 and has become a way to inherit the corporate culture of the Group. Members of human resources department promote the monthly slogan to all employees in each early month. Before singing the song, we provide a stage for employees to show themselves and share their work experience, further enhancing mutual understanding among all employees and departments and helping the employees cultivate the good habit of sharing, so as to make the group more cohesive.

In September 2021, Shanghai Metro Operation Company Limited suspended some rail transit operations due to typhoon " Chanthu ", which resulted in many employees in Shanghai unable to work in the office. For the travel safety of employees, the Group allowed the affected employees to work from home.

In order to adapt to the rapid development of the Group, strengthen its overall executive capability and cultivate an iron team, we need to constantly develop and cultivate numerous outstanding talents. Since 2016, the Group held an annual "Striver" selection activity to commend outstanding internal employees in business department and each branch and subsidiary, and award them certificates of honor and gold medals, hoping that all internal employees can learn from them. In addition, since 2020, the Group has awarded commemorative medals to internal employees who have worked for the Company for 3, 5 and 8 years to appreciate their contributions to the Group during their service terms.

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3.4 Combating corruption and upholding integrity

The Group strictly complies with the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國不正當競爭法》), the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), and other relevant laws and regulations, as well as the Business Ethics Training Materials for Listed Companies (《上市公司商業道德培訓材料》) sent by Hong Kong ICAC, and requires employees to adhere to the principle of fairness and justice at work and not to engage in malpractices or seek personal gains directly or in disguise by using official convenience or official influence, so as to guarantee healthy and orderly development of the Group and create an efficient, incorruptible and honest work atmosphere. For example, the compliance department of the Group punishes the recruitment project manager who has colluded with clients to falsely confirm the number of recruits.

We have set up a variety of reporting channels to receive complaints and reports of employees' violations of laws and disciplines, and issued the Notice on the Company's Complaint and Report Channels (《關於公司投訴、舉報通道的通知》) to inform employees of the reporting channels, encourage employees to report in time when they find kickbacks, power abuses, malpractices for personal gains, disclosure of Company secrets, and other violations.

Report hotline 021-61471722
Report mailbox complaint@renruihr.com

We provided anti-corruption trainings or training materials for our Directors and our employees. For instance, we organized Directors to study the Business Ethics Training Materials for Listed Companies (《上市公司商業道德培訓材料》), the Director Integrity Practical Guide (《董事誠信實務指南》) and the Practical Guide to Corruption Prevention Systems of Listed Companies (《上市公司防貪系統實務指南》) sent by Hong Kong ICAC and informed each of the Directors that as required by the Environmental, Social and Governance Reporting Guide, a listed company should have the responsibility to disclose its anti-corruption policy in their Environmental, Social and Governance Report.

The HR department and Purchasing department organize personnel of relevant departments to investigate and implement reported cases, and responds to calls or emails within two weeks. Once a report is verified, warnings, fines and other punishments will be given to relevant personnel. If the case involves the Company's reputation or other serious circumstances, the relevant labor relationship will be terminated and the relevant personnel will be transferred to judicial organs for handling. During this period, we will keep the information, phone calls and email addresses of the informants confidential to protect their personal safety. For year ended 31 December 2021, there were no corruption lawsuits brought against the Group or any of our employees.

Environmental, Social and Governance Report

4. GREEN OFFICE

The Group has been committed to energy conservation and emission reduction for their operation activities. As a solution provider based on the philosophy of technology-driven human resources, we have recognized the role of technology in our daily business activities and office environment, and we will try our best to reduce our carbon footprint together with our external partners.

The Group takes energy saving, emission reduction and environmental protection into account while operating. The Group strictly abides by the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and other applicable environmental laws and regulations, and adopts various measures for energy conservation, water conservation and emission reduction to implement sustainable development and promote efficient use of resources, including energy, water and other raw materials in all aspects of the operation of the Group.

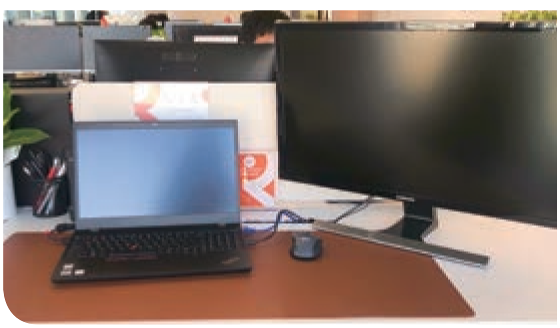
We formulated the 6S Office Management System of Renrui Group (《人瑞集團6S 辦公管理制度》) and established the 6S Office Group (《6S辦公小組》) composed of department heads, the HR department and 6S leaders to conduct comprehensive inspection and supervision of the work environment, create clean and tidy offices and create a good corporate image. The HR department and the 6S leaders of each department set up inspection teams to conduct 6S inspection on the office environment every Friday. In addition, we also actively carry out 6S knowledge training, and ask employees to rationally allocate and use resources to reduce waste, such as saving paper, turning off the power when getting off work, and garbage sorting.

In 2021, the Purchasing department of the Group has unified regulations on office furniture, the size of work cubicles and office decoration standards, so as to ensure that all furniture and work cubicles can be reused if they move to a new office in the future, thus reducing resource waste such as scrap furniture and cutting spending on the addition of new furniture. In 2021, those offices in Shanghai, Suzhou, Jinan and Chengdu have been relocated, and all old furniture would be maintained for reuse in new offices. The packaging cartons used for relocation are all reusable cartons, which would be returned to the logistics company for recycling after use.

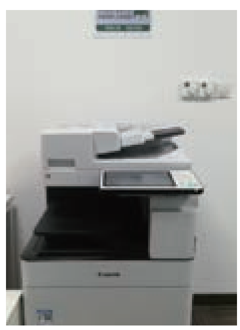
The Group promotes employees' awareness of green office through mailing, policy posting, morning meeting advocacy, routine inspection and other forms to reduce waste and create a good corporate image.

Electricity saving slogan

Water saving slogan



Standard layout of work cubicles of employees



Paper saving slogan

Environmental, Social and Governance Report

We continue to promote the concept of green office to all employees, standardize the layout of work cubicles of employees, so as to create a healthy and comfortable workplace environment. For example:

- Green plants were placed on each work cubicle and in specific corners of the office;
- The Shanghai office actively implemented office 6S management specifically as follows: defined one hour before going off duty every Friday as "Workday 1 Hour", mobilized all employees to clean personal areas as well as public and recreation areas in the offices, compared and scored these areas, disclosed the results to all employees by mail, and set up a giving mechanism;
- Instructions for use were posted in each meeting room, requiring that the video conferencing system, lights and air conditioners be turned off after the meeting, the tables and chairs be restored, and garbage and personal items be cleaned up.

For the year ended 31 December 2021, the Group's environmental KPIs covered 14 major offices in Chengdu, Shanghai, Beijing, Wuhan, Guangzhou and other cities. The specific data is as follows:

	2021	2020
Emissions[1]		
Total greenhouse gases ("**GHG**") emissions (tCO_2e)[2]	480.4	507.1
Energy indirect GHG emissions (Scope 2) (tCO_2e)	480.4	507.1
Total GHG emissions per capita (tCO_2e/employee)	0.57	0.61
Use of Resources		
Total energy consumption (MWh)[5]	740.3	781.3
Total indirect energy consumption (MWh)	740.3	781.3
Including: Purchased electricity (MWh)	740.3	781.3
Total energy consumption per capita (MWh/employee)	0.65	0.94
Water consumption (tons)[6]	475.7	483.7
Water consumption per capita (tons/employee)	0.42	0.58

Notes:

1. Due to the business nature, we do not generate waste gas emissions. We only generate a small amount of wastewater from the office in the daily operations and is managed together by the property management companies, therefore, KPI A1.1 (the types of emissions and respective emissions data) and KPI A1.5 (description of emissions target(s) set and steps taken to achieve them) are not disclosed in the Report;
2. Based on the nature of the operations, our GHG emissions mainly come from energy indirect GHG emissions (scope 2) caused by purchased electricity and does not involve direct GHG emissions (scope 1). GHG is presented in carbon dioxide equivalent and accounted for in accordance with the Guidelines for the Accounting and Reporting of Greenhouse Gas Emissions of Public Building Operation Enterprises (《公共建築運營企業溫室氣體排放核算方法與報告指南》) issued by the National Development and Reform Commission;
3. The hazardous wastes produced in our office are small amount of waste toner cartridges, waste ink cartridges, etc., which are recycled by the printer suppliers. The impact on the environment is small. Therefore, KPI A1.3 (total hazardous waste produced) is not disclosed in the Report;
4. Non-hazardous waste produced during the operation includes domestic waste and is managed together by the property management companies. Therefore, KPI A1.4 (total non-hazardous waste produced) is not disclosed in the Report. KPI A1.6 (description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them) is also not applicable as a result;
5. Due to the nature of the operations, our indirect energy consumption comes from purchased electricity and does not involve direct energy consumption. Total energy consumption is calculated based on electricity consumption. Given our electricity consumption was moderate for our operation size, the Company considered KPI A2.3 (description of energy use efficiency target(s) set and steps taken to achieve them) is not applicable;
6. The water comes from municipal water supply and there is no issue in sourcing useable water. Given our water consumption was moderate for our operation size, the Company considered KPI A2.4 (description of water efficiency target(s) set and steps taken to achieve them) is not applicable;
7. KPI A2.5 (total packaging material used for finished products) is not applicable to us as the operations do not involve the use of packaging materials;
8. Based on features of the industry, it has been assessed that our business activities have no significant impact on the environment or natural resources and do not face significant climate change risks. Therefore, Aspect A3 (environment and natural resources), KPI A3.1 (description of the significant impact of activities on the environment and natural resources and actions taken to manage them), Aspect A4 (climate change) and KPI A4.1 (description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them) are not disclosed in this report.

Environmental, Social and Governance Report

5. GIVING BACK TO SOCIETY

Contribution to the industry

As the leading enterprise in the domestic human resources service industry, the Group commits itself to promoting rapid development of the flexible staffing industry since it was established, and has published Flexible Staffing – Talents Belonging to Me to Work for Me (《靈活用工—人才為我所有到為我所用》), Manager's Thought — Winning in Strategic Human Resource Management (《經營者思維-贏在戰略人力資源管理》),two specialized books on human resources, and China Development Report on Flexible Staffing (《中國靈活用工發展報告》) to guide Chinese enterprises to make innovations in human resources management.

On 29 December 2021, the Group, the School of Labor and Human Resources of the Renmin University of China and Social Science Academic Press (China) jointly published the Blue Book, China Development Report on Flexible Staffing (2022) (《中國靈活用工發展報告 (2022) 》). The book focuses on "efficiency, flexibility and compliance of diversified employment", makes in-depth study and analysis of the status quo, future trend and differences in multiple flexible employment types as to the development of flexible staffing in China.

The Group continues participating or holding various forms of sharing activities, such as industry summits, high-end forums and themed salons, to share theories of and experience in human resource management with entrepreneurs, corporate management, heads of HR departments, university teachers and students, etc., which would help enterprises and the society explore new management ideas in the selection of staffing and employment and achieve the effects of cost reduction and efficiency improvement via flexible staffing.

