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

2020
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

Deacons
5/F Alexandra House
18 Chater Road
Central
Hong Kong

PRC LEGAL ADVISOR

Commerce & Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
PRC

COMPLIANCE ADVISOR

Founder Securities (Hong Kong) Capital Company Limited
Room 1710-1719
Jardine House
1 Connaught Place
Central
Hong Kong

INDUSTRY CONSULTANT

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

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				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**2,830,052**	2,287,601	1,615,891	776,247	376,288
Gross profit	**270,864**	240,885	154,956	87,748	41,067
Operating profit/(loss)	**198,541**	118,269	57,527	13,357	(42,409)
Profit/(loss) before income tax	**208,394**	(763,671)	(140,563)	(43,433)	(47,195)
Profit/(loss) for the year attributable to equity holders of the Company	**182,616**	(779,831)	(136,935)	(44,005)	(35,420)
Earnings/(loss) per share (expressed in RMB per share)					
– Basic earnings/(loss) per share	**1.19**	(12.42)	(2.36)	(0.76)	(0.61)
– Diluted earnings/(loss) per share	**1.07**	(12.42)	(2.36)	(0.76)	(0.61)
Non-HKFRS measures					
Adjusted net profit/(loss)[1]	**183,211**	134,262	67,690	9,870	(33,498)

CONDENSED CONSOLIDATED BALANCE SHEET

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Assets					
Non-current assets	**125,114**	106,207	93,404	54,023	66,079
Current assets	**1,644,808**	1,378,154	379,793	178,666	106,314
Total assets	**1,769,922**	1,484,361	473,197	232,689	172,393
Equity/(deficit)					
Total equity/(deficit)	**1,236,063**	1,067,371	(299,412)	(151,162)	(113,369)
Liabilities					
Non-current liabilities	**40,785**	54,381	443,790	195,058	145,941
Current liabilities	**493,074**	362,609	328,819	188,793	139,821
Total liabilities	**533,859**	416,990	772,609	383,851	285,762
Total equity/(deficit) and liabilities	**1,769,922**	1,484,361	473,197	232,689	172,393

KEY FINANCIAL RATIO

	For the year ended 31 December				
	2020	2019	2018	2017	2016
Gross margin (%)	**9.6**	10.5	9.6	11.3	10.9
Adjusted net margin (%)[2]	**6.5**	5.9	4.2	1.3	N/A
Adjusted trade and notes receivables turnover days (days)[3]	**48**	46	46	42	49
Adjusted current ratio (times)[4]	**1.6**	1.4	1.2	0.9	0.8

Notes:

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

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

(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

Over the past decade, Renrui Human Resources Technology Holdings Limited has grown rapidly with the rise of new economy companies to become the pioneer of HR solutions in China. In the coming decade, we will continue to adhere to our client-oriented service motto and strive to provide integrated HR services to more companies.

Mr. Zhang Jianguo
Chairman, Executive Director & CEO

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") and the management of Renrui Human Resources Technology Holdings Limited (the "**Company**" or "**Renrui**"), I hereby present the annual report for the financial year ended 31 December 2020 to our shareholders (the "**Shareholders**").

2020 was a year of both challenges and opportunities. Due to the sudden outbreak of novel coronavirus disease ("**COVID-19**"), our traditional offline recruitment activities were restricted, resulting in a periodic slowdown in the revenue growth of the Company. However, thanks to our long-standing technology-driven human resources ("**HR**") service strategy, we successfully launched our innovative "online recruitment", such as organising online briefing sessions and video interviews, in a timely manner after the outbreak of COVID-19 which helped our customers quickly restart employee recruitment after COVID-19 came under control.

In addition to the challenges posed by COVID-19, the advantages of flexible staffing as a reservoir of talents to adjust the number of workers employed during fluctuations in corporate business have been recognised by many companies. As a leading flexible staffing service provider, we therefore made timely adjustments to our business strategies in the second half of the year. Firstly, we formulated a more aggressive sales strategy by setting up a "Daduhe (大渡河)" incentive mechanism to motivate our sales teams in each region to take the initiative to explore business opportunities in the market and procure more customers. Secondly, we enhanced our recruitment capability by expanding the scale of our recruitment team and offering the "Wave Project (後浪計劃)" training program.

Our operating strategy was highly effective. We successfully seized the business opportunity arising from the rapid expansion of e-commerce in local communities and the rapid business resumption of leading enterprises in new economy industries after COVID-19 came under control. Our revenue increased by 23.7% and our adjusted net profit increased by 36.5%, as compared to last year.

2020 was also the 10th anniversary of Renrui. After 10 years' of development, we have become the largest flexible staffing services company in the People's Republic of China (the "**PRC**") in terms of flexible staffing revenue in 2020 and the number of flexible staffing employees as at 31 December 2020. As at 31 December 2020, we had approximately 36,000 flexible staffing employees, representing an increase of more than 10,000 employees as compared to approximately 25,000 flexible staffing employees as at 31 December 2019, representing a growth rate of approximately 42.4%.

Looking back on our development history for the past ten years, we started the flexible staffing business in 2012, and we took approximately five years to increase the number of our flexible staffing employees to over 10,000, and another one and a half years to increase the number of our flexible staffing employees to over 20,000. However, it only took us less than a year to increase the number of our flexible staffing employees from 25,000 to 35,000. The exponential growth in the number of flexible staffing employees was mainly due to the fact that: (1) more and more companies were improving their operational efficiency and reducing their costs by using flexible staffing services, this has therefore increased the level of acceptance of this new form of employment; (2) over the years, we continued to focus on clients engaged in the new economy industry. With the rapid development of new economy companies, the number of our flexible staffing employees serving new economy companies accounted for approximately 87.8% of the total number of flexible staffing employees as at 31 December 2020; and (3) our technology-driven approach to HR services enabled us to increase our effectiveness and capability to recruit and manage more flexible staffing employees.

Business Review

Looking back at 2020, the first half of the year was affected by COVID-19 and many companies stopped demanding for new staffing. Therefore, our growth rate in the number of flexible staffing employees and revenue were adversely affected. However, benefiting from the effective control of COVID-19 and the implementation of economic recovery policies by the PRC government, the demand for flexible staffing companies engaged in the new economy industry has gradually resumed, and thus the number of our flexible staffing employees and the revenue generated from it have thereby increased. The number of flexible staffing employees increased from 25,118 as at 31 December 2019 to 35,762 as at 31 December 2020. The number of flexible staffing employees increased consecutively by more than 1,000 per month in the second half of 2020.

Our results in 2020 were highlighted by the record-breaking revenue from professional recruitment. For the year ended 31 December 2020, revenue generated from professional recruitment amounted to approximately RMB69.3 million. In particular, revenue generated from professional recruitment amounted to approximately RMB50.2 million for the six months ended 31 December 2020, representing an increase of approximately 50.8% as compared to the corresponding period in 2019. The "Wave Project" training program has successfully improved the fast recruitment capability of our newly joined project managers, who were trained to quickly master the recruitment methods based on the assembly lines of Xiang Recruitment (香聘) and Rui Recruitment (瑞聘) Systems, and developed the skills of bulk recruitment within a short period of time. We were able to respond quickly to our clients' demand for recruitment once staffing demand was revived in the second half of 2020, thus we generated a record-high revenue from professional recruitment.

In October 2020, we completed the first equity investment in the history of the Group. We invested RMB20.0 million into Xunteng Group (迅騰集團), which was hereby held by us as to approximately 15%. We also entered into an exclusive strategic cooperation agreement with Xunteng Group. Through such cooperation, we have further expanded our pool of potential candidates, which in turn enhanced our ability to recommend suitable candidates to our target clients and created an exclusive talent supply chain. We also introduced a new model of "integration of industry and education" with Xunteng Group by combining corporate internships and teaching, in which we guided Xunteng Group to set up a business process outsourcing ("**BPO**") services training center within its college in October 2020 and worked with Xunteng Group to undertake the BPO services of almost 500 customer service positions in the hotel and tourism business for one of our new economy clients during the National Day holidays. We believe the best learning is through work. Through such teaching method under real workplace environment, students can further enhance their employability after graduation.

Chairman's Statement

Operating Results

For the year ended 31 December 2020, our overall revenue was approximately RMB2,830.1 million, of which the revenue generated from flexible staffing amounted to approximately RMB2,576.4 million. In 2020, we achieved a net profit of approximately RMB182.9 million. Our adjusted annual net profit (excluding the expenses arising from share-based payments under the Post-IPO Share Option Scheme) amounted to approximately RMB183.2 million. Net free cash inflow from operation amounted to approximately RMB155.6 million. We overcame the adverse impact of COVID-19 on the job market early this year and achieved a year-on-year increase in adjusted net profit by approximately 36.5%. Net cash inflow from operating activities increased by approximately 3.4% year-on-year.

Industry Innovation

As a leading enterprise in the flexible staffing sector, we have long committed to leading the healthy and standardised development of the industry. Renrui was recognized as a Post-Doctoral Science and Research Station (博士後科研工作站) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and National Post-Doctorate Committee (全國博士後管委會) in November 2020. We are currently the only private enterprise in the HR industry of China which obtained the approval to establish a Post-Doctoral Science and Research Station, which is the first Post-Doctoral Science and Research Station in the flexible staffing sector of China. Renmin University of China (中國人民大學) is one of our college partners for the mobile stations of our Post-Doctoral Science and Research Station. Both Renmin University of China and us will make use of the Post-Doctoral Science and Research Station as a link to jointly commence research on HR services related topics.

In December 2020, we jointly released the China Flexible Staffing Development Report (2021) Bluebook (《中國靈活用工發展報告 (2021) 》藍皮書) with the School of Labor and Human Resources (勞動人事學院) of Renmin University of China and Social Science Academic Press (China) (中國社科文獻出版社) in Beijing. The bluebook presents an in-depth study and analysis of the development and practice of flexible staffing in China and provides effective guidelines for management innovation of enterprises in China in the digital era. Through such professional publications, we continued to build a leading brand image on the client side and imperceptibly establish industry service standards.

Future Prospects

According to China Insights Consultancy's ("**CIC**") report, the overall flexible staffing industry in China is expected to grow at a CAGR of 20.8% from 2020 to 2025. China's new economy industries is expected to grow strongly at a CAGR of 22.3% from 2020 to 2025, which is about three times of the nominal gross domestic product ("**GDP**") growth rate and is expected to continuously maintain a rapid growth rate. As such, the flexible staffing market in the HR industry in China will continue to experience a period of rapid growth in the future. In the future, we will continue to focus on providing flexible staffing services to companies in the new economy and continue to serve leading unicorn companies in China with a large client-focused service model, and grow with them.

As at 31 December 2021, we have expanded our service coverage to over 300 cities across 30 provinces nationwide. In the coming year, we will further expand our service coverage. As of 31 January 2021, we have leased offices in Zhengzhou, Changsha, Ningbo and Hefei as long-term service locations for our flexible staffing and recruitment business. We also plan to take the lead in setting up new offices in third-tier cities such as Haikou, Changzhou, Wuxi and Yangzhou. Based on the concept of setting up service locations according to the needs of our clients, we believe the new locations will help us provide better localised services to our clients and help us secure more new business cooperation opportunities.

In the past year, leveraging on the "Business Partnership Program (合夥人創業計劃)", we have attracted a batch of talented people to join and develop with Renrui by establishing joint ventures with outstanding teams. In the future, we will continue to adopt the "Business Partnership Program" to establish joint ventures with outstanding teams or individuals who have experience in flexible staffing services in the IT industry, experience in managing BPO service team and experience in project management of "integration of industry and education", respectively, with an aim to promptly build our professional services capabilities in these areas.

Our research and development ("**R&D**") capabilities have been further enhanced with the addition of our chief technology officer in March 2020. As at 31 December 2021, our R&D staff has reached 36. Our philosophy of technology-driven HR services has urged us to invest more in R&D in 2021. We will develop a new flexible staffing management system based on the Rui Cloud (瑞雲) System. The new system will (i) automatically calculate salaries and bonuses for different clients with complex assessment and performance accounting rules to further improve the per capita performance of the payroll center; (ii) realise online management of key work results of the onsite teams and recruitment project managers, enabling our senior consulting team to better manage flexible staffing projects remotely, and increase the number of flexible staffing employees managed per capita.

Appreciation

Due to the outbreak of COVID-19, our net profit for the first half of 2020 was only approximately RMB53.0 million. Our disappointing operating results had led to the poor performance of our stock price in the first half of 2020. I would like to apologize to our Shareholders in this regard. In the second half of 2020, we quickly recovered from the adverse impact of COVID-19, achieving a net profit of RMB129.9 million, and our stock price gradually rose. During the period from end of July 2020 to early November 2020, Fidelity International Limited ("**FIL Limited**"), a world's renowned company providing investment management services, and its affiliates increased their shareholdings in our Company for five consecutive times. According to the data of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), as at 31 December 2020, FIL Limited and its affiliates held approximately 8.87% of the total share capital of the Company. On behalf of the entire staff of the Company, I would like to express my sincere gratitude to our Shareholders, customers and business partners for their long-term support. We are confident in the Company's business prospects, competitive advantages, growth capabilities, good cash flow and continuous technological drivers.

We work wholeheartedly with perseverance for the past 10 years. In face of the tremendous room for business development in the flexible staffing market in China, we will always maintain our fighting spirit just like what we did when we first started up the business. We will accelerate the development of our Company and consolidate our status as the leader in the flexible staffing industry, so as to strive for the best returns for our Shareholders!

