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Renrui Human Resources Technology Holdings Limited

人瑞人才科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6919)

UPDATE ON THE PERFORMANCE GUARANTEE

AND

**DISCLOSEABLE TRANSACTION IN RELATION TO
ACQUISITIONS OF FURTHER EQUITY INTERESTS
IN TWO SUBSIDIARIES OF THE COMPANY
AT A PRICE BASED ON PAID-UP CAPITAL**

UPDATE ON THE PERFORMANCE GUARANTEE

The following disclosure is made by the Company pursuant to Rule 14.36B(2) of the Listing Rules. Reference is made to the 2021 Announcement in relation to, among others, the acquisitions by the Purchaser of 51% equity interests in each of Lingshi Yuntian and Shanghai Lingshi from Mr. Cai and Qihang Yuntian, respectively. The Vendors have undertaken certain performance targets in the 2021 SPAs.

Based on the financial performance of the Target Group: (i) Target I was not fulfilled and the Purchaser did not pay the final instalment of the consideration as a result; (ii) Target II was not fulfilled and the Purchaser is entitled to receive the Compensation from the Vendors; and (iii) Target III was not fulfilled and the Board has resolved to exercise the option to acquire from the Vendors 8% of their equity interests in each of Lingshi Yuntian and Shanghai Lingshi at a price based on their respective paid-up capital in accordance with the 2021 SPAs. The non-fulfillment of the Targets was primarily attributable to the decline in staffing demand and difficulties in effectively arranging staffing employees due to the COVID-19 pandemic.

On 18 September 2023, the Purchaser and the Vendors entered into the Compensation Agreement acknowledging the Vendors' failure to meet the Targets and setting out consequential arrangements, including the Vendor's obligation to pay the Compensation and procure the Further Acquisitions by entering into the 2023 SPAs.

ACQUISITIONS OF FURTHER EQUITY INTERESTS IN LINGSHI YUNTIAN AND SHANGHAI LINGSHI AT A PRICE BASED ON PAID-UP CAPITAL

On 18 September 2023, the Purchaser and Qihang Yuntian entered into (i) the Lingshi Yuntian SPA, pursuant to which, the Purchaser has agreed to purchase and Qihang Yuntian has agreed to sell 8% of equity interests in Lingshi Yuntian at a consideration of RMB800,000, representing 8% of the paid-up capital of Lingshi Yuntian; and (ii) the Shanghai Lingshi SPA, pursuant to which, the Purchaser has agreed to purchase and Qihang Yuntian has agreed to sell 8% of equity interests in Shanghai Lingshi at a consideration of RMB880,000, representing 8% of the paid-up capital of Shanghai Lingshi.

LISTING RULES IMPLICATIONS

As both the Lingshi Yuntian SPA and the Shanghai Lingshi SPA were entered into with Qihang Yuntian as vendor, the Further Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules as if they were one transaction for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the Further Acquisitions exceeds 5% but are all less than 25%, the Further Acquisitions constitute a discloseable transaction for the Company under the Listing Rules and are therefore subject to reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements, pursuant to Chapter 14 of the Listing Rules.

As Qihang Yuntian was a substantial shareholder of Lingshi Yuntian and Shanghai Lingshi as at the date of this announcement, each being a non-wholly owned subsidiary of the Company, Qihang Yuntian was accordingly a connected person of the Company at the subsidiary level under the Listing Rules. As a result, the Further Acquisitions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio as defined under the Listing Rules) is less than 5% and the total consideration is less than HK\$3,000,000, the Further Acquisitions are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

UPDATE ON THE PERFORMANCE GUARANTEE

Background

The following disclosure is made by the Company pursuant to Rule 14.36B(2) of the Listing Rules. Reference is made to the 2021 Announcement in relation to, among others, the acquisitions by the Purchaser of 51% equity interests in each of Lingshi Yuntian and Shanghai Lingshi from Mr. Cai and Qihang Yuntian, respectively. The financial results of Lingshi Yuntian and Shanghai Lingshi have been consolidated into the Group's financial statements upon completion of such acquisitions.