Mr. Zhang Jianguo delivering a speech at the WISE 2021 King of New Economy Summit (WISE 2021新經濟之王峰會)

Mr. Zhang Jianguo delivering a speech at the 36 Kr WISE 2021 New Human Resource Era Summit (36 氪WISE 2021新人力時代峰會)

Mr. Li Wenjia delivering a speech at the 2021 Snowball Gold Investment Strategy Conference (2021雪球金牌投資策略會)

Mr. Xiao Jian, Deputy General Manager of International Business Department delivering a speech at the Global Human Resource Service Exhibition (環球人力資源服務展)

Environmental, Social and Governance Report

2021 was the 100th anniversary of the establishment of the Communist Party of China. Under the organization of Ms. Zhang Bing, Secretary of the party branch of the Group, all party members of the Group visited Luoyang Vocational College of Science and Technology to carry out a series of activities of "Actual Contribution for the Public" for the purpose of providing employment guidance and job recommendations for graduates from the college. A total of 12 party members of the Group participated in this activity, and formed a party branch volunteer service team to provide graduates from the college recruit requirements, covering a total of 19 jobs in Internet companies in nearly 10 cities across the country. In addition, the party branch volunteer service team also provided guidance on the employment direction of graduates to help them broaden their horizons.

Participation of 12 CPC members of the Group in 2021 Summer Campus Mutual Election Meeting held at Luoyang Vocational College of Science and Technology

Definition

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

"Acquisition"	purchase of 46.0% equity interests in Shanghai Sirui by Shanghai Ruiying from Neusoft Holdings at a consideration of RMB408,020,000, as detailed in the announcement of the Company dated 8 March 2022;
"AGM"	the annual general meeting of the Company to be held on Friday, 10 June 2022;
"Articles"	the memorandum and articles of association of the Company, as amended from time to time;
"Audit Committee"	the audit committee of the Board;
"Board"	the board of directors of the Company;
"BPO"	business process outsourcing;
"CAGR"	compound annual growth rate;
"CIC Report"	the industry report issued on 24 February 2022 prepared by China Insights Industry Consultancy Limited, an independent market research expert, as commissioned by the Company;
"CG Code"	Corporate Governance Code set out in Appendix 14 to the Listing Rules;
"Chengdu Tianfu"	Chengdu Tianfu Renrui Education Consulting Co., Ltd.* (成都天符人瑞教育諮詢有限公司), a wholly-owned subsidiary of the Company;
"Company"	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), an exempted company incorporated in the Cayman Islands on 14 October 2011 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6919);
"comprehensive flexible staffing"	the combined business segment of two previously disclosed business segments of the Company, namely, flexible staffing and BPO . Please refer to the paragraph headed "MANAGEMENT DISCUSSION AND ANALYSIS - Business Review - Business Integration and Upgrade" in the Company's announcement of interim results for the six months ended 30 June 2021 dated 31 August 2021 for more details;
"comprehensive flexible staffing employees"	the employees under the business segment of comprehensive flexible staffing;
"controlling shareholder(s)"	as defined under the Listing Rules;
"Director(s)"	the director(s) of the Company;
"FVOCI"	fair value through other comprehensive income;
"GDP"	gross domestic product;
"Greedy Technology"	Greedy Technology (Shenzhen) Co., Ltd.* (貪心科技(深圳)有限公司);

Definition

"Group" or "we"	the Company together with its subsidiaries;
"HKD" or "HK$"	Hong Kong Dollar, the lawful currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HR"	human resources;
"Independent Third Parties"	third party(ies) independent of, and not connected with, the Company and its connected persons;
"Investment and Compliance Committee"	the investment and compliance committee of the Board;
"Jiangnan Finance Technology"	Jiangnan Finance Technology (Changzhou) Company limited* (江南金融科技(常州)有限公司);
"Kumao Robot"	Shanghai Kumao Robot Co., Ltd.* (上海庫茂機器人有限公司);
"Listing Date"	13 December 2019, being the date on which the Shares were listed on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Net Proceeds"	net proceeds from the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019, amounting to approximately HK$992.2 million;
"Neusoft Holdings"	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司);
"New Service Points"	the five new secondary service points established by the Company in Zhengzhou, Ningbo, Hefei, Changsha and Jinan;
"Nomination Committee"	the nomination committee of the Board;
"Post-IPO Share Award Scheme"	post-IPO share award scheme of the Company adopted on 26 November 2019 and subsequently amended on 26 June 2020;
"Post-IPO Share Option Scheme"	post-IPO share option scheme of the Company adopted on 26 November 2019;

Definition

"PRC"	The People's Republic of China;
"Prospectus"	the prospectus of the Company dated 3 December 2019;
"R&D"	research and development;
"Remuneration Committee"	the remuneration committee of the Board;
"Renrui Human Resources Group"	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shanghai Lingshi"	Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司);
"Shanghai Ruiying"	Shanghai Ruiying Human Resources Technology Group Co., Ltd.* (上海瑞應人才科技集團有限公司), an indirect wholly-owned subsidiary of the Company;
"Shanghai Sirui"	Shanghai Sirui Information Technology Co., Ltd.* (上海思芮信息科技有限公司);
"Shareholder(s)"	holder(s) of the Shares;
"Share(s)"	ordinary share(s) of the Company;
"substantial shareholder(s)"	as defined under the Listing Rules;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Trustee"	Trident Trust Company (HK) Limited;
"Xunteng Group"	Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司);
"Zhituo Technology"	Zhituo Technology (Tianjin) Partnership (Limited Partnership)* (智拓科技(天津)合夥企業(有限合夥)); and
"%"	per cent.

In this annual report, amounts and percentage figures may be subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not represent an arithmetic aggregation of the figures preceding them and momentary amounts shown may be approximate amounts only.

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

Independent Auditor's Report

pwc

羅兵咸永道

To the Shareholders of Renrui Human Resources Technology Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Renrui Human Resources Technology Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 128 to 212, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment for trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.22 (Revenue recognition) and Note 5 (Segment information and revenue) to the consolidated financial statements. The Group recognised revenue of RMB4,739.1 million for the year ended 31 December 2021, including comprehensive flexible staffing, professional recruitment and other human resources solutions. Revenue is recognised when or as the control of the services is transferred to customers. We considered this is a key audit matter as significant audit efforts were spent in auditing the revenue due to the large volume of transactions.	Our work in relation to revenue recognition included: • We evaluated and validated key internal controls over revenue recognition. • We tested revenue transactions, on a sample basis, covering different revenue types, locations and customers, by examining the relevant supporting documents, including sales contracts, customers' confirmation of rendering services, underlying invoices and evidence of cash receipts from customers. We found the Group's revenue being tested were supported by evidence we gathered.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment for trade receivables Refer to Note 4(e) (Impairment of trade receivables) and Note 22 (Trade and notes receivables) to the consolidated financial statements. As at 31 December 2021, the Group's gross trade receivables amounted to RMB772.9 million, against which an impairment provision of RMB12.9 million was provided. The Group applied the simplified approach as permitted under the relevant accounting standard to measure expected credit losses which used a lifetime expected loss model for all trade receivables, which were grouped based on shared credit risk characteristics and the days past due. Expected credit losses were determined based on historical default rates and also incorporated forward looking information. We considered this is a key audit matter due to the magnitude of trade receivables balances and the complexity and subjectivity of significant management's judgements applied in assessing the impairment of trade receivables.	Our work in relation to impairment provision for trade receivables included: • We obtained an understanding of the management's internal control and assessment process of the impairment of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud. • We assessed the reasonableness of key assumptions adopted in determining expected credit losses of trade receivables. We assessed the historical default loss rates by evaluating the Group's actual credit losses incurred in the past. We evaluated the adjustments to the historical default loss rates based on forward looking macroeconomic data by reference to public information. • We tested the accuracy of the ageing analysis of trade receivables by tracing items in the ageing analysis, on a sample basis, to the relevant supporting documents. • We tested mathematical accuracy of the calculation of the expected credit losses. • We checked subsequent cash receipts relating to trade receivables as at 31 December 2021, on a sample basis. Based on the work performed, we considered that management's judgements in assessing the impairment of trade receivables were supported by the evidence we gathered.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, financial summary, chairman's statement, biographies of directors and senior management, report of the directors, corporate governance report and environmental, social and governance report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate information, financial summary, chairman's statement, biographies of directors and senior management, report of the directors, corporate governance report and environmental, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the concrete circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	4,739,146	2,830,052
Cost of revenue	6	(4,487,357)	(2,559,188)
Gross profit		251,789	270,864
Selling and marketing expenses	6	(65,491)	(53,404)
Research and development expenses	6	(18,139)	(13,938)
Administrative expenses	6	(100,339)	(74,196)
Provision for net impairment losses on financial assets	3.1(b)	(4,755)	(2,941)
Other income	9	48,228	32,569
Other gains, net	10	5,523	39,587
Operating profit		116,816	198,541
Finance income	11	6,588	12,820
Finance costs	11	(4,865)	(2,950)
Finance income, net	11	1,723	9,870
Share of results of joint ventures accounted for using the equity method	13	1,889	(17)
Profit before income tax		120,428	208,394
Income tax expense	14	(18,080)	(25,477)
Profit for the year		102,348	182,917
Profit is attributable to:			
- Equity holders of the Company		101,667	182,616
- Non-controlling interests		681	301
Earnings per share (expressed in RMB per share)			
- Basic earnings per share	15(a)	0.66	1.19
- Diluted earnings per share	15(b)	0.61	1.07

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Profit for the year		102,348	182,917
Other comprehensive loss			
Items that may not be reclassified subsequently to profit or loss:			
– Currency translation differences of the Company	25	(24,365)	(72,154)
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences of subsidiaries	25	12,957	39,735
– Changes in the fair value of financial assets at fair value through other comprehensive income	19	(1,126)	(604)
Other comprehensive loss for the year, net of tax		(12,534)	(33,023)
Total comprehensive income for the year		89,814	149,894
Total comprehensive income for the year is attributable to			
– Equity holders of the Company		89,133	149,593
– Non-controlling interests		681	301

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	113,213	73,936
Intangible assets	18	91,311	3,144
Investments in joint ventures accounted for using the equity method	13	21,572	19,683
Financial assets at fair value through profit or loss	19	19,946	—
Derivative financial instruments	13	2,085	2,580
Other non-current assets	19	73,925	7,043
Deferred income tax assets	20	12,237	12,678
Restricted cash	23	6,002	6,050
Total non-current assets		340,291	125,114
Current assets			
Trade and notes receivables	22	760,961	477,895
Prepayments, deposits and other receivables	21	38,778	12,046
Financial assets at fair value through other comprehensive income	19	102,105	185,827
Financial assets at fair value through profit or loss	19	112,177	—
Restricted cash	23	241	1,815
Cash and cash equivalents	23	638,373	967,225
Total current assets		1,652,635	1,644,808
Total assets		1,992,926	1,769,922
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	53	53
Share premium	24	2,199,102	2,252,478
Shares held for share-based payment scheme	24	(87,887)	(66,609)
Other reserves	25	(68,394)	(62,048)
Accumulated losses		(788,045)	(889,712)
		1,254,829	1,234,162
Non-controlling interests		22,903	1,901
Total equity		1,277,732	1,236,063

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	6,789	—
Lease liabilities	28	50,762	40,785
Total non-current liabilities		57,551	40,785
Current liabilities			
Trade and other payables	27	588,928	433,212
Contract liabilities	5	14,611	18,848
Current income tax liabilities		17,734	23,235
Financial liabilities at fair value through profit or loss	19	4,245	—
Borrowings	26	5,017	—
Lease liabilities	28	27,108	17,779
Total current liabilities		657,643	493,074
Total liabilities		715,194	533,859
Total equity and liabilities		1,992,926	1,769,922

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 128 to 212 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

Zhang Jianguo
Director

Zhang Feng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		Attributable to equity holders of the Company							
	Note	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 equity RMB'000
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	25	–	–	–	(32,419)	–	(32,419)	–	(32,419)
– Changes in the fair value of financial assets at fair value through other comprehensive income	25	–	–	–	(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	25	–	–	–	1,886	–	1,886	–	1,886
Exercise of share options	24	1	10,224	–	–	–	10,225	–	10,225
Acquisitions of shares held for share-based payment scheme	24	–	–	(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 over-allotment option of the listing, net of listing expenses	24	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 Changes in Equity