Zhang Jianguo
Chairman, Executive Director and Chief Executive Officer

Shanghai

29 March 2021

Management Discussion and Analysis

Management Discussion and Analysis

MARKET REVIEW

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

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

POLICY AND REGULATION REVIEW

In the first half of 2020, in response to the impact of the COVID-19 pandemic on employment, the Chinese government issued a number of policy documents applicable to the human resources industry. While providing preferential phased reductions in the unit portion of corporate social insurance contributions, it also provided guidance on promoting employment and flexible employment, encouraging operating human resources service providers to play their roles in assisting affected companies to resume work and mitigate the economic impact of the COVID-19 pandemic.

In the second half of 2020, in order to accelerate the recovery and further expand employment, the Chinese government paid more attention to the positive impact of flexible employment on employment and further promulgated a series of regulations and policies to support the development of the flexible employment industry, emphasizing support for flexible employment through multiple channels and encouraging the development of new forms of employment such as shared employment platforms and self-employed businesses. On 31 July 2020, the General Office of the State Council issued *Opinions of the General Office of the State Council on Supporting Flexible Employment through Multiple Channels* (No. 27 [2020] of the General Office of the State Council) (《國務院辦公廳關於支持多渠道靈活就業的意見》(國辦發[2020]27號)), putting forward the following policy measures: firstly, broadening the channels for developing flexible employment; secondly, optimizing the environment for independent entrepreneurship and abolishing administrative fees related to flexible employment; thirdly, increasing the support for protecting flexible employment, including encouraging various human resources service agencies to provide flexible workers with standardized and orderly job search and recruitment, skills training, human resources outsourcing and other specialized services, providing employment and business startup service subsidies in accordance with the regulations as well as studying and formulating labor security policies on platform employment. On 21 September 2020, the General Office of the State Council issued *Opinions of the General Office of the State Council on Accelerating the Development of New Types of Consumption Driven by New Business Forms and Patterns* (No. 32 [2020] of the General Office of the State Council) (《國務院辦公廳關於以新業態新模式引領新型消費加快發展的意見》(國辦發[2020]32號)), proposing to encourage the development of new employment forms, support flexible employment and accelerate the improvement of relevant labor security systems. On 10 November 2020, the General Office of the State Council issued *Plan for Division of Key Tasks of the Teleconference on Deepening the Reform of "Simplifying Procedures, Decentralizing Powers, Combining Decentralization with Appropriate Control, and Optimizing Services" and Optimizing the Business Environment Nationwide* (No. 43 [2020] of the General Office of the State Council) (《全國深化"放管服"改革優化營商環境電視電話會議重點任務分工方案》(國辦發[2020]43號)) with the clear aim to stabilize and expand employment, eliminate all types of unreasonable restrictions on employment, especially new forms of employment, include flexible employment and shared employment information into the scope of public employment services and provide support and convenience for the establishment of labor markets or gig markets. In addition, the Ministry of Human Resources and Social Security and other relevant authorities also issued *Notice of the Ministry of Human Resources and Social Security on Carrying out Employment Promotion Actions in the Human Resources Service Industry* (No. 58 [2020] of the Ministry of Human Resources and Social Security) (《人力

Management Discussion and Analysis

資源和社會保障部關於開展人力資源服務行業促就業行動的通知》(人社部發[2020]58號)), *Notice of the General Office of the Ministry of Human Resources and Social Security on Shared Employment Guidance and Services* (No. 98 [2020] of the General Office of the Ministry of Human Resources and Social Security) (《人力資源社會保障部辦公廳關於做好共享用工指導和服務的通知》(人社廳發[2020]98號)) and other related policies to encourage human resource service agencies to further expand and optimize human resource service outsourcing and other businesses, innovate service models and improve the service quality; build a post-work shortage adjustment platform, a shared employment information docking platform, an online and offline information service platform and etc., to provide supply-demand docking services for enterprises with a period of lack of employment, help enterprises in need to accurately and efficiently find human resources as well as support flexible employment for workers.

To promote the sustainable and healthy development of the flexible employment industry, the Chinese government also introduced relevant regulatory policies on online recruitment and other related value-added services one after another. On 18 December 2020, the Ministry of Human Resources and Social Security issued *Regulations on the Administration of Online Recruitment Services* (Decree No. 44 of the Ministry of Human Resources and Social Security) (《網絡招聘服務管理規定》(人社部令第44號)), which has come into effect on 1 March 2021, emphasizing that operating human resources service agencies engaging in online recruitment services should obtain a human resources service license in accordance with the law. If they were involved in operating telecommunication services, they should also obtain a telecommunication service license in accordance with the law. The regulation targeted the user personal information leakage, false recruitment, the use of recruitment to engage in illegal activities and other issues existing in the online recruitment field, regulating the applicable subjects of online recruitment services, access requirements, service specifications, supervision and management, violations and legal liability and other aspects of the regulation. At the same time, clear regulations have been made on service matters such as online recruitment information review, information protection, information usage and preservation, and fee management, as well as management measures such as supervision and inspection, integrity building, annual reports and information sharing.

BUSINESS REVIEW

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

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

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

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

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

Flexible Staffing

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

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

Management Discussion and Analysis

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

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

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

Notes:

(1) Contract employees represent only flexible staffing employees.

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

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

Professional Recruitment

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

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

BPO

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

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

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

Other HR Solutions

Corporate Training

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

Labour Dispatch Services

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

Management Discussion and Analysis

Other Miscellaneous Services

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

International Business

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

R&D of Integrated HR Ecosystem

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

(a) Optimisation of existing systems and platforms:

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

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

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

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

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

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

(d) Application of eleven software copyrights:

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

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

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

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

Our Suppliers

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

Management Discussion and Analysis

Human Resources

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

Function	Number of Employees	% of total Employees
Internal Employees		
— Senior management	4	0.0
— R&D	36	0.1
— Sales and marketing	110	0.3
— Project management/execution	644	1.5
— Others (Note)	95	0.2
Subtotal	**889**	**2.1**
Contract Employees		
— Flexible staffing employees	35,762	83.0
— Labour dispatch employees	3,552	8.2
— BPO employees	2,875	6.7
Subtotal	**42,189**	**97.9**
Total	**43,078**	**100.0**

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

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

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

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

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

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

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

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

Management Discussion and Analysis

AWARDS AND RECOGNITIONS

During the year ended 31 December 2020, we received the following awards:

February 2020

Shanghai Renrui Network Technology Co., Ltd. received the title as Shanghai's "Specialized and New" SME for 2020-2021 (2020-2021年上海市「專精特新」中小企業) by the Shanghai Economic and Information Commission (上海市經濟和信息化委員會)

March 2020

Renrui Human Resources Technology Holdings Limited received the title as an Teaching and Training Base (教學實訓基地) issued by China University of Labor Relations (中國勞動關係學院)

June 2020

Renrui Human Resources Technology Group Limited received the title of the Excellent Enterprise in the Service Industry in Sichuan Province (四川省優秀服務業企業稱號) issued by the Chinese Communist Party's Sichuan Provincial Committee (中共四川省委) and the People's Government of Sichuan Province (四川省人民政府)

Renrui Human Resources Technology Group Limited became a council member unit of the Call Center and Customer Relationship Management Professional Committee of China Electronics Chamber of Commerce (中國電子商會呼叫中心與客戶關係管理專業委員會)

September 2020

Renrui Human Resources Technology Group Limited received the title as the Gazelle Enterprise Award (瞪羚企業稱號) by Chengdu High-tech Zone Management Committee (成都高新區管委會)

Beijing Renrui Human Resources Service Co., Ltd. was awarded the Top 50 Human Resources Service Brand in Beijing 2020 (2020北京地區人力資源服務品牌50強) by Beijing Human Resources Service Industry Association (北京人力資源服務行業協會)

Renrui Human Resources Technology Holdings Limited was awarded the China Selected Flexible Staffing HR Service Provider – White Collar (2020中國靈活用工HR臻選服務機構－白領崗位) by HREC (HR智享會)

Renrui Human Resources Technology Holdings Limited was awarded the China Selected Flexible Staffing HR Service Provider – Service Industry (2020中國靈活用工HR臻選服務機構－服務業) by HREC (HR智享會)

Renrui Human Resources Technology Group Limited was awarded the Top 10 Service Outsourcing Organizations Award 2020 (2020年度十佳服務外包機構獎) by China Electronics Chamber of Commerce (中國電子商會)

Guangzhou Renrui Human Resources Service Co., Ltd. became the Vice President for 2020-2021 (2020-2021年度副會長單位) by Guangdong Talent Development and Management Research Association (廣東省人才開發與管理研究會)

October 2020

Liaoning Renrui Service Outsourcing Co., Ltd. was awarded the CCM Award China 2020, Best Customer Centre – Excellent Customer Service Award (2020年度「金耳嘜杯」中國最佳客戶中心－卓越客戶服務獎) jointly by China Information Industry Association (中國信息協會) and Digital Economy Professional Committee (數字經濟專業委員會)

November 2020

Renrui Human Resources Technology Group Limited was awarded the Post-Doctoral Science and Research Station (博士後科研工作站) jointly by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and National Post-Doctorate Committee (全國博士後管委會)

Renrui Human Resources Technology Holdings Limited was awarded the China Recruitment Oscars 2020 – Most Valuable Recruitment Service Provider (2020年中國招聘奧斯卡大獎—最具價值招聘服務商) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Top 10 Influential Human Resources Brands in China 2020 (2020中國十大影響力人力資源品牌) by MeetHR Group

Renrui Human Resources Technology Holdings Limited was awarded the Best Human Capital Services Company in China 2020 (2020年度中國區最佳人力資本服務企業) by CHIRC

December 2020

Renrui Human Resources Technology Holdings Limited was awarded WISE2020 King of New Economy – the Most Influential Enterprise (WISE2020新經濟之王－最具影響力企業) by 36Kr

Renrui Human Resources Technology Group Limited was awarded Top Flexible Staffing Service Provider in China 2020 (2020中國人力資源先鋒服務機構—最佳靈活用工服務機構) by TopHR (第一資源)

Renrui Human Resources Technology Holdings Limited was awarded the Most Promising Enterprise (最具潛力企業) by the India China-Mobile-Phone Enterprise Association (印度中資手機企業協會)

Renrui Human Resources Technology Holdings Limited was awarded the 2020 China Top 100 HR Services Organizations (2020中國人力資源服務機構100強) by Tophr (第一資源)

January 2021

Renrui Human Resources Technology Holdings Limited received the 2019/2020 Award of Excellence by The Community Chest of Hong Kong.

FINANCIAL REVIEW

Revenue

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

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

Selling and Marketing Expenses

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

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

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

Administrative Expenses

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

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

Other Income

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

Other Gains, Net

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

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

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

Operating Profit

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

Finance Income

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

Finance Costs

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

Fair Value Loss on Hybrid Financial Instruments

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

Share of results of joint ventures

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

Management Discussion and Analysis

Profit/(Loss) before Income Tax

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

Profit/(Loss) for the Year

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

Non-HKFRS Measures

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

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

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

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

Net Current Assets

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

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

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

Management Discussion and Analysis

Trade and Notes Receivables

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

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

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

Notes:

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

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

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

Prepayments, Deposits and Other Receivables

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

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

Financial Assets at FVOCI

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

Trade and Other Payables

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

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

Current Income Tax Liabilities

As at 31 December 2020, our current income tax liabilities amounted to approximately RMB23.2 million, representing an increase of approximately RMB18.5 million or approximately 393.6% as compared to approximately RMB4.7 million as at 31 December 2019, which was primarily due to the fact that pursuant to the "Circular on Income Tax Policies for Further Encouraging the Development of Software Industry and Integrated Circuit Industry" (Cai Shui [2012] No.27) (關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知 (財稅[2012]第27號)), one of our subsidiaries ceased to be exempt from income tax in 2020 and started to pay income tax at a reduced rate of 50%, and the taxable income in 2020 increased significantly as compared to that in 2019, leading to an increase in our current income tax liabilities by the end of 2020.