Pursuant to the 2021 SPAs, the Vendors have undertaken certain performance targets, namely:

- (i) the Service Premium shall increase by at least 19% for the year ending 30 June 2022, as compared to that for the year ended 30 June 2021 (i.e. RMB30,145,285) (“**Target I**”);
- (ii) the Service Premium shall increase by at least 19% for the year ending 30 June 2023, as compared to that for the year ending 30 June 2022 (“**Target II**”);
- (iii) the total Service Premium from 1 July 2021 to 30 June 2023 shall amount to not less than RMB60,290,570 (“**Target III**”, together with Target I and Target II, the “**Targets**”).

Payment of final instalment of the consideration (being 6% of the consideration) payable by the Purchaser to the Vendors is subject to the fulfilment of Target I. In the event that Target II is not met, the Vendors shall pay 6% of the consideration to the Purchaser as compensation, amounting to RMB4,825,555.27 (the “**Compensation**”) within 60 workings days from 1 July 2023. In the event that Target III is not met, the Purchaser shall have the option to acquire from the Vendors up to 8% of their equity interests in each of Shanghai Lingshi and Lingshi Yuntian at a price based on the paid-up capital of Shanghai Lingshi and Lingshi Yuntian, respectively, within 60 working days from 1 July 2023 in proportion to the shortfall from Target III in accordance with the 2021 SPAs.

Financial Performance of the Target Group

Based on the financial information of the Target Group for the year ended 30 June 2022 and the year ended 30 June 2023:

- (i) the actual Service Premium for the year ended 30 June 2022 was approximately RMB23.2 million, representing a shortfall of RMB12.7 million from Target I. As a result, the Purchaser did not pay the final instalment of the consideration;
- (ii) the actual Service Premium for the year ended 30 June 2023 was approximately RMB22.9 million, representing a decrease of 1.2% from that for the year ended 30 June 2022. As a result, Target II was not fulfilled and the Purchaser is entitled to receive the Compensation from the Vendors; and
- (iii) the total Service Premium from 1 July 2021 to 30 June 2023 was approximately RMB46.1 million, representing a shortfall of approximately RMB14.2 million, or 23.5%, from Target III. In light of the non-fulfilment of Target III, the Board has resolved to exercise the option to acquire from the Vendors 8% of their equity interests in each of Lingshi Yuntian and Shanghai Lingshi at a price based on their respective paid-up capital in accordance with the 2021 SPAs (the “**Further Acquisitions**”).

The non-fulfillment of the Targets was primarily attributable to the decline in staffing demand and difficulties in effectively arranging staffing employees due to the COVID-19 pandemic.

The Compensation Agreement

On 18 September 2023, the Purchaser and the Vendors entered into the Compensation Agreement acknowledging the Vendors’ failure to meet all of the Targets and setting out consequential arrangements, including payment of the Compensation by the Vendors to the Purchaser on or before 21 September 2023 and the Vendors’ obligations to procure the Further Acquisitions by entering into the 2023 SPAs.

ACQUISITIONS OF FURTHER EQUITY INTERESTS IN LINGSHI YUNTIAN AND SHANGHAI LINGSHI AT A PRICE BASED ON PAID-UP CAPITAL

Lingshi Yuntian SPA

On 18 September 2023, the Purchaser entered into the Lingshi Yuntian SPA with Qihang Yuntian, of which the principal terms are as follows:

Transfer of equity interests

Pursuant to the Lingshi Yuntian SPA, the Purchaser has agreed to purchase and Qihang Yuntian has agreed to sell 8% of equity interests in Lingshi Yuntian. There is no condition precedent to the sale and purchase.

Consideration

The consideration is RMB800,000, which represents 8% of the paid-up capital of Lingshi Yuntian.