For the year ended 31 December 2021

	Note	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 equity RMB'000
		Attributable to equity holders of the Company							
Balance at 1 January 2021		53	2,252,478	(66,609)	(62,048)	(889,712)	1,234,162	1,901	1,236,063
Comprehensive income									
Profit for the year		–	–	–	–	101,667	101,667	681	102,348
Other comprehensive loss									
– Currency translation differences	25	–	–	–	(11,408)	–	(11,408)	–	(11,408)
– Changes in the fair value of financial assets at fair value through other comprehensive income	25	–	–	–	(1,126)	–	(1,126)	–	(1,126)
Total comprehensive income		–	–	–	(12,534)	101,667	89,133	681	89,814
Transactions with equity holders in their capacity as equity holders									
Share-based compensation	25	–	–	–	6,188	–	6,188	–	6,188
Exercise of share options	24	–	57	–	–	–	57	–	57
Dividends paid	29	–	(53,433)	–	–	–	(53,433)	–	(53,433)
Acquisitions of shares held for share-based payment scheme	24	–	–	(21,278)	–	–	(21,278)	–	(21,278)
Acquisition of subsidiaries	34	–	–	–	–	–	–	20,321	20,321
Total transactions with equity holders in their capacity as equity holders		–	(53,376)	(21,278)	6,188	–	(68,466)	20,321	(48,145)
Balance at 31 December 2021		53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations	30	(66,329)	160,267
Income tax paid		(23,633)	(4,654)
Net cash (used in)/generated from operating activities		(89,962)	155,613
Cash flows used in investing activities			
Payment for acquisition of subsidiary, net of cash acquired	34	(53,533)	—
Purchase of property, plant and equipment		(33,557)	(6,880)
Purchase of intangible assets		(3,237)	(2,692)
Purchase of financial assets at fair value through profit or loss		(586,328)	(1,762,022)
Purchase of financial assets at fair value through other comprehensive income		(350,154)	(278,953)
Investments in joint ventures accounted for using the equity method	13	—	(22,250)
Proceeds from disposal of property, plant and equipment		912	101
Proceeds from disposal of financial assets at fair value through profit or loss		452,762	1,764,047
Proceeds from disposal of financial assets at fair value through other comprehensive income		436,488	95,692
Interest received		10,491	12,735
Net cash used in investing activities		(126,156)	(200,222)
Cash flows used in financing activities			
Proceeds from issue of ordinary shares upon listing	24	—	74,482
Proceeds from exercise of share options	24	57	10,225
Capital contribution from non-controlling shareholders of subsidiaries		—	1,600
Acquisition of shares held for share-based payment scheme		(21,278)	(66,609)
Payment of lease liabilities	31	(34,226)	(23,897)
Interest paid		(52)	—
Listing expenses paid		—	(12,474)
Dividends paid to company's shareholders		(53,433)	—
Net cash used in financing activities		(108,932)	(16,673)
Net decrease in cash and cash equivalents		(325,050)	(61,282)
Cash and cash equivalents at beginning of the year		967,225	1,029,456
Effects of exchange rate changes on cash and cash equivalents		(3,802)	(949)
Cash and cash equivalents at end of the year	23	638,373	967,225

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2021:

Amendments to HKFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 - Interest Rate Benchmark Reform – Phase 2

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting year beginning on or after
Annual Improvements to HKFRS Standards 2018 –2020	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
Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 – Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

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

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

(a) Subsidiaries controlled through Contractual Arrangements

The Group obtained control over Chengdu Tianfu Renrui Education Consultation Co., Ltd. ("Chengdu Tianfu") and the relevant PRC subsidiaries through the contractual arrangements dated 28 April 2012 and they were subsequently replaced by the contractual arrangements dated 1 April 2019 (the "Modified Contractual Arrangements") entered into between Chengdu Renrui Qicheng Education Consultation Co., Ltd., Chengdu Tianfu and the Controlling Equity Holders, which enabled Chengdu Qicheng WFOE to:

- govern the financial and operating policies of Chengdu Tianfu and the relevant PRC subsidiaries;
- exercise equity holder's voting rights of Chengdu Tianfu and the relevant PRC subsidiaries;
- receive all of the economic interest returns generated by Chengdu Tianfu and the relevant PRC subsidiaries in consideration of the exclusive business cooperation agreements;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in Chengdu Tianfu and the relevant PRC subsidiaries at any time and from time to time; and
- obtain a pledge over the entire interests in Chengdu Tianfu from the Controlling Equity Holders to secure performance of entities' obligation under the contractual arrangements.

As a result of the aforesaid contractual arrangements, the Group has rights to exercise power over Chengdu Tianfu and the relevant PRC subsidiaries, receive variable returns from its involvement with these entities, has the ability to affect those returns through its power over the entities and is considered to control the entities. Consequently, the Company regarded Chengdu Tianfu and the relevant PRC subsidiaries as controlled structured entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Company throughout the years ended 31 December 2021 and 2020.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of the aforesaid contractual arrangements are in compliance with the relevant PRC laws and regulations are legally enforceable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

(b) Changes in ownership interests

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

(ii) Joint ventures

The Group's interests in joint ventures in the form of ordinary shares with joint control are generally accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet. The Group's investments in joint ventures in the form of ordinary shares with substantive preferential rights are financial assets designated at fair value through profit or loss.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company.

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is United States Dollar ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. The consolidated financial statements are presented in RMB, which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement.

Foreign exchange gains or losses are presented in the consolidated income statement within "Other gains, net".

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences may be reclassified to profit and loss.

2.7 Property, plant and equipment

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

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

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

• right-of-use assets	the term of lease
• computer equipment (including servers)	1~3 years
• electrical appliances	1~3 years
• furniture	5 years
• leasehold improvements	lesser of the term of the lease or the estimated useful lives of the assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

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

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

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

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of 5 years for the customer relationships. The useful life of 5 years for customer relationships is determined with reference to the directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers based on the historical renewal pattern and the industry practice.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(iii) Software

Software, purchased from third parties, are initially recognised and measured at cost or fair value if they are acquired in business combinations. The intangible assets are amortised over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortises intangible assets with a limited useful life using the straight-line method over 5 years.

2.9 Impairment of non-financial assets

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

2.10 Financial assets

(i) Classification

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(ii) Recognition and derecognition

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

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Debt instruments

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

(iv) Impairment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Offsetting financial instruments

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

2.12 Derivative financial instruments

Derivative financial instruments mainly include certain embedded derivatives in relation to the investment in a joint venture (Note 13).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative financial instruments held by the Group are accounted for at fair value through profit or loss. The fair values of derivative financial instruments are disclosed in Note 3.3.

The derivatives are classified as non-current assets or liabilities unless the remaining maturity of the derivatives is within 12 months after the reporting period.

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in "Other gains, net".

2.13 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Ordinary shares are classified as equity.

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

Certain share-base payment scheme is satisfied by shares acquired by the trustee from the market. Where the Company's shares are acquired from the market by the trustee, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held for share-based payment scheme" and deducted from total equity.

2.16 Trade and other payables

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

2.17 Borrowings

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

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

2.18 Borrowing cost

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

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

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

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

2.20 Employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Employee benefits (Continued)

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

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

2.21 Share-based payments

The Group has granted tranches of share options and share award scheme. The Group receives services from employees as consideration for share options and share award scheme.

(i) Share options

The fair value of the share options granted is recognised as employee benefits expenses with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share options granted by using option-pricing models:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions

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

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to "Share capital" and "Share premium".

(ii) Share award scheme

Under the Group's post-IPO share award scheme, only if the grantee is a connected person, the share award will be settled in the form of transfer of the shares, and the fair value of the share award on grant date is recognised as employee benefits expenses over the vesting period with a corresponding increase in equity.

While only if the grantee is not a connected person, the share award will be settled in the form of payment of the actual selling price, netting of the benchmarked price, in cash upon the vesting of such share award. Liabilities for such share award are recognised as employee benefits expenses over the relevant vesting period. The liabilities are remeasured to fair value at each reporting date and are presented as accrued payroll and welfare in the consolidated balance sheet.

(iii) Modifications and cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based payments (Continued)

(iv) Share-based payments transactions among Group entities

The grant by the Company of share-based payments to the employees of the subsidiaries are treated as a capital contribution in the separate financial statements of the Company. The fair value of employee services received, determined by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding adjustment to equity in the separate financial statements of the Company.

2.22 Revenue recognition

Revenue is recognised when or as the control of the services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if the Group's performance provides all of the benefits received and consumed simultaneously by the customer.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

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

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

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

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

(i) The accounting policy for the Group's principal revenue sources

Comprehensive flexible staffing

Comprehensive flexible staffing mainly comprise general services outsourcing, digital technology and cloud services and digital operation and customer services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(i) The accounting policy for the Group's principal revenue sources (Continued)

For general services outsourcing and digital technology and cloud services, the Group provides professional services to meet the customers' needs with the Group's employees performing duties under the customers' direct instructions, and the Group is primarily responsible for ensuring the quality and stability of the available staffing resources. The Group generally enters into contracts with the customers to provide sufficient staffing resources for a contract term of one to two years. The customers are usually billed on a monthly basis for the service fee calculated based on a pre-agreed amount or unit rate per employee. The Group controls services before transferring to the customers and is primarily responsible for fulfilling the contracts to ensure the quality and stability of the available staffing resources, which all together forms a single performance obligation. The Group is subject to the risks associated with employment of the employees. Revenue for general services outsourcing and digital technology and cloud services are recognised on a gross basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance, while the labour costs paid to the Group's employees are recognised as cost of revenue.

For digital operation and customer services, the Group provides services to maintain sufficient number of employees to perform the digital operation and customer services to the Group under the Group's direct supervision. The Group generally enters into contracts with the customers for a contract term of one year, which include only a single performance obligation. The customers are usually billed on a monthly basis for the service fee calculated based on number of employees required times unit rate per employee or a pre-agreed lump sum amount. Since the Group controls digital operation and customer services before transferring to the customers, is primarily responsible for fulfilling the contracts to ensure the quality and performance of the services, is subject to the risks associated with employment of the employees, and has discretion in establishing prices, which all together forms a single performance obligation, the digital operation and customer services revenue is recognised on a gross basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance, while the labour costs paid to the Group's employees or the Group's subcontractors are recognised as cost of revenue.

Professional recruitment

The Group provides recruitment services of junior or middle-to-senior level positions of different functions across various industries. The service fee is calculated based on either a fixed fee per placement or as a percentage of the salary of the successfully placed candidates.

The recruitment contracts generally include only a single performance obligation, while for certain contracts, the Group will also guarantee the replacement of the candidate within a short period of time, normally one month. In such case, contract price will be allocated between the recruitment and replacement service based on stand-alone selling price. The Group normally receives part of the recruitment fees upfront, which are recognised as contract liabilities. The revenue related to recruitment service is recognised at the point in time when the Group successfully places the candidates, and this is the timing when the customers have accepted the Group's services of providing selected candidates. The revenue related to replacement service will be recognised at the point in time when the service is provided.

Certain customers also pay membership fees to the Group to request a package of services, including arranging interviews or advertising job openings on the Group's platform for a contract term of one year or less. The Group normally receives all of the membership fees upfront, such amount is non-refundable and recognised as contract liabilities. Under the membership fees model, the services can be divided into two categories: i) consumption-based services such as arranging interviews, top display of job postings, etc.; and ii) time based services such as unlimited normal job postings and access to the Group's platform, etc. Each service is a performance obligation, and the transaction price is generally allocated to each performance obligation on the basis of relative stand-alone selling price. The revenue from the consumption-based services is recognised upon the consumption of the individual service. The revenue from the time-based service is recognised on a straight-line basis over the contract period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(i) The accounting policy for the Group's principal revenue sources (Continued)

Other HR solutions

Other HR solutions mainly comprise labour dispatch services and corporate training services.