Property, Plant and Equipment

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

Management Discussion and Analysis

Other Non-current Assets

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

Deferred Income Tax Assets

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

KEY FINANCIAL RATIOS

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

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

Notes:

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

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

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

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

Adjusted Net Profit

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

Adjusted Net Margin

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

Adjusted Current Ratio

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

Liquidity and Capital Resources

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

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

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

Treasury Policies

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

CASH FLOWS

Net Cash Generated from Operating Activities

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

Management Discussion and Analysis

Net Cash Used in Investing Activities

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

Net Cash (Used in)/Generated from Financing Activities

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

CAPITAL STRUCTURE

Indebtedness

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

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

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

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

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

CAPITAL EXPENDITURE

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FOREIGN EXCHANGE RISK

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

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

CHARGES ON THE GROUP'S ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

SIGNIFICANT INVESTMENTS

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

Name of the investment	Date of subscription	Cost of the investment HK$'000/ RMB'000	Market value as at 31 December 2020 RMB'000	Realised/ Unrealised gains or (losses) as at 31 December 2020 RMB'000	% of the total assets of the Group as at 31 December 2020 (Percentage)
Dual Currency Investment (the "**BNPP DCI**")	From February 2020 to March 2020	RMB318,870[1]	N/A[2]	(1,140)	N/A[2]
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1914469173)[3]	13 March 2020	HK$225,000	N/A[4]	(3,517)	N/A[4]
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1979071690)[3]	17 March 2020	HK$150,000	N/A[5]	(306)	N/A[5]

Management Discussion and Analysis

Name of the investment	Date of subscription	Cost of the investment HK$'000/ RMB'000	Market value as at 31 December 2020 RMB'000	Realised/ Unrealised gains or (losses) as at 31 December 2020 RMB'000	% of the total assets of the Group as at 31 December 2020 (Percentage)
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215026)[6]	21 February 2020	RMB8,980	N/A[7]	221	N/A[7]
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215455)[6]	21 February 2020	RMB8,970	N/A[7]	334	N/A[7]
Gold-linked Bullish Three-tier 7 Days/14 Days/21Days/ 1 Month/3 Months Structured Deposit of China Merchants Bank (招商銀行掛鈎黃金看漲三層區間七天/十四天/二十一天/一個月/三個月結構性存款)[8]	From January 2020 to April 2020	RMB75,000[9]	N/A[10]	370	N/A[10]
Bu Bu Sheng Jin No. 8688 Principal-preservation Wealth Management Scheme (Product code: 8688) of Go Fortune of China Merchants Bank (招商銀行點金公司理財之步步生金8688號保本理財計劃(產品代碼:8688))[8]	From December 2019 to January 2020	RMB114,000[11]	N/A[12]	273	N/A[12]

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EVENTS OCCURRED AFTER THE REPORTING PERIOD

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

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

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

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

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

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

Management Discussion and Analysis

Outlook and Future Strategies

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

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

Focusing on Serving New Economy Companies and Large Clients Strategies

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

Expanding Geographical Support Network of Domestic and Foreign Customer Services

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

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

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

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

Enlarging the Scale of BPO Services

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

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

Upgrading our Existing Integrated HR Ecosystem

Our chief technology officer joined us in the first half of 2020. In 2021, under the leadership of our chief technology officer, we will: (i) upgrade our flexible staffing management system based on the changes in project management method of flexible staffing business; (ii) start to establish the Company's data intermediary platform to integrate job applicants' resume data obtained from different channels such as Xiang Recruitment Platform,

Management Discussion and Analysis

WeCom Community, and internal recommendations by contract employees. In our Rui Recruiting System, we will develop the smart matching function of job applicants' resume and recruitment positions to further enhance the matching speed and accuracy; and (iii) launch the SAP Group Financial System (SAP集團財務系統) to integrate our business systems, such as Rui Cloud, Rui Recruiting and contract management systems with our financial system, so as to improve the accuracy and timeliness of financial settlement and achieve a more refined calculation of revenue, cost and profit of on-going flexible staffing, professional recruitment, BPO and training projects, which will help us optimise the operation of projects.

Continuing to Build an Occupational Ecosystem

We invested in the Xunteng Group in October 2020, and in the same month, we guided Xunteng Group to set up a BPO services training center within the college it operates and worked with Xunteng Group to undertake the BPO services of one of our new economy clients involved in the hotel and tourism industries, whose needs of customer service positions increased sharply by approximately 500 during the National Day holidays. After achieving satisfactory results from such business cooperation, we adopted the "Business Partnership Program" model in January 2021 to establish a non wholly-owned subsidiary with an independent third-party individual, who has over six years of experience in the education industry of the PRC and was the dean of an e-commerce college in the PRC. This joint venture plans to try to cooperate with tertiary institutions to provide training and nurturing for potential BPO employees and flexible staffing employees through integration of industry and education. Our BPO centers can provide internship opportunities for penultimate year students from cooperative colleges. Students may master the service skills of customer service representatives, information verification and other positions through training. We will then recommend students equipped with the required skills to our clients with different staffing requirements after graduation by evaluating their performance and service capabilities during the internship period. The evaluation will match the skill requirements of our clients for their employees. Through our investment in Xunteng Group and the establishment of a joint venture with an independent third-party individual, we will explore ways to build an ecological chain for job seekers based on the integration of industry and education and establish long-term competitive edges and industry barriers.

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

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

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

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）

Executive Director,
the Chairman and the Chief Executive Officer
Aged 57

Mr. Zhang Jianguo is also the chairman of the nomination committee of the Board (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 20 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). Mr. Zhang Jianguo was awarded the title of Hubei HR Service Industry Leader (湖北省人力資源服務業領軍人才) by the Department of Human Resources and Social Security of Hubei Province (湖北省人力資源和社會保障廳) and the "Top 10 Call Center Industry Contribution Award 2020" (「2020年度十佳呼叫中心行業貢獻獎」) by the China Electronics Chamber of Commerce (中國電子商會) in 2020. 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 (2021) – The Transformation of Organization and the Innovation of Employment (《中國靈活用工發展報告 (2021)－組織變革與用工模式創新》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 the Chief Operating Officer
Aged 47

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) 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 19 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.

Ms. Zhang Jianmei（張健梅）

Executive Director and
the Sales Vice-President
Aged 41

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 has more than 17 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 is currently attending 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).

Biographies of Directors and Senior Management

Non-Executive Directors

Mr. Chen Rui (陳瑞), aged 47, has been appointed as 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 has been 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)) since October 2013. 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 60, has been appointed as 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 of the Board (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 Fullshare Holdings Limited (stock code: 607), Genertec Universal Medical Group Company Limited (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited) (stock code: 2666), Shanghai Dazhong Public Utilities (Group) Co., Ltd. (stock code: 1635), Futong Technology Development Holdings Limited (stock code: 465), China Everbright Greentech Limited (stock code: 1257) and China Tobacco International (HK) Company Limited (stock code: 6055), 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. He was also an independent non-executive director of Sinco Pharmaceuticals Holdings Limited (stock code: 6833) from February 2016 to November 2018, 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.

Independent Non-Executive Directors

Ms. Chan Mei Bo Mabel (陳美寶), aged 49, is our independent non-executive Director and joined our Group in November 2019. She is also the chairman of the remuneration committee of the Board (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) and Bank of Zhengzhou Co., Ltd. (stock code: 6196), the shares of which are listed on the Stock Exchange. Ms. Chan was also an independent non-executive director of South China Land Limited (stock code: 8155) from May 2013 to March 2017, 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, 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 49, 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 45, 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 has also been an independent non-executive director of Sun.King Power Electronics Group Limited (stock code: 580) and Cabbeen Fashion Limited (stock code: 2030), the shares of which are listed on the Stock Exchange as well as an independent director of Glory Star New Media Group Holdings Limited (NASDAQ: GSMG), the shares of which are listed on NASDAQ. 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.

Mr. Leung has over 21 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.

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 37, 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 13 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 2020.

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 and Outlook

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 10 to 38 in this annual report.

Important Events after the Reporting Period

Particulars of important events affecting the Group that have occurred since the year ended 31 December 2020 are disclosed in Note 34 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.

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 54 to 55 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 82 to 110 in this annual report.

Report of the Directors

Compliance with Laws and Regulations

During the year ended 31 December 2020, 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 2020, 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 2020 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 2020 are set out in the audited consolidated financial statements on pages 116 to 192 in this annual report.

FINAL DIVIDENDS

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

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 2020 are set out in Note 23 to the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2020 are set out on page 121 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company has distributable reserves of approximately RMB2,252.5 million in total available for distribution (2019: RMB2,170.6 million).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, the Group had no bank loans and other borrowings.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in Note 16 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 of association of the Company (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 2020 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

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, Ms. Zhang Jianmei, Mr. Chen Rui and Ms. Chan Mei Bo Mabel 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 39 to 44 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 commending 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 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).

Report of the Directors

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 2020 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 2020, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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(5)	Approximate percentage of shareholding interest in the Company(6) (%)
Zhang Jianguo	Interest of controlled corporation (1)	46,408,500(L)	29.66%
	Interests held jointly with other persons (4)	13,216,600(L)	8.45%
	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)	34.13%
	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)	33.83%
	Beneficial owner (3)	1,048,800(L)	0.67%

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

(6) As at 31 December 2020, the Company had 156,465,079 issued Shares.

Interests in associated corporation of the Company

Name of Director/ Chief Executive	Associated Corporation	Capacity/Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated 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 2020, 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 required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at 31 December 2020, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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)	38.20%
Wu Qi (2)	Interest of spouse	59,775,100(L)	38.20%
Chen Bin (3)	Interest of spouse	59,775,100(L)	38.20%
Ming Feng	Beneficial owner	46,408,500(L)	29.66%
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)	13.90%
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)	6.95%

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. Pandenus 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 2020, the Company had 156,465,079 issued Shares.

Save as disclosed above, as at the date 31 December 2020, 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, was the Company or any of its subsidiaries a party to any arrangement 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 2020, no debentures was issued by the Company.

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 2020.

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 Renrui Education Consultation Co., Ltd. (成都天符人瑞教育諮詢有限公司) ("**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**"), Beijing Ruilian Network Technology Co., Ltd. (北京瑞聯網絡科技有限公司) ("**Beijing Ruilian**") and Guiyang Renrui Business Process Outsourcing Service Co., Ltd. (貴陽人瑞服務外包有限公司) ("**Guiyang Renrui**", has been deregistered on 28 June 2020) (collectively, the "**Consolidated Affiliated Entities**"), are treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) 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 2020, through the Consolidated Affiliated Entities (except for Guiyang Renrui (has been deregistered on 28 June 2020)) 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. Guiyang Renrui, as one of our Consolidated Affiliated Entities, has not conducted any business since its establishment in February 2019 and has been deregistered on 28 June 2020.

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.

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 (the "**VATS Call Center Licence Application**"), which is the licence necessary to carry out the Client Service Representative BPO Services, on the assumption that the New Negative List will be strictly interpreted and implemented to allow the Client Service Representative BPO Services to be conducted by entities which are directly or indirectly and wholly owned by foreign entities, and the VATS Call Center Licence to be held by entities which are directly or indirectly and wholly owned by foreign entities. The VATS Call Center Licence Application is subject to the approval by the MIIT. 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 further details. Liaoning Corporate had obtained the approval from the MIIT for passing the first stage of the VATS Call Center Licence Application on 2 April 2020. However, the MIIT has suspended all approval of such application since then. We have resubmitted the application in March 2021 after the resumption of such approval process, but as of the date of this annual report, Liaoning Corporate's VATS Call Center Licence Application is still being reviewed by the MIIT.

The amount of revenue our Group derived from the Client Service Representative BPO Services amounted to approximately RMB57.8 million (2019: RMB5.9 million), and accounted for approximately 2.0% of our Group's total revenue (2019: 0.3%) for the year ended 31 December 2020.

The transactions contemplated under the Modified Contractual Arrangements are continuing connected transactions of our Company and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 last 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**"). The MIIT issued a guidance memorandum on its official website in relation to the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide satisfactory proof of the VATS Qualification Requirement. The guidance memorandum, however, does not purport to provide an exhaustive list on the application requirement. As further confirmed through the MIIT Consultations, no applicable PRC laws or regulations or rules provides clear guidance or interpretation on the VATS Qualification Requirement. Furthermore, the MIIT has not provided any further guidance on, among others, the interpretation and implementation of the New Negative List and the impact of the New Negative List on the VATS Qualification Requirement.

Report of the Directors

Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the VATS Qualification Requirement, we have been gradually building up our track record of overseas VATS operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in Chengdu Tianfu when the relevant PRC laws and authorities allow foreign investors to invest and hold (or to increase, as applicable) equity interests in enterprises which engage in VATS and/or hold the VATS Licence.

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, Beijing Ruilian and Guiyang Renrui (has been deregistered on 28 June 2020), 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 (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.

As confirmed through the MIIT Consultations, the determination of whether a foreign investor satisfies the VATS Qualification Requirement is subject to substantive discretion by the MIIT on a case-by-case basis.

Subject to the discretion of the competent authority in determining whether our Group has fulfilled the VATS Qualification Requirement, our PRC legal advisor is of the view that the above steps taken by us may be deemed as reasonable in relation to the VATS Qualification Requirement.

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.
- We may not be able to meet the VATS Qualification Requirement and our plan to unwind the Modified Contractual Arrangements may be subject to certain limitations.
- 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.

- 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 2020 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.

Report of the Directors

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

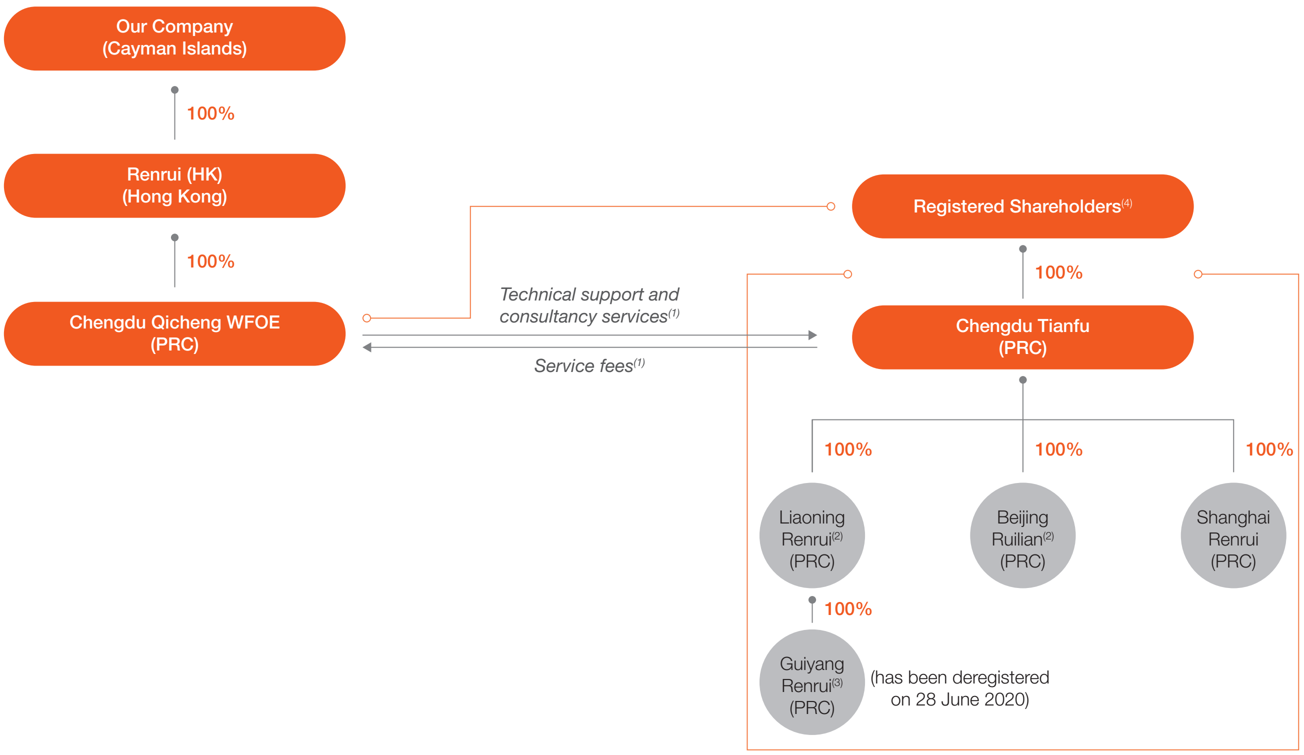
Each of the Registered Shareholders and Chengdu Tianfu has entered into irrevocable powers of attorney with Chengdu Qicheng WFOE dated 1 April 2019 (the "**Powers of Attorney**") appointing Chengdu Qicheng WFOE, or any person designated by Chengdu Qicheng WFOE, as his/her/its attorney-in-fact to, among 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.