Subject to Qihang Yuntian's cooperation and provision of the documents required for registration and/or filing at the competent local branch of the SAMR in relation to the equity transfer, the Purchaser shall pay the consideration to Qihang Yuntian in cash within 5 business days from the date of the Lingshi Yuntian SPA. The consideration will be financed by the Group's internal resources.

Termination

In the event that the registration and/or filing at the competent local branch of the SAMR is not completed on or before 30 September 2023 due to default by Qihang Yuntian, the Purchaser may elect to terminate the Lingshi Yuntian SPA on or before 11 October 2023. Upon which, Qihang Yuntian shall, within 5 business days from the date of receipt of the termination notice, refund to the Purchaser the consideration already paid with accrued interest.

Upon termination of the Lingshi Yuntian SPA, the Purchaser and Qihang Yuntian shall have no further rights and obligations thereunder, unless provided otherwise under the clause of "default liability" below.

Default liability

Either the Purchaser or Qihang Yuntian shall be liable to indemnify and compensate the other party against any actual losses incurred as a result of its default in the performance of any of the obligations expressed to be assumed by it or breach of any representations, warranties and undertakings made by it in the Lingshi Yuntian SPA. For the avoidance of doubt, any failure to complete the registration and/or filing at the competent local branch of the SAMR on or before 30 September 2023 not due to non-cooperation of Qihang Yuntian shall not constitute a default by Qihang Yuntian.

Shanghai Lingshi SPA

On 18 September 2023, the Purchaser entered into the Shanghai Lingshi SPA with Qihang Yuntian, of which the principal terms are as follows:

Transfer of equity interests

Pursuant to the Shanghai Lingshi SPA, the Purchaser has agreed to purchase and Qihang Yuntian has agreed to sell 8% of equity interests of Shanghai Lingshi. There is no condition precedent to the sale and purchase.

Consideration

The consideration is RMB880,000, which represents 8% of the paid-up capital of Shanghai Lingshi.

Subject to Qihang Yuntian's cooperation and provision of the documents required for registration and/or filing at the competent local branch of the SAMR in relation to the equity transfer, the Purchaser shall pay the consideration to Qihang Yuntian in cash within 5 business days from the date of the Shanghai Lingshi SPA. The consideration will be financed by the Group's internal resources.

Save as above, other terms of the Shanghai Lingshi SPA are substantially the same as Lingshi Yuntian SPA, with necessary modifications.

INFORMATION OF THE PARTIES

Information of the Purchaser and the Group

The Group is a fast-growing pioneer in the human resources solutions sector of the PRC, primarily engaged in the provision of comprehensive flexible staffing services, professional recruitment, and other human resources solutions. The Group has reinvented traditional human resources services with comprehensive digital and cutting-edge technology. Its one-stop ecological system not only allows the Group to serve its customers across the PRC, but also effectively solves the challenges of fast recruitment in mass quantities in the PRC. Relying on the professional staff management, project management and extensive recruitment capabilities of the Group, the professional services of the Group can be quickly expanded to more industries. Currently, the Group operates more than 70 subsidiaries and branch offices across the PRC with business coverage in over 300 cities.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the provision of human resources services.

Information of Qihang Yuntian

Qihang Yuntian is principally engaged in the provision of comprehensive solutions in relation to digitalization of retail credits primarily in the following six aspects: products, risk management, operation, customer acquisition, data and system. As at the date of this announcement, Qihang Yuntian was held as to approximately 63.5% by Mr. Cai and 36.5% by various other companies and individuals. To the best of knowledge, information and belief of the Directors, save as Mr. Cai (who is a connected person of the Company being a director of Lingshi Yuntian and Shanghai Lingshi), the other shareholders of Qihang Yuntian are third parties independent of, and not connected with, the Company and its connected persons.

Information of Lingshi Yuntian and Shanghai Lingshi

Both Lingshi Yuntian and Shanghai Lingshi are principally engaged in the provision of comprehensive flexible staffing services to local commercial banks in the PRC.