For labour dispatch services, the Group acts as a dispatching agent. Labour dispatch services involve a tripartite legal relationship among the employees, the customers and the Group in which the customers have a legal relationship with the employees and assume the risks associated with employment of the employees; the Group is mainly responsible for administrative work, including onboarding and existing procedures, salary payment, etc. which is considered as one performance obligation performed on monthly basis. Although the Group is associated with certain risk of the employee as the Group helps the administration work, the Group does not control employee's labour services, is not responsible for the employee's fulfilment of the labour contract, has no discretion of the price paid to the employee, therefore the labour dispatch revenue is recorded on a net basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance of the monthly administration work, while the labour costs paid to the employees are recorded to net off revenue.

For corporate training services, the Group provides the training and development courses which are tailored for the customers. The training services revenue is recognised at the point in time when the training courses have been delivered.

2.23 Leases

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Dividends distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

2.25 Government grants

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

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

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

2.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 10 below.

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

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

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

2.27 Research and development

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

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

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

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

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

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

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

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

There were no development costs meeting these criteria and capitalised as intangible assets as of 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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

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

As at 31 December 2021, the majority of the Group's assets and liabilities are denominated in RMB. Due to functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated bank deposits and financial assets at FVOCI it held. If RMB had strengthened/weakened by 10% against the USD with all other variables held constant, the net profit for the year would have been approximately RMB21,751,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents and financial assets at FVOCI held by the Company. Apart from this, the management considers that the business is not subject to any other significant foreign exchange risk.

As at 31 December 2020, the majority of the Group's assets and liabilities are denominated in RMB. Due to functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated bank deposits and financial assets at FVOCI it held. If RMB had strengthened/weakened by 10% against the USD with all other variables held constant, the net profit for the year would have been approximately RMB57,609,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents and financial assets at FVOCI held by the Company. Apart from this, the management considers that the business is not subject to any other significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

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

The Group's exposure to changes in interest rates is also attributable to its lease liabilities, details of which has been disclosed in Note 28. Lease liabilities carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

(i) Cash and cash equivalents and restricted cash

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

(ii) Trade and notes receivables

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the management performs ongoing credit evaluations of its customers. The credit period granted to the customers is typically of 10 to 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses are determined based on historical default rates and also incorporate forward looking information. The Group identifies GDP growth rate, unemployment rate and growth rate of total retail sales of consumer goods as the key economic variables impacting the expected credit losses.

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

Notes to the Consolidated Financial Statements

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3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and notes receivables (continued)

31 December 2021	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due over 12 months	Total
Expected loss rate	0.48%	5.07%	48.19%	71.68%	95.09%	100.00%	
Gross carrying amount	724,811	39,581	1,274	1,324	1,059	4,887	772,936
Loss allowance	3,454	2,007	614	949	1,007	4,887	12,918

31 December 2020	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due over 12 months	Total
Expected loss rate	0.75%	6.67%	10.74%	31.82%	98.59%	100.00%	
Gross carrying amount	453,597	18,918	1,034	154	142	3,984	477,829
Loss allowance	3,406	1,262	111	49	140	3,984	8,952

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

(iii) Other receivables and other non-current assets

For other receivables and other non-current assets, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 31 December 2021 and 2020, the loss allowance of other receivables and other non-current assets were RMB1,100,000 and RMB99,000, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables and other non-current assets (Continued)

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

	2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	**9,051**	6,110
Addition arising from acquisition of subsidiaries	257	—
Increase in loan loss allowance recognised in profit or loss during the year	4,755	2,941
Receivables written off during the year as uncollectible	(45)	—
Closing loss allowance at 31 December	**14,018**	9,051

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

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

(c) Liquidity risk

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000
At 31 December 2021					
Borrowings	5,175	—	—	—	5,175
Trade and other payables*	63,856	—	—	—	63,856
Financial liabilities at fair value through profit or loss	4,245	—	—	—	4,245
Lease liabilities	30,940	30,806	23,139	—	84,885
	104,216	30,806	23,139	—	158,161
At 31 December 2020					
Trade and other payables*	50,632	—	—	—	50,632
Lease liabilities	20,750	23,457	19,516	—	63,723
	71,382	23,457	19,516	—	114,355

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

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

As at 31 December 2021 and 2020, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

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

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

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

As at 31 December 2021, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVOCI or FVPL, investment in joint venture at FVPL, derivative financial instruments associated with one joint venture and financial liabilities at FVPL.

As at 31 December 2020, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVOCI, and the derivative financial instruments associated with one joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 19)	—	102,105	—	102,105
Financial assets at fair value through profit or loss (Note 19)	—	112,177	19,946	132,123
Derivative financial instruments (Note 13)	—	—	2,085	2,085
	—	214,282	22,031	236,313
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 19)	—	—	4,245	4,245
	—	—	4,245	4,245
As at 31 December 2020				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 19)	—	185,827	—	185,827
Derivative financial instruments (Note 13)	—	—	2,580	2,580
	—	185,827	2,580	188,407

There were no transfers among levels of the fair value hierarchy during the periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 items including derivative financial instruments and financial assets at fair value through profit or loss for the year ended 31 December 2021 and 2020.

	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments RMB'000	Financial liabilities at fair value through profit or loss RMB'000
At 1 January 2021	—	2,580	—
Addition	19,914	86	4,223
Fair value change (Note 10)	32	(581)	22
At 31 December 2021	19,946	2,085	4,245

	Derivative financial instruments RMB'000
At 1 January 2020	
Addition	2,550
Fair value change (Note 10)	30
At 31 December 2020	2,580

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

As at 31 December 2021, financial assets at fair value through profit or loss included in Level 3 was the investment in a joint venture in the form of ordinary shares with certain substantive preferential rights. The fair value was determined by market approach, which was estimated based on trading prices of comparable companies to the investee in the similar industries, and incorporated other unobservable inputs, such as liquidity discount.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial liabilities at fair value through profit or loss included in Level 3 as at 31 December 2021 was the contingent consideration payable related to acquisition of certain subsidiaries (Note 34). The fair value of the contingent consideration payable was determined by expected cash outflows which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the discount rate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

(a) Current and deferred income tax

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. At 31 December 2021 and 2020, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB632,000 and RMB380,000 respectively. The outcome of their actual utilisation may be different from management's estimation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Contractual arrangements

The Group conducts part of its business through Chengdu Tianfu and the relevant subsidiaries remained under Chengdu Tianfu. The Group does not have any legal ownership in Chengdu Tianfu. The directors assessed whether or not the Group has power over relevant activities of Chengdu Tianfu and the relevant subsidiaries and whether it has the rights to variable returns from its involvement with Chengdu Tianfu and the relevant subsidiaries. Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Chengdu Tianfu and the relevant PRC subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Chengdu Tianfu and the relevant subsidiaries. The directors, based on the advice of its legal counsel, consider that the contractual arrangements with Chengdu Tianfu and its registered equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(c) Fair value of share-based compensation expenses

The Group awarded share options and share award scheme to eligible senior management and employees. The fair value of the share options are determined by Binomial model at the grant date, and is expected to be expensed over the respective vesting period. The liabilities for share award scheme granted to non-connected person are remeasured to fair value by Binomial model at each reporting date, and is expected to be expensed over the respective vesting period.

Significant estimate on assumptions, including risk-free interest rate, expected volatility, dividend yield and terms, are made by the directors and third-party valuer. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of share-based compensation and the amount of such share-based compensation expected to become vested, which may in turn significantly impact the determination of share-based compensation expenses.

(d) Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified service before it is transferred to the customer, is primarily responsible for meeting customer specifications, is subject to the risk associated with employment, and has discretion in establishing prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of trade receivables

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

(f) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment annually, or more frequently if events or changes in circumstances predict that goodwill may be impaired, in accordance with the accounting policy stated in Note 2.9, where the recoverable amounts of the acquired businesses as a whole is determined based on value-in-use ("VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

(g) Presentation and measurement of investments in joint ventures

The Group made certain investments in joint ventures in the form of ordinary shares with preferential rights over investees. As the Group has joint control over these investees, judgement is required in determining whether the features of these preferential rights are substantive and the risks and rewards are different from ordinary shares. If yes, they are measured as financial assets at fair value through profit or loss. Different conclusions around these judgements may affect how these investments in joint ventures presented and measured in the consolidated balance sheet of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 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 CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

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

In 2021, the Group integrated flexible staffing segment and BPO segment into comprehensive flexible staffing segment, as a result of change in the structure of the Group's internal organisation to align with the development of its business strategy. 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:

Comprehensive flexible staffing

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

Professional recruitment

The professional recruitment segment offers bulk recruitment 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.

Other HR solutions

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

The comparative information for the year ended 31 December 2020 was restated.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 SEGMENT INFORMATION AND REVENUE (Continued)

(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 2021 was as follows:

	Year ended 31 December 2021			
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	4,621,714	90,040	27,392	4,739,146
Segment gross profit	207,077	25,464	19,248	251,789
Unallocated:				
Selling and marketing expenses				(65,491)
Research and development expenses				(18,139)
Administrative expenses				(100,339)
Other income (Note 9)				48,228
Other gains, net (Note 10)				5,523
Provision for net impairment losses on financial assets (Note 3.1)				(4,755)
Finance income, net (Note 11)				1,723
Share of results of joint ventures accounted for using the equity method (Note 13)				1,889
Profit before income tax				120,428
Income tax expense (Note 14)				(18,080)
Profit for the year				102,348

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment results and other information (Continued)

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			
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	2,726,917	69,292	33,843	2,830,052
Segment gross profit	214,550	27,414	28,900	270,864
Unallocated:				
Selling and marketing expenses				(53,404)
Research and development expenses				(13,938)
Administrative expenses				(74,196)
Other income (Note 9)				32,569
Other gains, net (Note 10)				39,587
Provision for net impairment losses on financial assets (Note 3.1)				(2,941)
Finance income, net (Note 11)				9,870
Share of results of joint ventures accounted for using the equity method (Note 13)				(17)
Profit before income tax				208,394
Income tax expense (Note 14)				(25,477)
Profit for the year				182,917

(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.