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) Guiyang Renrui, as one of our Consolidated Affiliated Entitie, has not conducted any business since its establishment in February 2019 and has been deregistered on 28 June 2020.

(4) 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 2020. 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 2020.

For the year ended 31 December 2020, 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 of 31 December 2020, 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 2020, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

During the year ended 31 December 2020, no related party transactions disclosed in Note 31 to the audited consolidated financial statements constitutes a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules for the continuing connected transactions set out in this section. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

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 2020 was approximately RMB126.4 million (2019: RMB100.5 million), which accounted for approximately 4.5% of our total revenue (2019: 4.4%), representing an increase by 25.8% as compared to that of 2019.

The net assets of our Consolidated Affiliated Entities were approximately RMB318.6 million as at 31 December 2020 (2019: approximately RMB187.0 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.

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 2020, 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 RMB25.9 million (2019: RMB22.9 million) and accounted for approximately 0.9% of our Group's total revenue (2019: 1.0%) for the year ended 31 December 2020.

Confirmations from the Independent Non-executive Directors and the Auditor

Our independent non-executive Directors have confirmed that the Modified Contractual Arrangements for the year ended 31 December 2020 to which any member of the Group was a party were entered into by the Group:

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) no new contracts subject to the Client-imposed Licence Requirement were entered into between our Group and any new or existing clients (except for Client A (a leading American multinational technology company which operates e-commerce and cloud computing platform) and Client B (a company principally engaged in property development and property investment in the PRC)) during the reporting period;

e) our relevant business units have engaged in re-negotiations with Client A and Client B to remove the Client-imposed Licence Requirement but they have not agreed to remove the Client-imposed Licence Requirement;

f) the transactions carried out pursuant to the Modified Contractual Arrangements have not exceeded the Annual Revenue Cap for the year ended 31 December 2020; and

Report of the Directors

g) the Modified Contractual Arrangements are entered into in the ordinary and usual course of business of our Group on normal commercial terms and 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 Company has engaged the auditor to conduct certain procedures in respect of the transactions carried out pursuant to the Modified Contractual Arrangements of the Group for the year ended 31 December 2020, 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. The auditor has confirmed in a letter to the Board that, with respect to the transactions carried out pursuant to the Modified Contractual Arrangements during the year ended 31 December 2020:

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 Company's board of directors;

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.

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 significance in relation to the business of the Group to which the Company or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2020 or at the end of the year ended 31 December 2020.

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 or any of its subsidiaries during the year ended 31 December 2020.

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 2020 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 of the Group as at the date of this annual report.

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2020, we had 889 internal employees. The remuneration package for our employees generally includes salaries, bonuses and allowances. 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, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2020 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 31 to the audited consolidated financial statements. To the best knowledge of the Directors, no related party transactions disclosed in the audited consolidated financial statements constituted a notifiable connected transaction as defined under the Listing Rules.

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 11.0% of the total issued Shares of the Company as at the date of this annual report.

(c) 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.

(d) 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.

Report of the Directors

(e) 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.

(f) 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.

(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.

(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 2020, options to subscribe for an aggregate of 19,794,500 Shares (representing approximately 12.7% of the total issued Shares of the Company) under the Pre-IPO Share Option Schemes remained outstanding, 2,795,500 of the options granted under the Pre-IPO Share Option Schemes had been exercised, and 274,600 options had been forfeited during the year ended 31 December 2020.

No further options will be granted under the Pre-IPO Share Option Schemes after the Listing Date.

Details of movements in the share options granted under the Pre-IPO Share Option Schemes during the year ended 31 December 2020 are as follows:

		Number of share options						
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2020	Granted during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Cancelled/ Lapsed/ Forfeited during the year ended 31 December 2020	Outstanding as at 31 December 2020	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	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	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	18,312,800	–	(2,458,000)	(274,600)	15,580,200	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	3,167,200	–	(337,500)	–	2,829,700	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		22,864,600	–	(2,795,500)	(274,600)	19,794,500		

Note:

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

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.

(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 2020, the remaining life of the Scheme is approximately 8 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 2020, 390,000 share options had been granted, while no share option had been exercised, cancelled nor lapsed under the Post-IPO Share Option Scheme.

Details of movements in the share options granted under the Post-IPO Share Option Scheme during the year ended 31 December 2020 are as follows:

		Number of share options						
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2020	Granted during the year ended 31 December 2020	Exercised during the year ended 31 December 2020	Cancelled/ Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020	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
Total		–	390,000	–	–	390,000		

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 Options to be vested 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

* Adjusted net profit refers to the net profit for the year excluding the Post-IPO Share Option Scheme and share-based payment expenses under the Share Award Scheme.

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.

(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.

(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
An Award granted by our Board to the grantee may be settled in the form of transfer of the Shares underlying the Award ("**Award Shares**") or the payment of the actual selling price in cash upon the 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.

As at 31 December 2020, no Award had been granted or agreed to be granted by our Company pursuant to 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.

AMENDMENTS TO THE 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. For further details, please refer to the announcement of the Company dated 26 June 2020.

APPOINTMENT OF TRUSTEE

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.

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 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, purchases from the Group's five largest suppliers accounted for 3.2% (2019: 3.5%) of the Group's total purchases and purchases from the largest supplier accounted for 0.8% (2019: 1.3%).

For the year ended 31 December 2020, the Group's sales to its five largest customers accounted for 53.2% (2019: 54.1%) of the Group's total sales and sales to the largest customer accounted for 38.6% (2019: 34.3%).

During the year ended 31 December 2020, 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 nor suppliers.

CHARITABLE DONATIONS

During the year ended 31 December 2020, the Group donated approximately RMB1.1 million to pay for the air transportation fee for the transportation of pandemic prevention materials entrusted to China Air Express Co., Ltd.

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 2020.

USE OF NET PROCEEDS FROM THE LISTING

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

Report of the Directors

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

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

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

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 70 to 81 in this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 10 June 2021. 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 2021 (Monday) to 10 June 2021 (Thursday), 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 4 June 2021 (Friday).

In order to determine the entiltlement 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 17 June 2021 (Thursday) to 21 June 2021 (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 transfers accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 16 June 2021 (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 2020.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2020 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
Mr. Zhang Jianguo
Chairman of the Board

PRC, 29 March 2021

Corporate Governance Report

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

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 three Board committees including the Audit Committee, the Remuneration Committee and the Nomination 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 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.

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. 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 2020, 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 2020, the Company organised sessions conducted by the legal advisors for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, continuing connected transaction, disclosure of interests and regulatory updates. In addition, relevant reading materials including compliance manual/legal and regulatory updates/seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors for the year ended 31 December 2020 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, 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 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.

Corporate Governance Report

From 30 June 2020 to the date of the annual report, three Audit Committee meetings were held on 21 August 2020, 12 January 2021 and 24 March 2021, respectively, to review the Group's unaudited interim results for the six months ended 30 June 2020 and to discuss the audit plan for the 2020 financial year with the auditor, and to review the annual financial results and report for the year ended 31 December 2020 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 respectively.

The Audit Committee had met with the external auditor without the presence of the executive Directors at the two meetings held on 6 January 2020 and 24 March 2020, 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; 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 2020, three Remuneration Committee meetings were held on 6 February 2020, 23 June 2020 and 28 October 2020 respectively, 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 amendments to the share award scheme and other related matters and to review and make recommendations to the Board on grant of share options.

Pursuant to paragraph B.1.5 of the CG Code, the remuneration paid to the members of senior management by bands for the year ended 31 December 2020 is set out below:

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

Nomination Committee

The Nomintation 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) required of the Board annually and making recommendations on any proposed change to the Board 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 2020, two Nomination Committee meetings were held on 6 February 2020 and 31 March 2020, respectively, 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 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 Directors, 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 2020, one Investment and Compliance Committee meeting was held on 9 October 2020 to review and make recommendations to the Board concerning the investment of Renrui Human Resources Technology Group Limited ("**Renrui Human Resources Group**"), a wholly-owned subsidiary of the Company, into Xunteng Group, the setting up of joint venture of Renrui Human Resources Group with an independent third party who has over six years of experience in the education industry of the PRC and was the principal of an ecommerce college in the PRC, the setting up of joint venture of Liaoning Renrui Puhui Human Resources Service Co., Ltd., a wholly-owned subsidiary of the Company, with Suzhou Yuecheng, the purchase of the notes issued by BNPP, the purchase of structured deposit issued by Industrial Bank (Chengdu Branch) by Renrui Human Resources Group and the establishment of the System for the Management of Investment and Merger and Acquisition of Renrui Human Resources (《人瑞人才投資及拼購管理制度》).

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.

The Nomination Committee is responsible for reviewing the policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives.

The Nomination Committee shall review this policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

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The Audit Committee is delegated by the Board to perform the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2020, 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 of the Model Code, and the Company's 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 2020, eight 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 edned 31 December 2020 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	8/8	N/A	2/2	2/2	1/1	1/1
Mr. Zhang Feng	8/8	N/A	N/A	N/A	N/A	1/1
Ms. Zhang Jianmei	8/8	N/A	N/A	N/A	N/A	1/1
Mr. Chen Rui	8/8	N/A	N/A	N/A	N/A	1/1
Mr. Chow Siu Lui	8/8	3/3	N/A	N/A	1/1	1/1
Ms. Chan Mei Bo Mabel	8/8	3/3	2/2	2/2	N/A	1/1
Mr. Shen Hao	8/8	N/A	2/2	2/2	N/A	1/1
Mr. Leung Ming Shu	8/8	3/3	N/A	N/A	1/1	1/1

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, reasonable notice will be generally given.

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.

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$0.42 per share for the year ended 31 December 2020 (for the year ended 31 December 2019: nil), subject to the approval of the Shareholders at the forthcoming AGM.

Subject to the Cayman Companies Law 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 2020, 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 offices 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

Corporate Governance Report

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 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. To ensure the integrity of our client information and user data, we do not use third party server for data storage.

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 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 2020, 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 2020, 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 flexible staffing clients, we will also require a risk deposit or an upfront payment. We typically grant a credit period of 10 to 70 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.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, 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.

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 complied with the Model Code during the year ended 31 December 2020.

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

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 2020.

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 statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended 31 December 2020 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit and audit related services	1,900
Non-audit services	2,028
Total	3,928

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 2020, 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.

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 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.

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.

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: No. 601, 602, 603, 6/F, Block 3, No. 688 Mid-Section Tianfu Avenue, Chengdu High-tech Zone, Free Trade Pilot Zone, Sichuan, 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 2020, no other changes have been made to the said amended and restated 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

The Company has prepared this Environmental, Social and Governance Report (the "**2020 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 performance of the Group in 2020. This is the second ESG Report of the Company since the listing.

SCOPE OF REPORTING

The ESG Report covers our principal businesses such as flexible staffing, professional recruitment, BPO and other HR solutions of the Company and all of its subsidiaries. The reporting period is from 1 January 2020 to 31 December 2020, and description in some parts of the Report goes beyond the above period.

STANDARDS OF REPORTING

The Group assesses the relevant aspects and 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": We identify material ESG issues through stakeholder engagement and materiality assessment;
- "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 2019;
- "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.

1. 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 human resources services enterprise 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.

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 HR department, flexible staffing business 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.

On 19 January 2021, the Company held a Board meeting, at which the Company publicized and implemented responsibilities of the Board members for governance and supervision of ESG matters, to strengthen the value that the Board places on ESG governance and thus effectively promote the sustainable development of the Group.