As at the date of this announcement, Lingshi Yuntian was held as to 51% by the Company, 44% by Qihang Yuntian and 5% by Jiangnan Finance. Jiangnan Finance is principally engaged in the provision of trainings to employees of local commercial banks and it was indirectly wholly-owned by Qihang Yuntian

as at the date of this announcement. Immediately upon completion of the transactions contemplated under the Lingshi Yuntian SPA, Lingshi Yuntian will be held as to 59% by the Company, 36% by Qihang Yuntian and 5% by Jiangnan Finance.

As at the date of this announcement, Shanghai Lingshi was held as to 51% by the Company and 49% by Qihang Yuntian. Immediately upon completion of the transactions contemplated under the Shanghai Lingshi SPA, Shanghai Lingshi will be held as to 59% by the Company and 41% by Qihang Yuntian.

Financial Information of Lingshi Yuntian and Shanghai Lingshi

Set out below is the audited consolidated financial information for the two years ended 31 December 2021 and 31 December 2022 of Lingshi Yuntian and Shanghai Lingshi prepared in accordance with accounting principles generally accepted in the PRC:

	Lingshi Yuntian		Shanghai Lingshi	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Revenue	46.4	42.0	171.7	190.4
Profit before taxation	10.0	10.3	2.4	2.8
Profit after taxation	7.3	9.6	1.8	1.9

Set out below is the audited consolidated net asset value of Lingshi Yuntian and Shanghai Lingshi as at 31 December 2022 prepared in accordance with accounting principles generally accepted in the PRC:

	Lingshi Yuntian As at 31 December 2022	Shanghai Lingshi As at 31 December 2022
	<i>RMB (million)</i>	<i>RMB (million)</i>
Net asset	19.8	11.2

Reasons for and Benefits of the Further Acquisitions

As disclosed in the paragraph headed “Reasons for and Benefits of the Acquisitions” in the 2021 Announcement, the acquisition of the Target Group in 2021 has enhanced the Group’s capability to expand into the comprehensive flexible staffing service market targeting banks and financial institutions, which has a comparatively more stable and continuous demand for staffing and a relatively higher gross profit margin as compared to general positions. In addition, leveraging the Target Group’s long-term business relationship with rural commercial banks and city commercial banks, the Group has been able to explore more business opportunities in financial services and diversify its customer base. Since the acquisition in 2021, the Target Group has contributed stable revenue stream to the Group and enhanced the Group’s profitability.

Given that (i) the consideration of the Further Acquisitions is determined based on the paid-up share capital of Lingshi Yuntian and Shanghai Lingshi, which is substantially discounted as compared to the fair value of the Target Group; (ii) the reasons for the non-fulfillment of the Targets was primarily attributable to the extraordinary and unexpected circumstances caused by COVID-19 pandemic which was beyond control of the Target Group; and (iii) based on the financial condition and results of operation of the Target Group since the acquisition in 2021, the Group is confident in the business prospects of the Target Group and its strategic significance to the Group, the Board believes that the Further Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board will continue reviewing the performance of the Target Group and take appropriate actions as and when appropriate.

As one of the Directors, Mr. Zhang Feng, is also a director of Lingshi Yuntian and Shanghai Lingshi, Mr. Zhang Feng has abstained from voting on the relevant Board resolutions for approving the 2023 SPAs and the Further Acquisitions. Save as Mr. Zhang Feng, none of the other Directors has a material interest in the 2023 SPAs and the Further Acquisitions, and is therefore not required to abstain from voting on the relevant Board resolutions for approving the 2023 SPAs and the Further Acquisitions.