5 SEGMENT INFORMATION AND REVENUE (Continued)

(d) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Comprehensive flexible staffing		
– General services outsourcing	4,263,142	2,563,592
– Digital technology and cloud services	97,423	12,760
– Digital operation and customer services	261,149	150,565
Professional recruitment		
– Recruitment	89,131	67,857
– Paid membership	909	1,435
Other HR solutions		
– Corporate training	1,048	1,026
– Labour dispatch	5,955	4,946
– Other miscellaneous services*	20,389	27,871
	4,739,146	2,830,052

* For the year ended 31 December 2021, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5 SEGMENT INFORMATION AND REVENUE (Continued)

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

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

2021	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Timing of revenue recognition				
At a point in time	—	89,131	4,998	94,129
Over time	4,621,714	909	22,394	4,645,017
	4,621,714	90,040	27,392	4,739,146

2020	Comprehensive flexible staffing RMB'000	Professional recruitment 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	2,726,917	1,030	32,817	2,760,764
	2,726,917	69,292	33,843	2,830,052

(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	
	2021 RMB'000	2020 RMB'000
Customer group A	1,975,036	1,092,563

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For the year ended 31 December 2021

5 SEGMENT INFORMATION AND REVENUE (Continued)

(e) Liabilities related to contracts with customers

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities - professional recruitment	9,618	14,623
Contract liabilities - comprehensive flexible staffing	2,013	3,927
Contract liabilities - other HR solutions	2,980	298
	14,611	18,848

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

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

During the years ended 31 December 2021 and 2020, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

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6 EXPENSES BY NATURE

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 7)	4,392,600	2,520,557
Travelling and entertainment expenses	80,371	50,692
Subcontracting costs	17,919	25,969
Depreciation and amortisation (Note 17, 18)	49,697	24,698
Marketing and promotion expenses	43,066	21,174
Other taxes and surcharges	31,407	17,217
Professional service fee	14,511	12,305
Utilities and office expenses	21,069	7,818
Recruitment related communication expenses	1,728	6,356
Lease and property management expenses	12,360	5,098
COVID-19-related rent concessions	—	(885)
Auditor's remuneration		
— Audit services	2,000	1,900
— Non-audit services	950	1,088
Others	3,648	6,739
Total	4,671,326	2,700,726

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonus	3,728,347	2,205,565
Social insurance and housing fund	610,581	273,688
Other employee welfares	47,484	39,418
Share-based payments (Note 16)	6,188	1,886
	4,392,600	2,520,557

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 included one (2020: three) directors whose emoluments were reflected in the analysis shown in Note 8. The emoluments payable to the remaining four (2020: two) individuals during the year ended 31 December 2021 were as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	5,585	1,264
Contribution to pension scheme	37	16
Discretionary bonuses	1,729	647
	7,351	1,927

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands (in HK dollar)		
HK$500,000 – HK$1,000,000	—	1
HK$1,000,001 – HK$1,500,000	—	1
HK$1,500,001 – HK$2,000,000	2	—
HK$2,000,001 – HK$2,500,000	1	—
HK$3,000,001 – HK$3,500,000	1	—
	4	2

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 2021:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Allowances and benefits in kind RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman							
Mr. Zhang Jianguo	—	720	411	9	16	—	1,156
Executive directors							
Mr. Zhang Feng	—	600	341	24	20	—	985
Ms. Zhang Jianmei	—	600	174	12	9	—	795
Non-executive directors							
Mr. Chen Rui	—	—	—	—	—	—	—
Mr. Chow Siu Lui	—	—	—	—	—	371	371
Independent non-executive directors							
Mr. Shen Hao	249	—	—	—	—	371	620
Ms. Chan Mei Bo Mabel	249	—	—	—	—	371	620
Mr. Leung Ming Shu	249	—	—	—	—	371	620
Total	747	1,920	926	45	45	1,484	5,167

For the year ended 31 December 2020:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Allowances and benefits in kind RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman							
Mr. Zhang Jianguo	—	710	335	1	12	113	1,171
Executive directors							
Mr. Zhang Feng	—	590	296	3	20	91	1,000
Ms. Zhang Jianmei	—	590	104	2	8	91	795
Non-executive directors							
Mr. Chen Rui	—	—	—	—	—	—	—
Mr. Chow Siu Lui	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Shen Hao	265	—	—	—	—	—	265
Ms. Chan Mei Bo Mabel	265	—	—	—	—	—	265
Mr. Leung Ming Shu	265	—	—	—	—	—	265
Total	795	1,890	735	6	40	295	3,761

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company or its subsidiaries undertaking. The emoluments of non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.

The discretionary bonuses were discretionary and were determined with reference to the Company's operating results, individual performance of the directors and comparable market practices.

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8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

None of the directors of the Company received or were paid any emoluments in respect of accepting office, and none of the directors of the Company waived or agreed to waive any emolument for the years ended 31 December 2021 and 2020.

(i) Directors' retirement benefits

No director's retirement benefit subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

(ii) Directors' termination benefits

No director's termination benefit subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

(iii) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available director's services subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

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

No loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the years ended 31 December 2021 and 2020.

(v) Directors' material interests in transactions, arrangements or contracts

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

9 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants (i)	37,557	23,677
Additional deduction of input value-added tax ("VAT") (ii)	6,611	4,735
Interest income from financial assets at FVOCI (Note 19)	3,420	3,136
Others	640	1,021
	48,228	32,569

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

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

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10 OTHER GAINS, NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Exchange gains – net	5,394	30,741
Net losses on disposal of financial products at FVOCI	(879)	—
Net fair value (losses)/gains on financial products at FVPL	(665)	9,968
Net fair value (losses)/gains on derivative financial instruments	(581)	30
Fair value losses on financial liabilities at FVPL	(22)	—
Gains on early termination of lease contracts	2,428	77
Donation expenditure	—	(1,051)
Net losses on disposal of property, plant and equipment	(91)	(4)
Fair value gains from remeasurement of equity investment at FVPL	32	—
Others	(93)	(174)
	5,523	39,587

11 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance income		
Interest income on cash and cash equivalents	6,588	12,820
Finance income	6,588	12,820
Finance costs		
Interest expense		
– lease liabilities	(4,812)	(2,950)
– borrowings	(53)	—
Finance costs expensed	(4,865)	(2,950)
Finance income, net	1,723	9,870

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12 SUBSIDIARIES

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

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
					2021	2020	2021	2020
Renrui Education (Hong Kong) Limited	Investment Holding	Hong Kong, limited liability company	HKD1	HKD1	100	100	–	–
Beijing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Beijing, China, limited liability company	RMB21,000,000	RMB21,000,000	100	100	–	–
Beijing Ruilian Network Technology Co., Ltd.	Human Resources Services	Beijing, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Tianjin Renrui Human Resources Service Co., Ltd.	Human Resources Services	Tianjin, China, limited liability company	RMB3,000,000	RMB2,000,000	100	100	–	–
Xian Renrui Human Resources Service Co., Ltd.	Human Resources Services	Xian, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Hefei Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hefei, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Qingdao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Qingdao, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Chengdu Qicheng WFOE	Investment Holding	Chengdu, China, limited liability company	USD13,250,000	USD11,650,000	100	100	–	–
Chengdu Tianfu	Human Resources Services and Investment Holding	Chengdu, China, limited liability company	RMB5,000,000	RMB5,000,000	100	100	–	–
Wuhan Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China, limited liability company	RMB63,000,000	RMB63,000,000	100	100	–	–
Chongqing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China, limited liability company	RMB4,000,000	RMB2,000,000	100	100	–	–
Guangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Guangzhou, China, limited liability company	RMB86,000,000	RMB86,000,000	100	100	–	–
Shenzhen Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China, limited liability company	RMB29,000,000	RMB29,000,000	100	100	–	–
Shanghai Renrui Network Technology Co., Ltd.	Human Resources Services and R&D	Shanghai, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shanghai Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shanghai, China, limited liability company	RMB70,000,000	RMB70,000,000	100	100	–	–
Nanjing Renrui Human Resources Co., Ltd.	Human Resources Services	Nanjing, China, limited liability company	RMB23,000,000	RMB23,000,000	100	100	–	–
Hangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hangzhou, China, limited liability company	RMB21,000,000	RMB21,000,000	100	100	–	–
Suzhou Renrui Puhui Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Suzhou Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Renrui HR Group	Human Resources Services	Chengdu, China, limited liability company	RMB370,526,300	RMB370,526,300	100	100	–	–
Liaoning Renrui Service Outsourcing Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–

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12 SUBSIDIARIES (Continued)

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%) 2021	Ownership interest held by the Group (%) 2020	Ownership interest held by non-controlling interests (%) 2021	Ownership interest held by non-controlling interests (%) 2020
Ningbo Renrui Human Resources Service Co., Ltd.	Human Resources Services	Ningbo, China, limited liability company	RMB8,000,000	RMB8,000,000	100	100	–	–
Liaoning Renrui Puhui Human Resources Service Co., Ltd. ("Liaoning Puhui")	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–
Liaoning Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–
Wuhan Huazhong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shangrao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shangrao, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Sunflower Human Resources Limited	Investment Holding	The British Virgin Islands, limited liability company	USD50,000	USD1	100	100	–	–
Tournesol Human Resources Limited	Human Resources Services	Hong Kong, limited liability company	HKD1	HKD1	100	100	–	–
Shandong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Jinan, China, limited liability company	RMB3,000,000	RMB3,000,000	100	100	–	–
Liaoning Corporate	Human Resources Services	Yingkou, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Luzhou Renrui Enterprise Service Outsourcing Co., Ltd.	Human Resources Services	Luzhou, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Sichuan Renrui Network Technology Co.,Ltd.	Human Resources Services and R&D	Chengdu, China, limited liability company	RMB10,000,000	RMB2,400,000	100	100	–	–
Luzhou Ruiyi United Human Resources Service Co., Ltd.	Human Resources Services	Luzhou, China, limited liability company	RMB2,000,000	RMB2,000,000	60	60	40	40
Chengdu Renrui United Human Resources Service Co., Ltd.	Human Resources Services	Chengdu, China, limited liability company	RMB2,000,000	RMB2,000,000	60	60	40	40
Shijiazhuang Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shijiazhuang, China, limited liability company	RMB18,000,000	RMB18,000,000	100	100	–	–
Zhengzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Zhengzhou, China, limited liability company	RMB20,000,000	RMB10,000,000	100	100	–	–
Liaoning RenRui Senpu Network Service Outsourcing Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB10,000,000	RMB6,000,000	60	60	40	40
Xinjiang Renrui Xinjian Human Resources Service Co., Ltd.	Human Resources Services	Shihezi, China, limited liability company	RMB5,000,000	RMB3,000,000	60	60	40	40
Changsha Renrui Human Resources Service Co., Ltd.	Human Resources Services	Changsha, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Chongqing Renrui Renhui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shenzhen Southern District Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–

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12 SUBSIDIARIES (Continued)

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%) 2021	2020	Ownership interest held by non-controlling interests (%) 2021	2020
Shandong Renrui Youming Service Outsourcing Co., Ltd.	Human Resources Services	Tai'an, China, limited liability company	RMB10,000,000	RMB6,000,000	60	60	40	40
Changzhou Ruihui Human Resource Service Co., Ltd.	Human Resources Services	Changzhou, China, limited liability company	RMB9,500,000	RMB9,500,000	100	–	–	–
Chengdu Renrui Xiaoqi Education Technology Co., Ltd.	Human Resources Services	Chengdu, China, limited liability company	RMB10,000,000	–	100	–	–	–
Xi'an Renrui Network Technology Co., Ltd.	BPO Services	Xi'an, China, limited liability company	RMB10,000,000	–	100	–	–	–
Hainan Renrui Network Technology Co., Ltd.	Human Resources Services	Hainan, China, limited liability company	RMB10,000,000	RMB10,000,000	100	–	–	–
Panjin Renrui Service Outsourcing Co., Ltd.	BPO Services	Panjin, China, limited liability company	RMB10,000,000	RMB10,000,000	100	–	–	–
Haikou Tonghe Technology Co., Ltd.	Human Resources Services	Haikou, China, limited liability company	RMB1,000,000	RMB600,000	60	–	40	–
Jinhu Ruihui Human Resources Service Co., Ltd.	Human Resources Services	Huaian, China, limited liability company	RMB2,000,000	–	100	–	–	–
Jiangnan Financial Technology (Changzhou) Co., Ltd. ("Jiangnan Finance Technology")	Human Resources Services	Changzhou, China, limited liability company	RMB10,000,000	RMB10,000,000	51	–	49	–
Shanghai Lingshi Human Resources Services Ltd. ("Shanghai Lingshi")	Human Resources Services	Shanghai, China, limited liability company	RMB11,000,000	RMB11,000,000	51	–	49	–
Shandong Lingshi Human Resource Services Ltd.	Human Resources Services	Shandong, China, limited liability company	RMB3,000,000	RMB3,000,000	51	–	49	–
Guangzhou Tonghe Network Technology Co., Ltd.	Human Resources Services	Guangzhou, China, limited liability company	RMB10,000,000	RMB,500,000	60	–	40	–
Yantai Renrui Service Outsourcing Co., Ltd.	BPO Services	Yangtai, China, limited liability company	RMB2,000,000	–	100	–	–	–

As at 31 December 2021, all the subsidiaries in which the Group held non-controlling interests were not material to the Group.