1.3 Stakeholder involvement

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

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 complaints 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

Environmental, Social and Governance Report

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 2020, the ESG working group took the following steps to conduct materiality assessment:

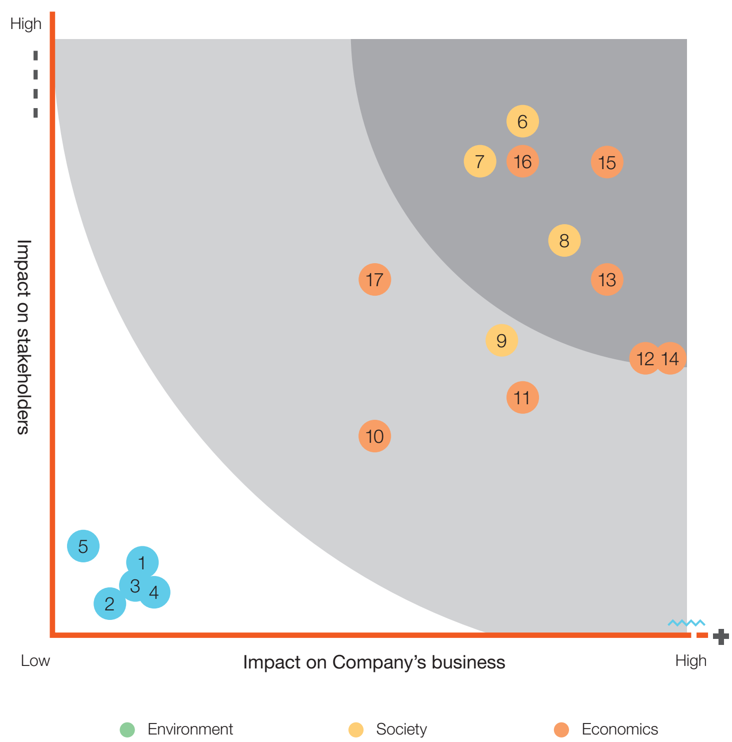
➢ **Identification of issues:** Considering factors such as current condition of the Company, industry overview, risks and opportunities encountered, 17 issues were identified. These issues were related to and affected the Company and its stakeholders in environmental, social and economic aspects;

➢ **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;

➢ **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 2020 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.

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

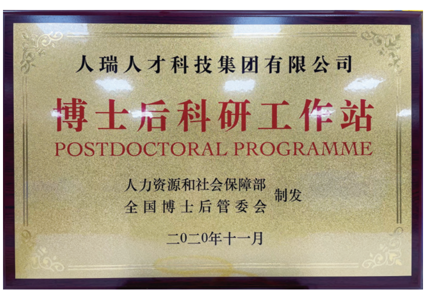


2. RESPONSIBLE OPERATION

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 Contract Law of the People's Republic of China (《中華人民共和國合同法》), (has been replaced by Civil Code of the People's Republic of China (《中華人民共和國民法典》) on 1 January 2021) 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 Foreign-invested Talent Intermediaries (《外商投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》), 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 of the end of 2020, we had established more than 48 branches and institutions 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 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 O2O recruitment method and using online and offline candidate resources.

In 2020, the Group received 20 awards and recognitions for its high quality professional services and leading innovation, including the Post-Doctoral Science and Research Station jointly by the Ministry of Human Resources and Social Security and National Post-Doctorate Committee, the 2020 China Top 100 HR Services Organizations by Tophr, and the CCM Award China 2020, Best Customer Centre – Excellent Customer Service Award jointly by 7 units including CCM World Group China Information Industry Association and Digital Economy Professional Committee.



- *Post-Doctoral Science and Research Station*

- *2020 China Top 100 HR Services Organizations*

- *CCM Award China 2020, Best Customer Centre – Excellent Customer Service Award*

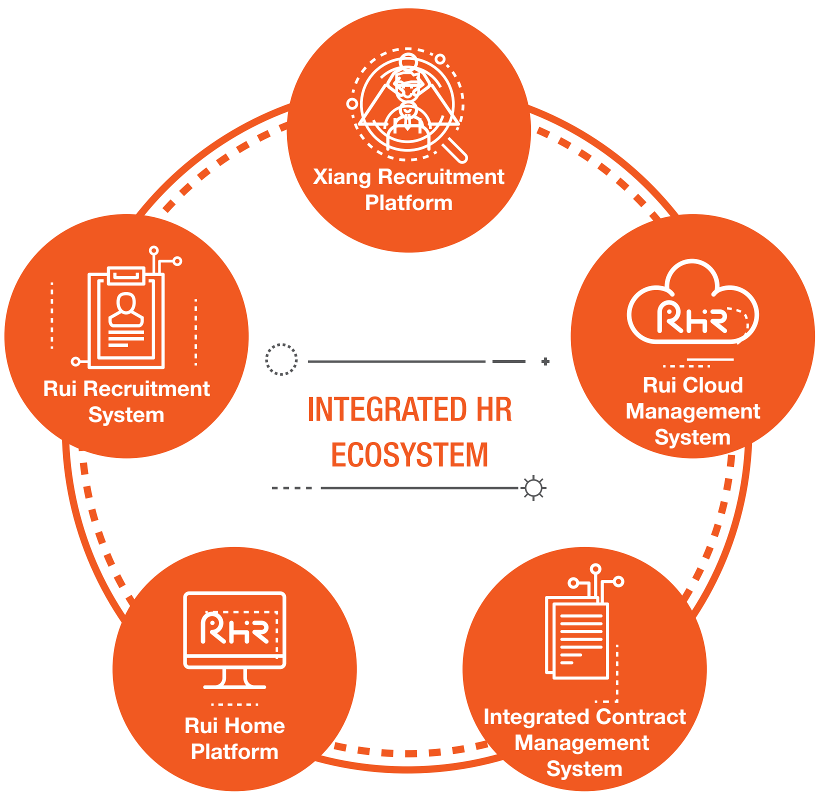
Environmental, Social and Governance Report

2.1 Philosophy of service

Service innovation

As the largest flexible staffing service provider, the Group, upholding the philosophy of being "client-focused and result-oriented", provides enterprises with integrated human resources solutions including flexible staffing, professional recruitment and business process outsourcing ("**BPO**"). The Group has developed an integrated human resources ecosystem consisting of five major technology platforms, namely, Xiang Recruitment, Rui Recruitment, Rui Cloud, Rui Home Platform and Contract Management System. With the help of this system, the Group can efficiently provide customers with integrated HR services ranging from posting recruitment advertisements, organising online and offline recruitment activities, candidate onboarding, to follow-up personnel management, employee file and information storage, salary and bonus calculation, social security and provident fund payment and resignation processing.

The Group has always adhered to the philosophy of "technology-driven human resources services" and kept investments of more than RMB10 million annually in the information system R&D, to ensure the continuous iteration of our existing systems and platforms. Every year, new systems are incorporated into our integrated human resources ecosystem to support our business development and satisfy clients' service requirements. In 2020, after the outbreak of the COVID-19 pandemic, the Group quickly launched a crisis response mechanism to ensure the safety of job seekers and enterprises. Meanwhile, the recruitment team was the first to introduce a series of online recruitment methods, such as online recruitment and video interviews, to help enterprises carry out candidate recruitment and reserve to guarantee the resumption of work on time. Job seekers can obtain the information about online recruitment and interview in their cities nearby by following the Xiang Recruitment App and the Xiang Recruitment's WeChat public accounts. Online recruitment methods can not only lower the risk of candidates becoming infected with COVID-19 by participating in office recruitment activities, but also help enterprises build the talent pool in advance, to avoid the possibility of a "war for talents" after the resumption of work.



Service optimization

Technology-driven human resources services have always been the direction that the Group strives forward. We have set up a professional system R&D team that is responsible for monitoring, maintaining and upgrading the Group's proprietary systems and platforms, continuously updating the integrated human resources ecosystem, and making timely adjustments and innovations through efficient feedback loops, to ensure the quality and efficiency of services.

We apply big data technologies to automated job searching and matching between resumes and positions, to continuously improve overall recruitment efficiency, client satisfaction, and speed at which candidates find suitable jobs. In 2020, the Group maintained its investments in the information systems development while continuously innovating and improving service systems and platforms:

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

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

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

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

Service control

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

Taking flexible staffing projects as an example, we have developed implementation and appraisal rules such as the System for the Management of Special Flexible Staffing Projects (《靈活用工專項項目管理制度》) 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 flexible staffing employees for clients while working to reduce the turnover rate of 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 flexible staffing employees are formulated, and the recruitment targets and the control targets 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 management meetings. For 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.

Performance growth is fundamental to the Group's sustainable growth. In 2020, we continued to launch the "competition for the net increase in the number of flexible staffing employees in various regions in 2020". For the region ranking first in each quarter, we offered incentives based on its contribution to the net increase in the number of flexible staffing employees. This activity aimed at providing clients with a large number of flexible staffing employees quickly while improving the stability of flexible staffing employees, to ensure the continuous growth in the number of fully employed flexible staffing employees. Due to our operation characteristics, key performance indicators B6.1 "Percentage of total products sold or shipped subject to recalls for safety and health reasons" and 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 stickness, and renewal rate, we use performance appraisal of our internal staff to drive continuous improvement in the quality of our flexible staffing, professional recruitment and BPO services.

Flexible staffing	We conduct performance appraisal of employees from the aspects of work results and key behaviors to continuously improve the professionalism of their services.
Professional recruitment	We understand client satisfaction in terms of work results and key behaviors, We analyse the problems we encounter in the recruitment process based on feedback from our clients and find solutions to improve our recruitment methods.
BPO	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.

In respect of flexible staffing, we conduct performance appraisal in terms of work results (recruitment completion rate and full team rate of flexible staffing employees, monthly turnover rate, comprehensive performance, etc.) and key behaviors (such as building the flexible staffing service 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.). We pay 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., to continuously improve the professionalism of services;

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 and delivery 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.

For our BPO 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.

Client satisfaction is our eternal pursuit. Our client satisfaction is reflected in the proportion of total revenue from recurring clients. In 2020, approximately 82.1% of our total revenue was generated from our recurring clients.

- *We have received a banner from our clients in recognition of our brand and service quality.*

Customer complaint

The Group values the feedback and opinions of every client and flexible staffing employee, and has set up customer complaint hotlines (400-175-0-886, 400-179-0886, 400-179-0886 and 400-175-0886) to collect complaints from clients and flexible staffing employees. Clients and flexible staffing employees may also provide their suggestions or opinions directly to our onsite team. For the year ended 31 December 2020, we received complaints about the quality of our services from clients and flexible staffing employees, which were addressed properly to the satisfaction of our clients and flexible staffing employees.

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 calls. After receiving a complaint from a client or a flexible staffing employee, our client service department will report the investigation results to the client or 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 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 flexible staffing employees, and proposes specific improvement suggestions, so as to enhance the quality and level of services to clients and flexible staffing employees.

Environmental, Social and Governance Report

2.3 Compliance operation

Intellectual property

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》) and 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.

In 2020, we received a case involving the infringement of the use of pictures by Guangzhou Renrui Human Resources Service Co., Ltd. (廣州人瑞人力資源服務有限公司), and the claims were dismissed in the first instance and second instance. 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 2020, we obtained a number of intellectual property rights such as those relating to 23 trademarks, 68 software copyrights and 27 domain names.

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 promote legal knowledge such as prohibited words in the Advertising Law to employees by e-mail.

In August 2020, the Group arranged for marketing staff, including those responsible for public relation dissemination, brand planning, business development, marketing event execution, copywriting and design, etc., to participate in the thematic study on the content of the new advertising law, which involves banned words, rules of usage, penalty regulations and other relevant rules of the new advertising law, to prevent the marketing staff from violating and using inappropriate advertising terms in future work. This ensures the proper output of the brand value and influence of the Group.

Based on the Company's business development in 2020, the Company has revised and improved the Brand Identification Guidelines of Renrui Human Resources (《人瑞人才品牌識別指引》) to standardize the logo standards of each channel, thereby laying a good brand foundation for the internationalization of Renrui. 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 and through our internal job referral and recommendation systems. In 2020, we continued to attract the attention of potential candidates by providing high-quality job opportunities on the Xiang Recruitment Platform as well as through offline promotion like publishing articles in widely recognized magazines in the human resources industry and cooperating with colleges and universities. The diversified dynamic marketing methods guarantee market exposure for our brands at any time and increase 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 marketing efforts, accompanied by word-of-mouth promotion, are instrumental for strengthening brand awareness among professionals and industry leaders.

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 specific information and preferences of candidates (such as past work history, education and other background information). 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. We have a dedicated personal information protection department and client service phone (400-000-9628) for candidates to provide feedback on any questions, comments or 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.

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 2020, we did not receive any complaints about the disclosure of personal privacy and trade secrets.

Environmental, Social and Governance Report

2.5 Contract employees' rights and interests

The Group's contract employees include flexible staffing employees, BPO 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.

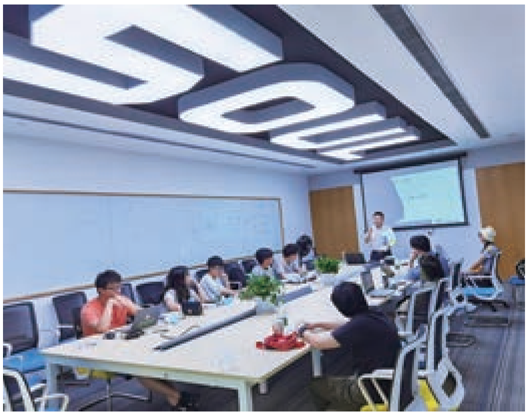
Recruitment and dismissal: The recruitment of contract employees commences via our innovative O2O business model. We convert online traffic to, our Xiang Recruitment App, Xiang Recruitment's WeChat public account and independent third-party social media platforms, to offline recruitment process, where candidates and followers of our social media accounts can visit us at our frequent recruitment events and participate in available job interviews. 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 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.



- *On 5 July 2020, Renrui Academy carried out precision coach teaching and communication as well as art training for front-line contract employees.*

- *In June 2020, the Group "Manager Mindset Evolve and Implementation Tool" training for flexible staffing staff.*

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 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, and establish 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. In 2020, we have developed 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.