LISTING RULES IMPLICATIONS

As both the Lingshi Yuntian SPA and the Shanghai Lingshi SPA were entered into with Qihang Yuntian as vendor, the Further Acquisitions are aggregated pursuant to Rule 14.22 of the Listing Rules as if they were one transaction for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios in respect of the Further Acquisitions exceeds 5% but are all less than 25%, the Further Acquisitions constitute a discloseable transaction for the Company under the Listing Rules and are therefore subject to reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements, pursuant to Chapter 14 of the Listing Rules.

As Qihang Yuntian was a substantial shareholder of Lingshi Yuntian and Shanghai Lingshi as at the date of this announcement, each being a non-wholly owned subsidiary of the Company, Qihang Yuntian was accordingly a connected person of the Company at the subsidiary level under the Listing Rules. As a result, the Further Acquisitions constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio as defined under the Listing Rules) is less than 5% and the total consideration is less than HK\$3,000,000, the Further Acquisitions are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

THE OPINION OF THE BOARD

Pursuant to Rule 14.36B(2) of the Listing Rules, the Board is of the view that:

- (i) the Vendors have fulfilled their obligations under the 2021 SPAs by entering into the Compensation Agreement and the 2023 SPAs with the Company, subject to due performance of their obligations thereunder; and
- (ii) after considering the reasons for and benefits of the Further Acquisitions as set out above, the Company's decision to exercise the option to acquire from the Vendors 8% of their equity interests in each of Lingshi Yuntian and Shanghai Lingshi at a price based on their respective paid-up capital is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the followings meanings:

“2021 Announcement”	the discloseable transactions announcement of the Company dated 15 September 2021
“2021 SPAs”	the sale and purchase agreement dated 15 September 2021 entered into between the Purchaser and Mr. Cai in relation to the acquisition of the 51% of the equity interests in Lingshi Yuntian, together with the sale and purchase agreement dated 15 September 2021 entered into between the Purchaser and Qihang Yuntian in relation to the acquisition of the 51% of the equity interests in Shanghai Lingshi
“2023 SPAs”	the Lingshi Yuntian SPA and the Shanghai Lingshi SPA
“Board”	the board of directors 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)
“Compensation Agreement”	the compensation agreement dated 18 September 2023 and entered into among the Purchaser and the Vendors
“Director(s)”	the director(s) of the Company
“Group”	the Company together with its subsidiaries
“Jiangnan Finance”	Jiangnan Finance Management Consultancy (Changzhou) Holdings Company Limited* (江南金融管理諮詢(常州)股份有限公司), a company limited by shares and established under the laws of the PRC

“Lingshi Yuntian”	Lingshi Yuntian Information Technology (Changzhou) Co., Ltd.* (領時雲天信息科技(常州)有限公司), which was previously known as Jiangnan Finance Technology (Changzhou) Company Limited* (江南金融科技(常州)有限公司), a company established under the laws of the PRC with limited liability and a 51%-owned subsidiary of the Company as at the date of this announcement
“Lingshi Yuntian SPA”	the sale and purchase agreement dated 18 September 2023 entered into between the Purchaser and Qihang Yuntian in relation to the acquisition of 8% of the equity interests in Lingshi Yuntian
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Cai”	Mr. Cai Yulong* (蔡裕龍)
“percentage ratio”	shall have the meaning in Rule 14.04(9) of the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qihang Yuntian”	Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司), a company limited by shares and established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC (中國國家市場監督管理總局)

“Service Premium”	service premium generated from provision of comprehensive flexible staffing services by the Target Group
“Shanghai Lingshi”	Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司), a company established under the laws of the PRC with limited liability and a 51%-owned subsidiary of the Company as at the date of this announcement
“Shanghai Lingshi SPA”	the sale and purchase agreement dated 18 September 2023 entered into between the Purchaser and Qihang Yuntian in relation to the acquisition of 8% of the equity interests in Shanghai Lingshi
“Shareholder”	holder of the ordinary shares in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Shanghai Lingshi and its subsidiary and Lingshi Yuntian
“Vendors”	Mr. Cai and Qihang Yuntian
“%”	per cent

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

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

The PRC, 18 September 2023

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