13 INVESTMENTS IN JOINT VENTURES

(a) Investments in joint ventures accounted for using the equity method

The movements in investments in joint ventures were as follows:

	Year ended 31 December 2021 RMB'000
As at 1 January	19,683
Share of results of joint ventures accounted for using the equity method	1,889
As at 31 December	21,572

Set out below are the joint ventures of the Group as at 31 December 2021 and are accounted for using the equity method, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Company name	Place of business/ country of incorporation	% of ownership interest 2021 %	2020 %	Nature of relationship	Measurement method	Carrying amount 2021 RMB'000	2020 RMB'000
Tianjin Binhai Xunteng Technology Group Limited ("Xunteng Group")	China	15	15	Joint venture (1)	Equity method	20,660	17,550
Shanghai Zhencheng Technology Company Limited ("Zhencheng")	China	45	45	Joint venture	Equity method	912	2,133
						21,572	19,683

(1) In October 2020, Renrui HR Group, a wholly-owned subsidiary of the Company, entered into an investment agreement with certain third parties, which previously owned 100% equity interest in Xunteng Group collectively. Renrui HR Group would contribute RMB20,000,000 cash into Xunteng Group, whereby Renrui HR Group obtained 15% equity interest in Xunteng Group. The acquisition was completed on 1 December 2020. According to the investment agreement, the Group has the veto power over the strategic financial and operating decisions relating to the activities of Xunteng Group and the Group accounted for the investment in Xunteng Group as a joint venture in this respect.

Based on the terms of the investment agreement, the Group was also entitled to a contingent consideration receivable related to Xunteng Group's future performance in next three years (the "Contingent Consideration Receivable"), as well as a liquidation preference right, both of which were measured as derivative financial instruments. The Group engaged a third-party valuer to determine the fair value of the derivative financial instruments. As at 1 December 2020, the date of initial recognition, the fair value of the contingent consideration receivable and liquidation preference right was approximately RMB717,000 and RMB1,833,000 respectively, while the investment in the joint venture was initially recognised at approximately RMB17,450,000.

As at 31 December 2021, the fair value of the contingent consideration receivable and liquidation preference right relating to Xunteng Group were approximately RMB0 (31 December 2020: RMB728,000) and RMB1,990,000 (2020: RMB1,852,000) respectively (Note 3.3), and fair value loss on derivative financial instruments for the year ended 31 December 2021 were approximately RMB590,000 (2020: fair value gain of approximately RMB30,000).

13 INVESTMENTS IN JOINT VENTURES (Continued)

(a) Investments in joint ventures accounted for using the equity method (Continued)

(2) There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

(3) Summarised financial information for Xunteng Group

The tables below provided summarised financial information for Xunteng Group which is material to the Group. The information disclosed reflected the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. It had been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Summarised balance sheet	Xunteng Group 2021 RMB'000
Total assets	114,125
Total liabilities	36,514
Net assets	77,611
Reconciliation to carrying amounts:	
Opening net assets 1 January	56,879
Profit for the period	20,732
Closing net assets	77,611
Group's share in %	15%
Group's share in RMB	11,642
Goodwill	9,018
Carrying amount	20,660
Revenue	74,919
Net profit and total comprehensive income	20,732

(4) Individually immaterial joint venture

In addition to the interests in Xunteng Group disclosed above, the Group also has interests in an individually immaterial joint venture that was accounted for using the equity method.

	Zhencheng 2021 RMB'000
Carrying amount of individually immaterial joint venture	912
Amount of the Group's share of loss and total comprehensive loss	(1,221)

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13 INVESTMENTS IN JOINT VENTURES (Continued)

(b) Investment in a joint venture as financial assets at fair value through profit or loss

In September 2021, the Group entered into an investment agreement to contribute RMB20,000,000 into Greedy Technology (Shenzhen) Co., Ltd ("Greedy Technology"). Upon completion of the transaction on 26 September 2021, the Group owned 20% equity interests in Greedy Technology. According to the investment agreement, the Group had the veto power over the strategic financial and operating decisions relating to the activities of Greedy Technology, and therefore the Group had joint control over Greedy Technology. The Group was also entitled to certain substantive preferential rights over Greedy Technology, including redemption right. The Group accounted for the investment in Greedy Technology as financial assets at fair value through profit or loss in this respect, and the fair value was approximately RMB19,946,000 (note 3.3) as at 31 December 2021.

14 INCOME TAX EXPENSE

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 2021 and 2020.

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 2021 and 2020 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.

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14 INCOME TAX EXPENSE (Continued)

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

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税政策的通知」 (財税[2012]第27號)), certain subsidiary of the Group was entitled to a two-year exemption from income taxes followed by three year of a 50% tax reduction, commencing from the first year when taxable income amount is greater than zero. Certain subsidiary within the Group was qualified for this policy and enjoyed the exemption from income taxes between 1 January 2018 and 31 December 2019 and 50% tax reduction from 1 January 2020.

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

Withholding tax on undistributed dividends

According to CIT law, distribution of profits earned by PRC companies since February 2015 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During years ended 31 December 2021 and 2020, the PRC companies within the Group did not have any profit distribution plan in the foreseeable future.

(a) Income tax expense

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax	(17,730)	(23,220)
Deferred income tax	(350)	(2,257)
	(18,080)	(25,477)

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14 INCOME TAX EXPENSE (Continued)

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax expense	120,428	208,394
Tax calculated at PRC CIT rate of 25% income tax rate	(30,107)	(52,099)
Tax effects of:		
– Expenses not deductible for tax purposes	(2,805)	(5,631)
– Tax losses and temporary difference for which no deferred income tax asset was recognised	(104)	(28)
– Recognition of tax losses for which no deferred income tax asset was previously recognised	8	106
– Additional deduction of 100% of the wages paid to disabled employees	1,067	655
– Research and development tax credit	3,376	2,388
– Cayman Islands incorporated company's profits not subject to income tax	2,930	19,627
– Tax exemption and preferential income tax rates applicable to subsidiaries	7,684	9,588
– PRC withholding income tax from intercompany interest income	(129)	(83)
	(18,080)	(25,477)

15 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2021	2020
Profit attributable to the equity holders of the Company (RMB'000)	101,667	182,616
Weighted average number of ordinary shares in issue (thousands)	152,884	152,998
Basic earnings per share attributable to the equity holders of the Company (RMB per share)	0.66	1.19

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15 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

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

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

For the year ended 31 December 2021 and 2020, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 1,325,000 share options granted on 30 June 2019, 490,000 share options granted on 31 July 2019, 718,000 share options granted on 22 January 2021 and 1,810,000 share options granted on 16 July 2021 (2020: 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 2021. These share options could potentially dilute basic earnings per share in the future.

The diluted earnings per share for the year ended 31 December 2021 and 2020 was as following:

	Year ended 31 December	
	2021	2020
Profit attributable to the equity holders of the Company (RMB'000)	101,667	182,616
Weighted average number of ordinary shares in issue (thousands)	152,884	152,998
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	12,795	18,043
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	165,679	171,041
Diluted earnings per share attributable to the equity holders of the Company (RMB per share)	0.61	1.07

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16 SHARE-BASED PAYMENTS

The total share-based compensation expenses recognised in the consolidated income statement were approximately RMB6,188,000 and RMB1,886,000 for the years ended 31 December 2021 and 2020, respectively. The following table set forth a breakdown of the share-based compensation expenses:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Pre-IPO share option schemes (a)	246	1,592
Post-IPO share option scheme (b)	4,862	294
Post-IPO share award scheme (c)	1,080	—
	6,188	1,886

(a) Pre-IPO share option schemes

Before the Listing, the Group granted share options to eligible senior management and employees. Prior to March 2019, the options granted were vested upon the listing of the Company, on the condition that employees remained in service without any performance requirements.

In March 2019, the Group modified the terms and conditions of the previously granted share options mentioned above. The modified pre-IPO share option schemes have graded vesting terms, and the share options will vest in tranches upon the listing on condition that the employees remain in service without any performance requirements. Such modification has no impact on the subsequent measurement during the remainder of the vesting period, since the modification does not increase the fair value of those previously granted share options.

After March 2019, new pre-IPO Share options have graded vesting terms, and the share options will vest in tranches upon the listing on condition that the employees remain in service without any performance requirements.

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16 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO share option schemes (Continued)

Movements in the number of pre-IPO share options granted and their related weighted average exercise prices were as follows:

	Number of share options	Weighted average exercise price per share option (USD)
Outstanding as of 1 January 2020	22,864,600	0.82
Exercised during the year	(2,795,500)	0.56
Forfeited during the year	(274,600)	2.00
Outstanding as of 31 December 2020	19,794,500	0.84
Exercised during the year	(78,200)	0.11
Forfeited during the year	(92,900)	2.50
Outstanding as of 31 December 2021	**19,623,400**	**0.84**

(b) Post-IPO share option scheme

Since 2020, the Group has granted share options to eligible senior management and employees under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on condition that the employees remain in service with certain performance requirements on part of options.

On 29 October 2020, the Group granted share options to three executive directors which entitled the grantees to subscribe for a maximum of 390,000 shares under the post-IPO share option scheme adopted on 26 November 2019. The share options have a vesting period of 18 months, and will vest upon the fulfilment of certain non - market performance conditions.

On 22 January 2021, the Group granted share options to twenty eligible grantees (four non-executive directors and sixteen employees) which entitled the grantees to subscribe for a maximum of 2,560,000 shares under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on the condition that the grantees remain in service and upon fulfilment of certain non-market performance conditions.

On 16 July 2021, the Group granted share options to forty-two eligible grantees who are entitled to subscribe for a maximum of 1,830,000 shares. These share options will vest in tranches on the condition that the grantees remain in service without any performance requirements.

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16 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO share option scheme (Continued)

Movements in the number of post-IPO share options granted and their related weighted average exercise prices were as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of 1 January 2020	—	—
Granted during the year	390,000	30.00
Outstanding as of 1 January 2021	390,000	30.00
Granted during the year	4,390,000	20.37
Forfeited during the year	(2,252,000)	27.62
Outstanding as of 31 December 2021	2,528,000	15.39

The Group adopted Binomial option-pricing model to determine the fair value of share options. The aggregate fair value of share options granted during the year end 31 December 2021 as at respective grant dates was approximately RMB29,249,000. Significant assumptions of share options granted during the years ended 31 December 2021 were set as below:

	Share options granted under the Post-IPO Share Option Scheme	
	in January 2021	in July 2021
Risk-free interest rates	0.57%	1.03%
Expected volatility	40.00%	40.00%
Ordinary share price on grant date (HKD)	27.30	10.28
Exercise price (HKD)	27.30	10.67
Dividend yield	1.50%	1.50%

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16 SHARE-BASED PAYMENTS (Continued)

(c) Post-IPO share award scheme

On 22 January 2021, the Group granted 2,300,000 award shares to 29 eligible employees, none of who is connected person, under the post-IPO share award scheme adopted on 26 November 2019 and amended on 26 June 2020. These award shares will vest in tranches on the condition that the grantees remain in service without any performance requirements. Upon vesting of the award shares, the Company will immediately direct the trust to sell the award shares and pay the grantees in cash the net proceeds from such sales, netting of the benchmarked price of HKD25.00 per share as stipulated in the agreements with the grantees.