Caring for contract employees: We care for our contract employees and create a relaxed and caring work atmosphere for them. In 2020, we carried out a variety of activities in regional offices, for example, providing a free shoulder and neck massage experience for contract employees, to help them relieve stress and improve their happiness.

- *In April 2020, the Group conducted a flexible staffing employee work resumption caring event after the outbreak of COVID-19.*

Environmental, Social and Governance Report

2.6 SUPPLIER MANAGEMENT

Our suppliers include agents providing payment services for social insurance, housing provident fund, and commercial insurance, providers of transportation services and other human resources solution providing services related to job seekers, suppliers of IT services, and subcontractors providing flexible staffing or BPO services.

We standardize suppliers' review and management based on policies such as the Procurement and Supplier Management Policy (《採購與供應商管理制度》). 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. social insurance and housing provident fund processing agents, 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 ensure the service quality of them:

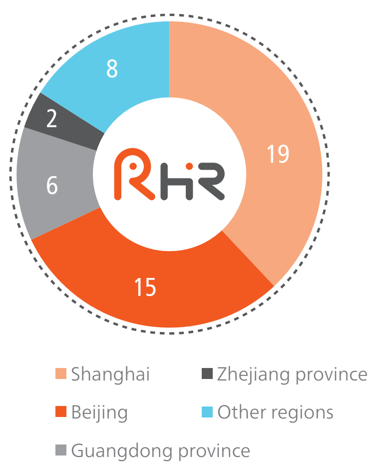
Access link	✓	Organize the flexible staffing business department, the finance department and the legal department to audit suppliers' professional competence, financial position and continuity of service, compliance and quality of operations.
Assess link	✓	Check the suppliers' payment of social insurance and provident fund through monthly spot check and self-check of contract employees.
Audit link	✓	Monthly visits are made to contract staff via Rui Home Platform and by telephone to check 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 2020, the Group introduced 9 suppliers. For the year ended 31 December 2020, there are a total of 50 suppliers providing IT development, marketing, administrative and procurement and social insurance and housing provident fund agency services to the Group. The number of suppliers by region is shown in the figure below:



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.

3.1 Employment Management for Internal Employees

Recruitment and dismissal

The Group has 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. We recruit the most suitable candidates through online channels, internal referrals, recruitments in schools and headhunting companies recommendations. We conduct adequate background 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 Culture Manual (《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, thus helping them better fit in the new environment.

For the year ended 31 December 2020, the Group had a total of 889 employees, all of whom were full-time employees.

Category		Number of employees	Average monthly employee turnover[1]
By gender	Male	274	5.5%
	Female	615	5.1%
By age group	≤25 years old	317	5.9%
	26-35 years old	506	5.1%
	36-45 years old	58	4.5%
	>45 years old	8	0.0%
By region	Beijing	94	7.8%
	Sichuan	163	4.8%
	Guangdong	118	4.1%
	Zhejiang	18	8.5%
	Shanghai	220	4.7%
	Jiangsu	21	5.8%
	Hubei	97	5.2%
	Shaanxi	41	8.7%
	Chongqing	36	4.0%
	Tianjin	21	4.6%
	Others	60	2.5%

[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%

Environmental, Social and Governance Report

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. For example, in view of the flexible staffing business, based on the 2020 target, the Group issued 9 assessment methods for different positions, such as the Assessment method for General Manager of Flexible Staffing Business Department of the Group (《集團靈活用工業務部總經理考核辦法》) for the general manager of the flexible staffing business department, in order to assess different ranks of employees in the flexible staffing business department monthly, promote collaboration between teams, give full play to the Company's internal and external resources, guarantee high-efficiency and high-standard to clients, and create a higher core value for clients.

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 Diversification

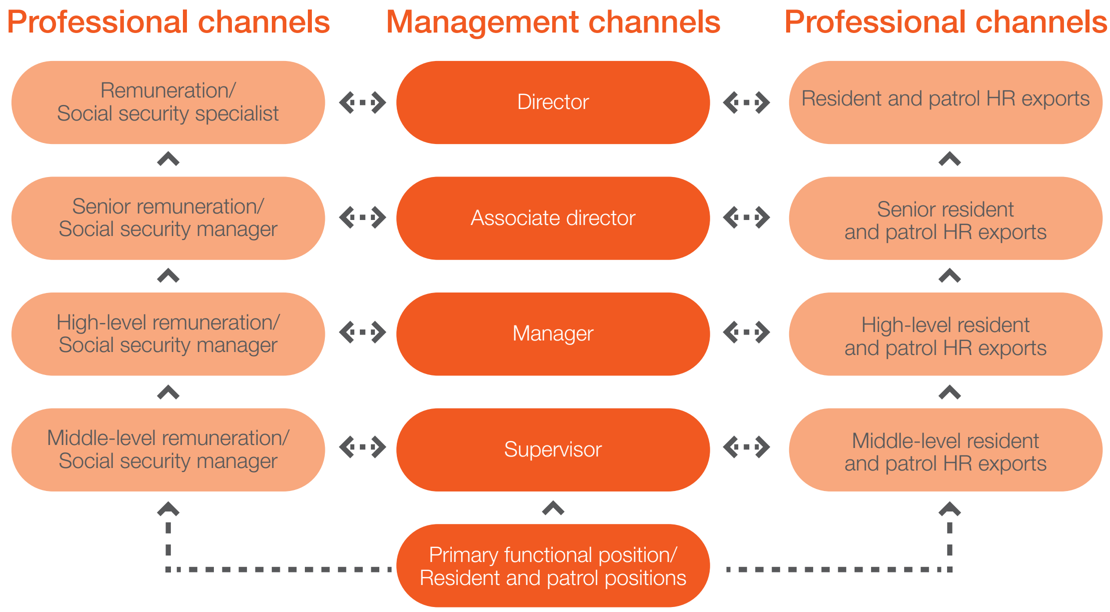
The Group abides by the principles of fairness, impartiality and openness, recruits employees on the basis of merit under the same conditions, and does not discriminate on the basis of race, gender, color, age, family background, ethnicity, religion, physical fitness and nationality to ensure that they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

In the previous years, the positions we provided for recruiting the disabled were mainly functional positions, such as cashier, contract management and salary accounting. During the sudden outbreak of the pandemic in early 2020, employees were forced to work at home. The Group made a new breakthrough in employing the disabled. By finely disassembling the Company's business line, we expanded the positions for the disabled from functional ones to business ones, which greatly increased the number of disabled people employed this year. Through the use of the "distributed home seat system", we can provide work opportunities for the disabled to work from home, and solve problems in induction training, and daily work management. We help the disabled improve their self-confidence and sense of self-identity, and realize their own value. As of 31 December 2020, the Company had employed a total of 26 disabled persons: 20 for professional positions mainly as recruitment project managers and 6 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.

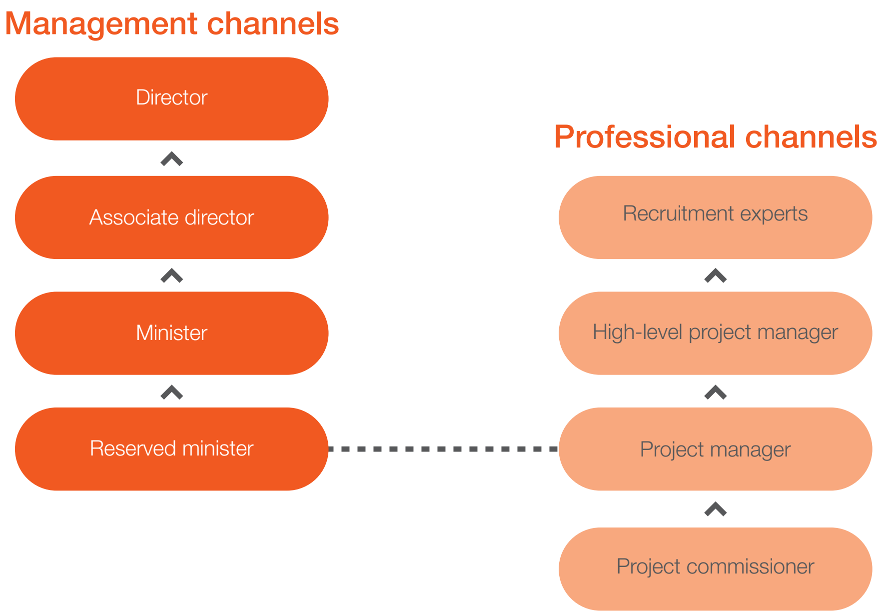
Talent fostering

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.

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



Environmental, Social and Governance Report

To further meet the needs of employees at all levels, the Group provides various training for the general manager, directors, managers and ordinary employees, such as corporate culture program training, business knowledge training, and management knowledge training. We continue to expand the team of internal trainers 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 2020, the Group provided customized training and development courses for employees based on the results of monthly employee qualification assessment, thus enhancing the professional training and serving capabilities of the team. For example, in the recruitment system and the sales system, we successively organized trainings such as Sword (礪劍), Wave (後浪) and Wolf (戰狼) to improve the professional serving capability of the team, cultivate more young employees and do a good job in the reserve of outstanding talents.

Based on the service philosophy of "technology-driven human resources services", we gave full play to our advantages in system research and development in 2020, thus completing the upgrade of the training system from "Ruixuetang" to "Ruixiang", an online learning platform developed based on the WeCom, which is also an upgrade of the employee online learning platform from PC to mobile phone. Therefore, employees can receive training notices and watch training courses more easily. "Ruixiang", as an online learning platform and an enterprise knowledge base developed on the WeCom, provides employees with a variety of online courses covering human resources professional service, sales, management and other knowledges to meet their multifarious learning needs. Through "Ruixiang" platform, employees can more flexibly and conveniently participate in learning and consolidate learned knowledge and skills than before. In 2020, we provided a total of 1,300 courses, 180 learning videos and 350 learning documents on "Ruixiang". The total number of learning times for all employees reaches 23,321, with 25 times per person.

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.

• *"Ruixiang" platform launched in 2020.*

For the year ended 31 December 2020, 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	31%	41.0
	Female	69%	41.2
By position	General manager	4%	24.0
	Director	12%	24.0
	Manager	20%	54.5
	General staff	64%	40.7

- *Training camp "Sword" for middle managers in April 2020*

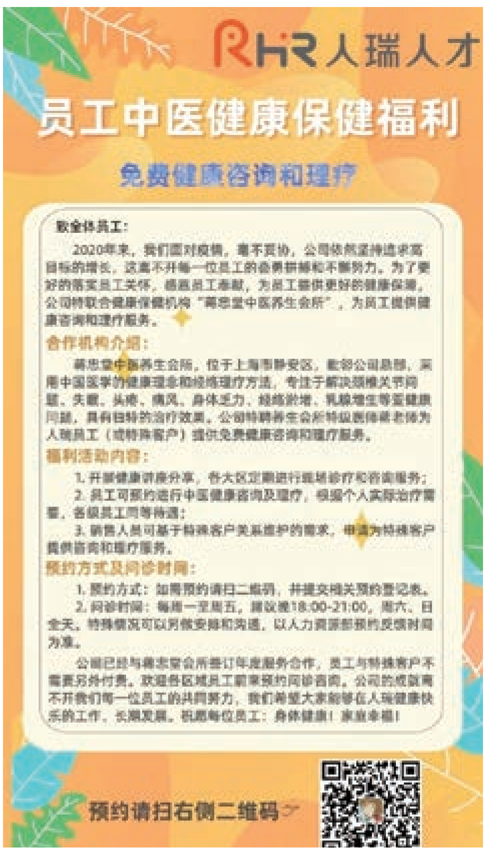
- *Training "Wave" for reserved project managers from October to November 2020*

Environmental, Social and Governance Report

3.2 Health guarantee

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 discomfort. In 2020, the Group took various measures to improve employees' health. For example:

- In July 2020, the Group signed a contract with a physiotherapy institution, where senior TCM physiotherapy experts diagnosed employees with different physiotherapy methods for free.
- From December 2020, the Group started to promote 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.



• *Free health consultation and physiotherapy services*

• *Do morning exercises every day*

- In the second half of 2020, the east China region brought fitness equipment for its employees to exercise during breaks.

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 September 2020, the Shanghai office cooperated with the property management in the fire control linkage test to check the integrity of fire fighting equipment of the building and troubleshoot fire fighting facilities.
- In December 2020, the Shanghai office participated in the fire drill organized by the property management to strengthen the fire awareness and the fire treatment procedure cognition of all employees, and enhance the coordination capabilities of various departments to deal with emergencies.

We are aware that there was no case of work-related death of internal employees from 1 January 2018 to 31 December 2020. During the reporting period, there was no workday lost due to work-related injuries.

TOPIC: COVID-19 PANDEMIC PREVENTION AND CONTROL

Since the outbreak of the COVID-19 pandemic, the Group has actively responded to the government's policies, orderly arranged work resumption, and done a comprehensive job in pandemic prevention and control, thus effectively protecting the life safety and health of all employees. The Group and its branch companies in different regions immediately have set up pandemic teams to coordinate the purchase of 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 after work resumption. We have strictly implemented daily reporting and temperature measurement for employees who enter or leave the buildings, to strictly observe the "entry" of the enterprise. We have also been well-prepared for the pandemic prevention work in the offices. For example:

- ✓ We distributed masks to employees every day, and provided sufficient pandemic prevention materials, such as alcohol cotton pads and disinfectant.
- ✓ We disinfected public areas regularly every day, and publicized the disinfection record sheets.
- ✓ To reduce risks of getting infected by the virus, we encouraged employees to go to the office at different peak hours, work from home, participate in video conferences and conduct career briefing and interview via video.
- ✓ We measured temperatures of employees in the offices three times a day in the morning, at noon, and in the evening, and sent pandemic reports in the WeCom group. The outbreak reports also recorded employees who acted improperly in the pandemic prevention work.