Movements in the number of award shares granted and their related weighted average benchmark prices were as follows:

	Number of award shares	Benchmark price per award shares (HKD)
Outstanding as of 1 January 2021	—	—
Granted during the year	2,300,000	25.00
Forfeited during the year	(180,000)	25.00
Outstanding as of 31 December 2021	2,120,000	25.00

The fair value of the award shares was determined using the Binomial option-pricing model as at 31 December 2021. Significant assumptions were set as below:

	As at 31 December 2021
Risk-free interest rates	1.32%
Expected volatility	40.00%
Ordinary share price on 31 December 2021 (HKD)	8.10
Benchmark price (HKD)	25.00
Dividend yield	1.50%

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17 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets property RMB'000	Computer equipment RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020						
Cost	94,358	10,368	172	4,288	11,066	120,252
Accumulated depreciation	(23,756)	(5,653)	(98)	(1,294)	(4,952)	(35,753)
Net book amount	70,602	4,715	74	2,994	6,114	84,499
Year ended 31 December 2020						
Opening net book amount	70,602	4,715	74	2,994	6,114	84,499
Additions	10,484	855	36	315	5,674	17,364
Disposals	(3,440)	(74)	(2)	(29)	—	(3,545)
Depreciation charge (Note 6)	(18,987)	(2,019)	(58)	(831)	(2,487)	(24,382)
Closing net book amount	58,659	3,477	50	2,449	9,301	73,936
At 31 December 2020						
Cost	92,067	10,418	199	4,316	16,211	123,211
Accumulated depreciation	(33,408)	(6,941)	(149)	(1,867)	(6,910)	(49,275)
Net book amount	58,659	3,477	50	2,449	9,301	73,936
Year ended 31 December 2021						
Opening net book amount	58,659	3,477	50	2,449	9,301	73,936
Additions	70,439	13,606	1,256	4,512	14,183	103,996
Disposals	(16,614)	(54)	(13)	(84)	—	(16,765)
Depreciation charge (Note 6)	(35,887)	(3,872)	(389)	(1,049)	(6,757)	(47,954)
Closing net book amount	76,597	13,157	904	5,828	16,727	113,213
At 31 December 2021						
Cost	113,202	22,574	1,419	8,443	26,091	171,729
Accumulated depreciation	(36,605)	(9,417)	(515)	(2,615)	(9,364)	(58,516)
Net book amount	76,597	13,157	904	5,828	16,727	113,213

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Non-current assets pledged as security

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

(ii) Depreciation expenses were charged to the consolidated income statement as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of revenue	29,462	11,793
Administrative expenses	13,296	9,151
Selling and marketing expenses	2,826	2,294
Research and development expenses	2,370	1,144
	47,954	24,382

(iii) During the year ended 31 December 2020, financial support funds of RMB2,000,000 from local government relating to acquisition of leasehold improvements were received and were presented by deducting the grant in arriving at the carrying amount of relevant assets. There were no unfulfilled conditions and other contingencies attaching to these grants.

During the year ended 31 December 2021, no financial support fund was received.

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18 INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
At 1 January 2020				
Cost	1,804	—	—	1,804
Accumulated amortisation	(1,036)	—	—	(1,036)
Net book amount	768	—	—	768
Year ended 31 December 2020				
Opening net book amount	768	—	—	768
Additions	2,692	—	—	2,692
Amortisation charge (Note 6)	(316)	—	—	(316)
Closing net book amount	3,144	—	—	3,144
At 31 December 2020				
Cost	4,496	—	—	4,496
Accumulated amortisation	(1,352)	—	—	(1,352)
Net book amount	3,144	—	—	3,144
Year ended 31 December 2021				
Opening net book amount	3,144	—	—	3,144
Additions	3,237	—	—	3,237
Additions from acquisition of subsidiaries (Note 34)	—	58,673	28,000	86,673
Amortisation charge (Note 6)	(899)	—	(844)	(1,743)
Closing net book amount	5,482	58,673	27,156	91,311
At 31 December 2021				
Cost	7,733	58,673	28,000	94,406
Accumulated amortisation	(2,251)	—	(844)	(3,095)
Net book amount	5,482	58,673	27,156	91,311

18 INTANGIBLE ASSETS (Continued)

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

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Cost of revenue	844	—
Administrative expenses	899	316
	1,743	316

(ii) Customer relationships

Customer relationships was acquired as part of a business combination (Note 34). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers. The useful life of 5 years for customer relationships is determined based on the historical renewal pattern and the industry practice. An independent valuation was performed by an independent valuer to determine the amount of the customer relationships recognised by the Group during year end 31 December 2021. The following table sets forth each key assumption on which management has based its cash flow projections to determine the fair value of the customer relationships as at the acquisition date:

Discount rate (%)	19%
Expected life of the intangible assets	5 years

(iii) Goodwill

Goodwill of RMB58,673,000 (2020: Nil) has been allocated to the subsidiaries acquired as a whole for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2021. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Annual revenue growth rate for the 5-year period (%)	7%-20%
Gross profit rate (%)	11%-12%
Terminal revenue growth rate (%)	2.5%
Pre-tax discount rate (%)	23.17%

As at 31 December 2021, the recoverable amounts of RMB143,806,000 of the business calculated based on VIU calculation exceeded its carrying value by RMB762,000.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2021, the directors of the Company determined that no impairment provision on goodwill for the year ended 31 December 2021.

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19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

Financial assets

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Financial assets at amortised cost			
Trade and notes receivables	22	760,961	477,895
Deposits and other receivables	21	9,433	1,731
Other non-current assets (i)		73,925	7,043
Restricted cash	23	6,243	7,865
Cash and cash equivalents	23	638,373	967,225
Financial assets at fair value through other comprehensive income			
Wealth management products purchased from banks (ii)		102,105	185,827
Financial assets at fair value through profit or loss			
Wealth management products purchased from banks (ii)		112,177	—
Investment in a joint venture at fair value through profit or loss (iii)		19,946	—
Derivative financial instruments	3.3	2,085	2,580
		1,725,248	1,650,166

Financial liabilities

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	27	63,856	50,632
Borrowings	26	5,017	—
Lease liabilities	28	77,870	58,564
Financial liabilities at fair value though profit or loss			
Contingent consideration payable	34	4,245	—
		150,988	109,196

19 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(i) Other non-current assets mainly included long-term loans to employees of approximately RMB64,808,000 (31 December 2020: nil) and deposits paid for lease contracts of approximately RMB8,360,000 (31 December 2020: RMB7,043,000) that would be repaid at the end of the relevant leasing periods.

The long-term loans to employees were repayable in the year ended 31 December 2024. The interest rate on the loans during the year was 2%.

(ii) As at 31 December 2021, the Group held certain wealth management products purchased from banks of approximately RMB214,282,000 (31 December 2020: RMB185,827,000), which will be due or sold within one year.

(iii) As at 31 December 2021, the Group held certain investment in ordinary shares with preferential rights issued by a private investee company. The Group maintained joint control in the company (Note 13).

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Losses recognised in other comprehensive income (Note 25)	(1,126)	(604)
Interest income from financial assets at FVOCI recognised in profit or loss in other income		
Related to investments derecognised during the period	2,446	1,375
Related to investments held at the end of the reporting period	974	1,761
	3,420	3,136
Fair value gains/(losses) on financial assets at FVPL recognised in profit or loss in other gains		
Fair value gains on equity investments at FVPL recognised in other gains	32	—
Fair value (losses)/gains on wealth management products purchased from banks at FVPL recognised in other gains	(665)	9,968
	(633)	9,968

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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20 DEFERRED INCOME TAXES

(a) Deferred tax assets

The balance comprises temporary differences attributable to:	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Tax losses	5,110	8,227
Loss allowances for financial assets	3,208	2,156
Lease liabilities	1,969	595
Accrued expenses	1	221
Government grants	—	150
Unrealised profit	1,949	1,329
Total deferred tax assets	12,237	12,678

Movements	Tax losses RMB'000	Loss allowances for financial assets RMB'000	Lease liabilities RMB'000	Accrued expenses RMB'000	Government grants RMB'000	Unrealised profit RMB'000	Total RMB'000
At 1 January 2020	10,188	1,506	1,081	892	—	1,268	14,935
(Charged)/credited to the consolidated income statement	(1,961)	650	(486)	(671)	150	61	(2,257)
At 31 December 2020	8,227	2,156	595	221	150	1,329	12,678
At 1 January 2021	8,227	2,156	595	221	150	1,329	12,678
(Charged)/credited to the consolidated income statement	(3,117)	1,052	1,374	(220)	(150)	620	(441)
At 31 December 2021	5,110	3,208	1,969	1	—	1,949	12,237

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB632,000 (2020: RMB380,000) that can be carried forward to offset against future taxable income, because it was uncertain whether there would be sufficient profit to offset in the near future. The outcome of their actual utilisation may be different from management's estimation.

Notes to the Consolidated Financial Statements

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20 DEFERRED INCOME TAXES (Continued)

(a) Deferred tax assets (Continued)

Expiry date	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Indefinite	632	380

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Customer relationships arising from business combinations	(6,789)	—
Total deferred tax liabilities	(6,789)	—

Movements	Intangible assets arising from business combinations RMB'000
At 1 January 2021	
Additions from acquisition of subsidiaries (Note 34)	(7,000)
Credited to the consolidated income statement	211
At 31 December 2021	(6,789)

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21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments	24,286	8,196
Deposits	5,617	1,551
Input VAT deductible	5,059	2,119
Other receivables	4,128	279
Less: provision for impairment	(312)	(99)
	38,778	12,046

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

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

22 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	772,936	477,829
Less: provision for impairment of trade receivables	(12,918)	(8,952)
Trade receivables – net	760,018	468,877
Notes receivables	943	9,018
	760,961	477,895

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2021 and 2020.

22 TRADE AND NOTES RECEIVABLES (Continued)

The Group generally allows a credit period of 10 to 90 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables		
– Within 3 months	757,349	471,980
– 4 months to 6 months	7,930	1,359
– 7 months to 9 months	1,170	318
– 10 months to 12 months	535	115
– Over 12 months	5,952	4,057
	772,936	477,829

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 (Note 3.1).

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash on hand	19	21
Cash at banks	644,597	975,069
Less: restricted cash - current (i)	(241)	(1,815)
restricted cash - non-current (i)	(6,002)	(6,050)
Cash and cash equivalents	638,373	967,225

(i) As at 31 December 2021, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificates.

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23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	486,016	952,674
HKD	112,743	13,765
USD	39,614	786
	638,373	967,225

24 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME

Authorised:	Number of ordinary shares	Nominal value of ordinary shares USD	Number of preferred shares	Nominal value of preferred shares USD
At 31 December 2020	2,000,000,000	100,000	—	—
At 31 December 2021	2,000,000,000	100,000	—	—

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24 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME (Continued)

Issued:	Number of ordinary shares	Nominal value of ordinary shares USD	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Number of preferred shares	Nominal value of preferred shares USD
At 1 January 2020	150,539,479	7,527	51	2,170,559	—	—	—
Issue of ordinary shares in connection with the over-allotment option of the listing, net of listing expenses (i)	3,130,100	157	1	71,695	—	—	—
Exercise of share options (ii)	2,795,500	140	1	10,224	—	—	—
Acquisitions of shares held for share-based payment scheme (iii)	—	—	—	—	(66,609)	—	—
At 31 December 2020	156,465,079	7,824	53	2,252,478	(66,609)	—	—
At 1 January 2021	156,465,079	7,824	53	2,252,478	(66,609)	—	—
Exercise of share options (ii)	78,200	4	—	57	—	—	—
Acquisitions of shares held for share-based payment scheme (iii)	—	—	—	—	(21,278)	—	—
Dividends paid (Note 29)	—	—	—	(53,433)	—	—	—
At 31 December 2021	156,543,279	7,828	53	2,199,102	(87,887)	—	—

(i) On 3 January 2020, the over-allotment option in connection with the Company's global offering was partially exercised, and the Company issued 3,130,100 new ordinary shares of USD0.00005 each at HKD26.60 per share. Gross proceeds of approximately HKD83,261,000 (equivalent to approximately RMB74,482,000) were raised and the excess over the par value of approximately RMB1,000 for the 3,130,100 shares issued net of the transaction costs of approximately RMB2,786,000 was credited to share premium account subsequently with an amount of approximately RMB71,695,000.