Since the outbreak of COVID-19 pandemic, in particular, we gave more care and sympathy to the employees who was born in Wuhan or are in Wuhan. The Yingkou BPO Center organized the video collection activity of "Come on Wuhan", aiming to thank the people of Wuhan, especially the frontline medical personnel in Wuhan, for their contribution and dedication to pandemic prevention, timely control of the pandemic, and gradually restoration of normal production and life. In addition, we hope to spread this positive spirit that is contagious among people, so that we can work together, cherish the present and look forward to the future.

- *Pandemic prevention and control supplies prepared by Shanghai office for employees.*

Environmental, Social and Governance Report

3.3 Care for employees

In 2020, 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.

- *Celebrating Christmas*

- *Autumn outing*

- *Making mooncakes at the Mid-Autumn Festival*

- *Irregular tea breaks*

The group also organizes all the employees to sing the Company's song and shout slogans together every morning. Before singing the song, new employees make self-introductions, and colleagues in the HR department propagate different employee activity themes for each month to all employees, thus improving mutual understanding among all employees and departments, and helping the employees cultivate good habits and behavior concepts. This constitutes communication media of corporate culture and makes groups more cohesive.

In order to adapt to the rapid development of the Company and strengthen its overall executive capability, we need to constantly develop and cultivate a number of new outstanding talents in the Company, thus activating the vitality of the Company and cultivating an iron team. In 2020, the Group continued holding the "Striver" selection activity to commend the outstanding employees in the business department, branches and subsidiaries, and awarded them certificates of honor and gold medals, hoping that all employees can learn from them.

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. 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.

• *2021 annual "Striver" commendation conference held*

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.

The HR department organizes relevant departments and personnel 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 2020, there were no corruption lawsuits brought against the Group or any of our employees.

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

Environmental, Social and Governance Report

4. GREEN OFFICE

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 in all aspects of the operation of the Group.

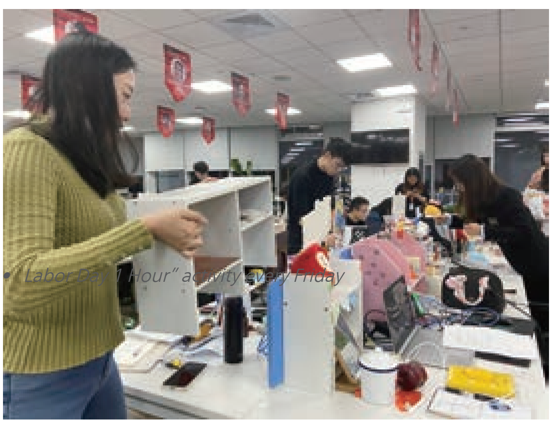
We formulated the 6S Office Management System of Renrui Group (《人瑞集團6S辦公管理制度》) and established the 6S Office Group (《6S辦公小組》) composed of department heads, the HR department and 6S leaders to conduct comprehensive inspection and supervision of the work environment, create clean and tidy offices and create 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.

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*

- *Paper saving slogan*



- *"Labor Day 1 Hour" activity every Friday*

We continue promoting the concept of green office to all employees and hold a series of activities to raise their environmental protection awareness. For example:

The Shenzhen 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.

For the year ended 31 December 2020, the Group's environmental KPIs covered 14 major offices in Chengdu, Shanghai, Beijing, Wuhan, Guangzhou and other cities. The specific data is as follows:

Emissions[1, 3, 4]	2020	2019
Total greenhouse gases ("**GHG**") emissions (tCO_2e)[2]	**507.1**	391.5
Energy indirect GHG emissions (Scope 2) (tCO_2e)	**507.1**	391.5
Total GHG emissions per capita (tCO_2e/employee)	**0.61**	0.66

Use of Resources[8, 9]	2020	2019
Total energy consumption (MWh)[5]	**781.3**	605.5
Total indirect energy consumption (MWh)	**781.3**	605.5
Including: Purchased electricity (MWh)	**781.3**	605.5
Total energy consumption per capita (MWh/employee)	**0.94**	1.01
Water consumption (tons)[6]	**483.7**	373.3
Water consumption per capita (tons/employee)[7]	**0.58**	0.63

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) is 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;

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;

6. The water comes from municipal water supply and there is no issue in sourcing useable water;

7. We promotes the use of water smartly by training and promotion. The 6S Office Group continuously monitored the consumption of water and explored ways to further reduce our water consumption. Owing to our ongoing education and efforts, our water consumption per capita for the year ended 2020 reduced as compared to the consumption for the year ended 2019.

8. 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;

9. 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, the A3 level (environment and natural resources), A3.1 level (describing significant impact of business activities on the environment and natural resources and actions taken to manage the impact), A4 level (climate changes), A4.1 level (describing matters related to major climates that already affect and may affect the issuer, and responses to the matters) 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 Mr. Zhang Jianguo, the Chairman and Chief Executive Officer of the Group has published a number of books including Flexible Staffing – Talents Belonging to Me to Work for Me (《靈活用工一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》) and White Paper for Flexible Staffing Development of Chinese Enterprises (《中國企業靈活用工發展白皮書》) to guide Chinese enterprises to make innovations in human resources management.

On 18 December 2020, the Group, the School of Labor and Human Resources of the Renmin University of China and Social Science Academic Press of PRC jointly published the Blue Book, Report on Flexible Staffing Development in China (2021) (《中國靈活用工發展報告 (2021) 》). The book makes in-depth study and analysis of the development and practice of flexible staffing in China, and provides effective guidance for the management innovation of Chinese enterprises in the digital era.

On 23 December 2020, the Group became the only private enterprise approved to set up a state-level post-doctoral research station in China's human resources industry, which is also the first post-doctoral research station in the field of flexible staffing in China. With the goal of "building first-class post-doctoral stations, cultivating first-class post-doctoral talents, and achieving first-class scientific research achievements", we lead and drive the training of high-level young innovative talents in the human resources industry, and provide a strong talent guarantee for promoting Sichuan Governance (《治蜀興川》) to a new level.

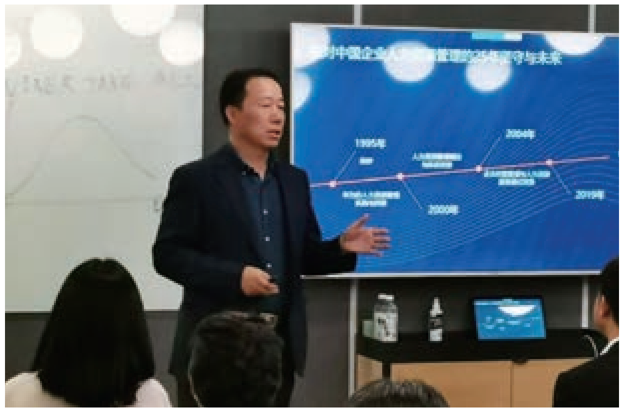
The Group continues holding various forms of sharing activities, such as industry summits, high-end forums, themed salons, and Renrui sharing meetings, to share theories of and experience in human resource management with entrepreneurs, corporate management, heads of HR departments, university teachers and students, etc. Particularly in the post-pandemic era, the Group shares its theories of and experience in opportunities and challenges faced in its development, methods for operation and talent management, as well as the future innovative direction of enterprise human resource management. The sharing aims to 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.

In addition, we also actively participate in charity donation, the fight against the pandemic and a series of themed public welfare activities organized by the government, and continued practicing the corporate social responsibility.

- *Unveiling ceremony of the blue book Report on Flexible Staffing Development in China (2021) (《中國靈活用工發展報告（2021）》)"*

- *Post-doctoral research station award conference*

- *Mr. Zhang Jianguo delivering a keynote speech at the 5th Link China HR Summit*



- *Mr. Zhang Jianguo delivering a speech on the sharing salon with the theme of Human Resource Management Innovation of Top Enterprises (《頂尖企業人力資源管理創新》)*

- *Ms. Liu Yan, the Vice President of the Group delivering a speech at the Renrui talent sharing conference*

- *Mr. Xie Zongliang, the Vice President of the Group delivering a speech at the 2020 New Employment Form and Flexible Staffing Summit Forum (《2020新就業形態與企業靈活用工高峰論壇》)*

Environmental, Social and Governance Report

Assisting in fight against the pandemic

The sudden pandemic brought people in the world into times of crisis. Facing the rapid spread of the pandemic, we donated approximately RMB1,100,000 in March 2020 to China Air Express as the payment of air transportation expenses spent in delivering pandemic prevention materials. In addition, since April 2020, the Group has assisted renowned domestic bio-pharmaceutical enterprises in sending flexible staffing employees to Saudi Arabia, Oman, Hong Kong, Ethiopia, Brazil, Kazakhstan, and other countries and regions to carry out COVID-19 pandemic detection, contributing our share to winning the fight against the pandemic.

Caring for the aged

In September 2020, the Group participated in the Party activity with the theme of "Warm Mid-Autumn Festival, Care for Elderly Persons of No Family (情暖中秋、關愛孤寡老人)" organized by the Party branch of the street. In the Mid-Autumn Festival, the Group conveyed its sympathy to elderly persons of no family in the housing estates designated by the West Tianmu Street, sending its blessing of the festival including mooncakes and milk to each of the elderly persons of no family there.

Independent Auditor's Report

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") set out on pages 116 to 192, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income/(loss) 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 a summary of significant accounting policies.

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 2020, 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 RMB2,830.1 million for the year ended 31 December 2020, including flexible staffing, professional recruitment, business process outsourcing 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.

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 21 (Trade and notes receivables) to the consolidated financial statements. As at 31 December 2020, the Group's gross trade receivables amounted to RMB477.8 million, against which an impairment provision of RMB9.0 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 2020, 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 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.

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, 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, 29 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	2,830,052	2,287,601
Cost of revenue	6	(2,559,188)	(2,046,716)
Gross profit		270,864	240,885
Selling and marketing expenses	6	(53,404)	(42,868)
Research and development expenses	6	(13,938)	(13,372)
Administrative expenses	6	(74,196)	(89,750)
(Provision for)/reversal of net impairment losses on financial assets	3.1(b)	(2,941)	53
Other income	9	32,569	21,158
Other gains, net	10	39,587	2,163
Operating profit		198,541	118,269
Finance income	11	12,820	1,562
Finance costs	11	(2,950)	(5,351)
Finance income/(costs), net	11	9,870	(3,789)
Fair value losses on hybrid financial instruments	25	—	(878,151)
Share of results of joint ventures	12b	(17)	—
Profit/(loss) before income tax		208,394	(763,671)
Income tax expense	13	(25,477)	(16,160)
Profit/(loss) for the year		182,917	(779,831)
Profit/(loss) is attributable to:			
– Equity holders of the Company		182,616	(779,831)
– Non-controlling interests		301	—
Earnings/(loss) per share (expressed in RMB per share)			
– Basic earnings/(loss) per share	14(a)	1.19	(12.42)
– Diluted earnings/(loss) per share	14(b)	1.07	(12.42)

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

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Profit/(loss) for the year		182,917	(779,831)
Other comprehensive loss			
Items that may not be reclassified subsequently to profit or loss:			
– Currency translation differences of the Company	24	(72,154)	(28,932)
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences of subsidiaries	24	39,735	—
– Changes in the fair value of financial assets at fair value through other comprehensive income	18	(604)	—
Other comprehensive loss for the year, net of tax		(33,023)	(28,932)
Total comprehensive income/(loss) for the year		149,894	(808,763)
Total comprehensive income/(loss) for the year is attributable to:			
– Equity holders of the Company		149,593	(808,763)
– Non-controlling interests		301	—

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

Consolidated Balance Sheet

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	73,936	84,499
Intangible assets	17	3,144	768
Investments in joint ventures	12b	19,683	—
Derivative financial instruments	12b	2,580	—
Other non-current assets	18	7,043	6,005
Deferred income tax assets	19	12,678	14,935
Restricted cash	22	6,050	—
Total non-current assets		125,114	106,207
Current assets			
Trade and notes receivables	21	477,895	341,452
Prepayments, deposits and other receivables	20	12,046	7,246
Financial assets at fair value through other comprehensive income	18	185,827	—
Restricted cash	22	1,815	—
Cash and cash equivalents	22	967,225	1,029,456
Total current assets		1,644,808	1,378,154
Total assets		1,769,922	1,484,361
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	23	53	51
Share premium	23	2,252,478	2,170,559
Shares held for share-based payment scheme	23	(66,609)	—
Other reserves	24	(62,048)	(30,911)
Accumulated losses		(889,712)	(1,072,328)
		1,234,162	1,067,371
Non-controlling interests		1,901	—
Total equity		1,236,063	1,067,371

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	27	40,785	54,381
Total non-current liabilities		40,785	54,381
Current liabilities			
Trade and other payables	26	433,212	316,875
Contract liabilities	5	18,848	22,016
Current income tax liabilities		23,235	4,669
Lease liabilities	27	17,779	19,049
Total current liabilities		493,074	362,609
Total liabilities		533,859	416,990
Total equity and liabilities		1,769,922	1,484,361

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

The consolidated financial statements on pages 116 to 192 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf.