(ii) On 17 November 2020, part of the share options granted under the pre-IPO share option scheme of 2,795,500 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.56 per share. Proceeds of approximately HKD12,055,000 (equivalent to approximately RMB10,225,000) were raised and the excess over the par value of approximately RMB1,000 for the 2,795,500 shares exercised was credited to share premium account subsequently with an amount of approximately RMB10,224,000.

On April 2021, part of the share options granted under the pre-IPO share option scheme of 78,200 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.1111 per share. Proceeds of approximately USD9,000 (equivalent to approximately RMB57,000) were raised and the excess over the par value of approximately RMB0 for the 78,200 shares exercised was credited to share premium account subsequently with an amount of approximately RMB57,000.

(iii) Shares held for share-based payment scheme represented shares of the Company that were held by the trustee, which was consolidated in accordance with the principles in Note 2.2(i), for the purpose of granting award shares under the post-IPO share award scheme.

During the year ended 31 December 2021, the trustee acquired 1,024,000 shares (2020: 2,632,000 shares) from the market at a total consideration of approximately HKD25,488,000 (equivalent to approximately RMB21,278,000) (2020: HKD74,507,000 (equivalent to approximately RMB66,609,000)).

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25 OTHER RESERVES

Other reserves of the Company	Changes in the fair value of financial assets at fair value through other comprehensive income RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
At 1 January 2020	—	6,915	(37,826)	(30,911)
Currency translation differences	—	—	(32,419)	(32,419)
Share-based compensation (Note 7)	—	1,886	—	1,886
Changes in the fair value of financial assets at fair value through other comprehensive income(Note 19)	(604)	—	—	(604)
At 31 December 2020	(604)	8,801	(70,245)	(62,048)
At 1 January 2021	(604)	8,801	(70,245)	(62,048)
Currency translation differences	—	—	(11,408)	(11,408)
Share-based compensation (Note 7)	—	6,188	—	6,188
Changes in the fair value of financial assets at fair value through other comprehensive income(Note 19)	(1,126)	—	—	(1,126)
At 31 December 2021	(1,730)	14,989	(81,653)	(68,394)

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26 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings	5,017	—

As at 31 December 2021, bank borrowings of RMB5,017,000 were matured within one year, unsecured, and guaranteed by non-controlling interest of certain subsidiaries of the Group, with annual interest rates of 5.5%.

As at 31 December 2021, the carrying amounts of borrowings were denominated in RMB.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables due to third parties	21,374	18,350
Trade payables due to a joint venture (Note 32(d))	1,359	1,913
Accrued payroll and welfare	454,813	341,621
VAT and surcharges	70,259	40,959
Risk deposit due to customers	10,068	12,687
Payables for acquisition of subsidiaries (Note 34)	14,702	—
Others	16,353	17,682
	588,928	433,212

As at 31 December 2021 and 2020, 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 2021 and 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
– Within 6 months	22,697	18,040
– 7 months to 12 months	36	433
– Over 12 months	—	1,790
	22,733	20,263

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28 LEASE LIABILITIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Minimum lease payments due:		
Within 1 year	30,940	20,750
Between 1 and 2 years	30,806	23,457
Between 2 and 5 years	23,139	19,516
	84,885	63,723
Less: future finance charges	(7,015)	(5,159)
	77,870	58,564
Present value of lease liabilities		
Within 1 year	27,108	17,779
Between 1 and 2 years	28,684	21,774
Between 2 and 5 years	22,078	19,011
	77,870	58,564

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

29 DIVIDENDS

The final dividends paid in 2021 amounted to HK$64,213,000 (equivalent to RMB53,433,000) (2020: nil), representing HK$0.42 (equivalent to RMB0.35) (2020: nil) per ordinary share of the Company.

At a Board meeting held on 30 March 2022, the directors of the Company proposed a final dividend for the year ended 31 December 2021 of HK$0.24 (2020: 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 2022 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

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30 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	120,428	208,394
Adjustments for:		
– Depreciation of property, plant and equipment (Note 17)	47,954	24,382
– Amortisation of intangible assets (Note 18)	1,743	316
– Net losses on disposal of property, plant and equipment (Note 10)	91	4
– Share-based payments (Note 7)	6,188	1,886
– Provision for net impairment losses on financial assets (Note 3.1(b))	4,755	2,941
– Share of results of joint ventures accounted for using the equity method	(1,889)	17
– Interest income (Note 11)	(6,588)	(12,820)
– Interest expenses (Note 11)	4,865	2,950
– COVID-19-related rent concessions (Note 6)	—	(885)
– Exchange gains - net	(11,059)	(23,560)
– Net losses/(gains) on financial assets at FVPL (Note 10)	665	(9,968)
– Fair value losses on financial liabilities at FVPL (Note 10)	22	—
– Interest from financial assets at FVOCI (Note 9)	(3,420)	(3,136)
– Net fair value losses/(gains) on derivative financial instruments (Note 10)	581	(30)
– Gains on early termination of lease contracts (Note 10)	(2,428)	(77)
Operating profit before working capital changes	161,908	190,414
Change in working capital:		
– Trade and notes receivables	(260,674)	(140,184)
– Prepayments, deposits and other receivables and other non-current assets	(79,223)	(5,659)
– Restricted cash	1,622	(7,865)
– Trade and other payables	114,275	126,729
– Contract liabilities	(4,237)	(3,168)
Cash generated from operations	(66,329)	160,267

Major non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use assets property – Note 17; and
- options and shares issued to employees under the share-based payment scheme for no cash consideration – Note 16.

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31 RECONCILIATION FROM OPENING TO CLOSING BALANCES OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

This section sets out an analysis of net debt and the movements in net debt for the years ended 31 December 2021 and 2020:

	Liabilities from financing activities		
	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as at 1 January 2020	—	73,430	73,430
Cash flows	—	(23,897)	(23,897)
Other changes (i)	—	9,031	9,031
Liabilities from financing activities as at 31 December 2020	—	58,564	58,564
Liabilities from financing activities as at 1 January 2021	—	58,564	58,564
Acquired through business combination	5,022	—	5,022
Cash flows	(52)	(34,226)	(34,278)
Other changes (i)	47	53,532	53,579
Liabilities from financing activities as at 31 December 2021	5,017	77,870	82,887

(i) Other changes included mainly non-cash movements including addition of lease liabilities and accrual of interest expenses.

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32 RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management includes directors (executive and non-executive), chief financial officer, vice president and secretary of the board of directors, the compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,636	2,764
Contribution to pension scheme	55	10
Discretionary bonuses	1,191	960
	3,882	3,734

(b) Names and relationships with related parties

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

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

(c) Transactions with a related party

The following transactions occurred with a related party:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Purchase of subcontracting services from a joint venture		
Xunteng Group	5,226	1,913

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

32 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with a related party

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
Xunteng Group	**1,359**	1,913

33 COMMITMENTS

(a) Non-cancellable operating leases

The Group leased IT-equipment and other small items of office furniture during the years. The total commitment amount was not material.

(b) Capital commitments

Significant capital expenditure contracted for, but not recognised as liabilities was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Purchase of property, plant and equipment	**1,034**	4,071

34 BUSINESS COMBINATION

(a) Summary of acquisition

In September 2021, the Group entered into sale and purchase agreements ("SPA") with certain third parties, which previously owned 100% equity interest in Jiangnan Finance Technology and Shanghai Lingshi respectively. According to the SPA, the Group would acquire 51% equity interest in Jiangnan Finance Technology and Shanghai Lingshi respectively at a total consideration of approximately RMB79,824,000, including a contingent consideration of approximately RMB4,223,000. The acquisition was completed on 6 November 2021. Total identifiable net assets of Jiangnan Finance Technology and Shanghai Lingshi amounted to RMB41,472,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 18).

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

	RMB'000
Purchase consideration:	
– Cash paid	60,899
– Payable (Note 27)	14,702
– Contingent consideration (i)	4,223
Total purchase consideration	79,824

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

	RMB'000
Cash and cash equivalents	7,366
Trade receivables	26,145
Prepayments, deposits and other receivables	19,000
Deferred income tax asset	121
Customer relationships (Note 18)	28,000
Borrowings	(5,022)
Trade and other payables	(27,138)
Deferred income tax liabilities (Note 20)	(7,000)
Net identifiable assets	41,472
Less: non-controlling interests	(20,321)
Add: goodwill (Note 18)	58,673
Net assets acquired	79,824

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

34 BUSINESS COMBINATION (Continued)

(a) Summary of acquisition (Continued)

(i) Contingent consideration

Based on the terms of the SPA, the Group was obliged to pay a contingent consideration based on Jiangnan Finance Technology and Shanghai Lingshi's financial performance for the 12 months ending 30 June 2022 ("contingent consideration payable"). As at 6 November 2021, the date of acquisition, the fair value of the contingent consideration payable amounted to approximately RMB4,223,000. As at 31 December 2021, the fair value of the contingent consideration payable was approximately RMB4,245,000, which resulted in a fair value loss on contingent consideration payable for the year ended 31 December 2021 amounted to approximately RMB22,000 (Note 10).

(ii) Revenue and profit contribution

The acquired business contributed revenues of RMB35,203,000 and net profit of RMB1,868,000 to the Group for the period from 6 November 2021 to 31 December 2021.

(b) Purchase consideration – cash outflow

	RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	(60,899)
Less: Balances acquired – cash and cash equivalents	7,366
Net cash outflow on acquisitions	(53,533)

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) In March 2022, the Group entered into an acquisition agreement with certain third party to acquire 46% of the equity interests in a target company at a total consideration of RMB408,020,000 (equivalent to approximately HK$502,934,000). Upon the completion of the acquisition, the target company will become a non-wholly owned subsidiary of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		92,648	88,542
Amount due from subsidiaries		458,359	432,037
Total non-current assets		551,007	520,579
Current assets			
Financial assets at fair value through other comprehensive income		102,105	185,827
Financial assets at fair value through profit or loss		112,177	—
Prepayments, deposits and other receivables		62	208
Cash and cash equivalents		242,875	359,975
Total current assets		457,219	546,010
Total assets		1,008,226	1,066,589
EQUITY			
Share capital	24	53	53
Share premium	24	2,197,827	2,252,478
Other reserves	36(a)	(119,730)	(100,427)
Accumulated losses		(1,074,030)	(1,085,751)
Total equity		1,004,120	1,066,353
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		2,958	—
Other payables		1,148	236
Total current liabilities		4,106	236
Total liabilities		4,106	236
Total equity and liabilities		1,008,226	1,066,589

The balance sheet of the Company was approved by the Board of Directors on 30 March 2022 and was signed on its behalf.

Zhang Jianguo
Director

Zhang Feng
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

Other reserves of the Company	Changes in the fair value of financial assets at fair value through other comprehensive income RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
At 1 January 2020	—	6,915	(36,470)	(29,555)
Currency translation differences	—	—	(72,154)	(72,154)
Share-based compensation (Note 7)	—	1,886	—	1,886
Changes in the fair value of financial assets at fair value through other comprehensive income	(604)	—	—	(604)
At 31 December 2020	(604)	8,801	(108,624)	(100,427)
At 1 January 2021	**(604)**	**8,801**	**(108,624)**	**(100,427)**
Currency translation differences	**—**	**—**	**(24,365)**	**(24,365)**
Share-based compensation (Note 7)	**—**	**6,188**	**—**	**6,188**
Changes in the fair value of financial assets at fair value through other comprehensive income	**(1,126)**	**—**	**—**	**(1,126)**
At 31 December 2021	**(1,730)**	**14,989**	**(132,989)**	**(119,730)**