Zhang Jianguo
Director

Zhang Feng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

		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 (deficit)/ equity RMB'000
Balance at 1 January 2019		18	–	–	(6,933)	(292,497)	(299,412)	–	(299,412)
Comprehensive loss									
Loss for the year		–	–	–	–	(779,831)	(779,831)	–	(779,831)
Other comprehensive loss									
– Currency translation differences	24	–	–	–	(28,932)	–	(28,932)	–	(28,932)
Total comprehensive loss		–	–	–	(28,932)	(779,831)	(808,763)	–	(808,763)
Transactions with equity holders of the Company									
Share-based compensation	24	–	–	–	4,954	–	4,954	–	4,954
Issue of ordinary shares in connection with the listing, net of listing expenses	23	14	865,862	–	–	–	865,876	–	865,876
Conversion of preferred shares	23	19	1,304,697	–	–	–	1,304,716	–	1,304,716
Total transactions with equity holders of the Company		33	2,170,559	–	4,954	–	2,175,546	–	2,175,546
Balance at 31 December 2019		51	2,170,559	–	(30,911)	(1,072,328)	1,067,371	–	1,067,371

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 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	24	–	–	–	(32,419)	–	(32,419)	–	(32,419)
– Changes in the fair value of financial assets at fair value through other comprehensive income	24	–	–	–	(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	24	–	–	–	1,886	–	1,886	–	1,886
Exercise of share options	23	1	10,224	–	–	–	10,225	–	10,225
Acquisitions of shares held for share-based payment scheme	23	–	–	(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	23	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

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 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	29	160,267	150,847
Income tax paid		(4,654)	(335)
Net cash generated from operating activities		155,613	150,512
Cash flows used in investing activities			
Purchase of property, plant and equipment		(6,880)	(12,162)
Purchase of intangible assets		(2,692)	(439)
Purchase of financial assets at fair value through profit or loss		(1,762,022)	(218,000)
Purchase of financial assets at fair value through other comprehensive income		(278,953)	—
Investments in joint ventures	12b	(22,250)	—
Proceeds from disposal of property, plant and equipment		101	217
Proceeds from disposal of financial assets at fair value through profit or loss		1,764,047	218,108
Proceeds from disposal of financial assets at fair value through other comprehensive income		95,692	—
Interest received from cash and cash equivalents		12,735	1,454
Net cash used in investing activities		(200,222)	(10,822)
Cash flows (used in)/from financing activities			
Proceeds from issue of ordinary shares upon listing	23	74,482	908,386
Proceeds from exercise of share options	23	10,225	—
Proceeds from borrowings		—	70,390
Capital contribution from non-controlling shareholders of subsidiaries		1,600	—
Repayment of borrowings		—	(80,390)
Acquisition of shares held for share-based payment scheme		(66,609)	—
Payment of lease liabilities	30	(23,897)	(19,719)
Interest paid		—	(433)
Listing expenses paid		(12,474)	(30,923)
Net cash (used in)/generated from financing activities		(16,673)	847,311
Net (decrease)/increase in cash and cash equivalents		(61,282)	987,001
Cash and cash equivalents at beginning of the year		1,029,456	40,341
Effects of exchange rate changes on cash and cash equivalents		(949)	2,114
Cash and cash equivalents at end of the year	22	967,225	1,029,456

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

1 GENERAL INFORMATION

Renrui Human Resources Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands on 14 October 2011 as an exempted company with limited liability. The registered office is P.O. Box 309, 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 flexible staffing services, professional recruitment services, business process outsourcing ("BPO") services and other human resources ("HR") solutions services in the People's Republic of China (the "PRC")(the "Listing Businesses"). 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"), derivative financial instruments and hybrid 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 2020:

Amendments to HKAS 1 and HKAS 8 - Definition of Material
Amendments to HKFRS 3 - Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 - Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 16 - COVID-19-Related Rent Concessions

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group (Continued)

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

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling approximately RMB885,000 were accounted for as negative variable lease payments and recognised in the consolidated income statement for the year ended 31 December 2020 (Note 6), with a corresponding adjustment to the lease liability. There was no impact on the opening balance of equity as at 1 January 2020.

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

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting year beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
HKFRS 17 – Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018 –2020	1 January 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

(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.

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 the contractual arrangements dated 28 April 2012 (the "Old Contractual Arrangements"), 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 2020 and 2019.

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 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation (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

Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

(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 2.8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the 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.

2.4 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.

2.5 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 and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 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.

2.6 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 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 2.8).

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

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

2.7 Intangible assets

Intangible assets include software purchased from third parties. They 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.

2.8 Impairment of non-financial assets

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. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(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 cost 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.

- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(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.

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

2.10 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.

2.11 Derivative financial instruments

Derivative financial instruments include certain embedded derivatives in relation to the investment in a joint venture (Note 12b).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 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.

2.14 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-based 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.

2.15 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 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.

2.17 Borrowing cost

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

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

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

2.18 Hybrid financial instruments

Hybrid financial instruments include convertible redeemable preferred shares ("Preferred Shares").

Preferred Shares which entitle the holder to participate in dividends appropriation in preference to holders of ordinary shares, subject to the discretion of the directors of the Company, are regarded as compound instruments that consist of a liability component and an embedded derivative.

Pursuant to HKFRS 9, hybrid financial instruments are accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in FVPL within the consolidated income statement, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as the change in fair value of embedded feature is reflected in the change in fair value in the compound instruments under such "whole instruments" approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit and loss, are recognised immediately in the consolidated income statement.

The instruments are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the reporting period.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the employees' salaries, 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.

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. The Group receives services from employees as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as expenses in the consolidated income statement.

(i) Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the 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 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".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Share-based payments (Continued)

(ii) 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.

(iii) Share-based payments transactions among Group entities

The grant by the Company of share options 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(i) The accounting policy for the Group's principal revenue sources

Flexible staffing

The Group provides flexible staffing services to meet the customers' staffing 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 flexible staffing 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 flexible staffing 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 flexible staffing 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(i) *The accounting policy for the Group's principal revenue sources* (Continued)

BPO

The Group provides BPO services to maintain sufficient number of employees to perform the whole business function outsourced to the Group under the Group's direct supervision, such as call center customer services. The Group generally enters into BPO 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 BPO services before transferring to the customers, is primarily responsible for fulfilling the contracts to ensure the quality and performance of the outsourced business function, 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 BPO 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

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.

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 or directors, where appropriate.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Research and development (Continued)

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 2020 and 2019.

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 in the year 2020 and 2019.

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 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.

As at 31 December 2019, the majority of the Group's assets and liabilities are denominated in RMB, except for the bank deposits from the Company's initial public offering, which are denominated in HKD, while the Company's functional currency is USD. Accordantly the management considers that the business is not exposed to any significant foreign exchange risk.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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 Notes 27. 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 2020 and 2019, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

(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 2020 and 2019, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(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 70 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 2020 and 2019 was determined as follows:

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

31 December 2019	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	0.10%	3.43%	8.46%	22.22%	70.00%	100.00%	
Gross carrying amount	294,104	30,096	10,659	63	10	3,668	338,600
Loss allowance	294	1,031	902	14	7	3,668	5,916

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables

For other receivables, 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 2020 and 2019, the loss allowance of other receivables were RMB99,000 and RMB194,000, respectively.

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

	2020 RMB'000	2019 RMB'000
Opening loss allowance at 1 January	6,110	6,249
Increase/(decrease) in loan loss allowance recognised in profit or loss during the year	2,941	(53)
Receivables written off during the year as uncollectible	—	(86)
Closing loss allowance at 31 December	9,051	6,110

(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 2020, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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.

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 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
At 31 December 2019					
Trade and other payables*	54,345	—	—	—	54,345
Lease liabilities	23,146	21,264	37,703	—	82,113
	77,491	21,264	37,703	—	136,458

* 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 (exclude hybrid financial instruments) less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

As at 31 December 2020 and 2019, the Group was in a net cash position (i.e., cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

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 2020 and 2019 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 2020, the Group had certain financial assets 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.

As at 31 December 2019, the Group had no financial assets or financial liabilities carried at fair value.

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 18)	—	185,827	—	185,827
Derivative financial instruments	—	—	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 2020

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 derivative financial instruments for the year ended 31 December 2020.

Derivative financial instruments	Year ended 31 December 2020 RMB'000
At the beginning of the year	—
Addition (Note 12b)	2,550
Fair value change (Note 10)	30
At the end of the year	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.

For the year ended 31 December 2020, the valuation of the level 3 instruments included embedded derivative financial instruments related to investment in Xunteng Group (Note 12b). The fair value of the contingent consideration receivable was determined by expected cash inflows which were estimated based on the terms of the investment agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The fair value of the liquidation preference right was determined by Black Scholes option pricing model, and significant assumptions included discount rate, risk-free interest rate and expected volatility.

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 2020 and 2019, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB887,000 and RMB5,179,000 respectively. The outcome of their actual utilisation may be different from management's estimation.

(b) Contractual arrangements

Before the Reorganisation, the Group conducted the Listing Businesses through Chengdu Tianfu and its PRC subsidiaries. After the Reorganisation, the Group conducts part of the Listing Businesses 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Fair value of share-based compensation expenses

The Group awarded share options 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.

Significant estimate on assumptions, including underlying equity value, 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 the share options and the amount of such share options expected to become vested, which may in turn significantly impact the determination of the share options 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.

(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.

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 three business segments, namely the flexible staffing segment, professional recruitment segment and other HR solutions segment.

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

Flexible staffing

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

Professional recruitment

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

BPO

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

Other HR solutions

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

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

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

Notes to the Consolidated Financial Statements

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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 2020 was as follows:

	Year ended 31 December 2020				
	Flexible staffing RMB'000	Professional recruitment RMB'000	BPO RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	2,576,352	69,292	150,565	33,843	2,830,052
Segment gross profit	190,386	27,414	24,164	28,900	270,864
Unallocated:					
Selling and marketing expenses					(53,404)
Research and development expenses					(13,938)
Administrative expenses					(74,196)
Other income (Note 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 (Note 12b)					(17)
Profit before income tax					208,394
Income tax expense (Note 13)					(25,477)
Profit for the year					182,917

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 2019 was as follows:

	Year ended 31 December 2019				
	Flexible staffing RMB'000	Professional recruitment RMB'000	BPO RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	2,150,950	63,509	51,753	21,389	2,287,601
Segment gross profit	192,078	22,536	7,819	18,452	240,885
Unallocated:					
Selling and marketing expenses					(42,868)
Research and development expenses					(13,372)
Administrative expenses					(89,750)
Other income (Note 9)					21,158
Fair value losses on hybrid financial instruments (Note 25)					(878,151)
Other gains, net (Note 10)					2,163
Reversal of net impairment losses on financial assets (Note 3.1)					53
Finance costs, net (Note 11)					(3,789)
Loss before income tax					(763,671)
Income tax expense (Note 13)					(16,160)
Loss for the year					(779,831)

(c) Segment assets and segment liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

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

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

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

5 SEGMENT INFORMATION AND REVENUE (Continued)

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

(iii) Information about major customers

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

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

(e) Liabilities related to contracts with customers

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contract liabilities - professional recruitment	14,623	19,889
Contract liabilities - flexible staffing	3,835	1,425
Contract liabilities - BPO	92	—
Contract liabilities - other HR solutions	298	702
	18,848	22,016

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 flexible staffing, BPO 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 2020 and 2019, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

Notes to the Consolidated Financial Statements

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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	
	2020 RMB'000	2019 RMB'000
Employee benefit expenses (Note 7)	2,520,557	2,029,688
Travelling and entertainment expenses	50,692	34,374
Subcontracting costs	25,969	9,136
Depreciation and amortisation (Note 16, 17)	24,698	24,559
Marketing and promotion expenses	21,174	18,818
Other taxes and surcharges	17,217	13,945
Professional service fee	12,305	3,843
Utilities and office expenses	7,818	7,031
Recruitment related communication expenses	6,356	8,321
Lease and property management expenses	5,098	2,941
COVID-19-related rent concessions (Note 2.1(iii))	(885)	—
Auditor's remuneration		
– Audit services	1,900	1,900
– Non-audit services	1,088	476
Listing expenses	—	35,942
Others	6,739	1,732
Total	2,700,726	2,192,706

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	2,205,565	1,651,057
Social insurance and housing fund	273,688	352,191
Other employee welfares	39,418	21,486
Share-based payments (Note 24)	1,886	4,954
	2,520,557	2,029,688

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 2020 included three (2019: two) directors whose emoluments were reflected in the analysis shown in Note 8. The emoluments payable to the remaining two (2019: three) individuals during the year ended 31 December 2020 were as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	1,721	3,365
Social insurance and housing fund	65	54
Share-based payments	141	696
	1,927	4,115

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollar)		
HK$500,000 – HK$1,000,000	1	—
HK$1,000,001 – HK$1,500,000	1	2
HK$2,000,001 – HK$2,500,000	—	1
	2	3

During the years ended 31 December 2020 and 2019, 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.

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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 2020:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman					
Mr. Zhang Jianguo	—	1,045	13	113	1,171
Executive directors					
Mr. Zhang Feng	—	886	23	91	1,000
Ms. Zhang Jianmei	—	694	10	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	2,625	46	295	3,761

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2019:

Name of Director	Fees RMB'000	Salary and bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman					
Mr. Zhang Jianguo	—	800	22	—	822
Executive directors					
Mr. Zhang Feng	—	680	20	18	718
Ms. Zhang Jianmei	—	908	22	172	1,102
Non-executive directors					
Mr. Chen Rui	—	—	—	—	—
Mr. Chow Siu Lui	—	—	—	—	—
Independent non-executive directors					
Mr. Shen Hao	22	—	—	—	22
Ms. Chan Mei Bo Mabel	22	—	—	—	22
Mr. Leung Ming Shu	22	—	—	—	22
Total	66	2,388	64	190	2,708

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8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

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

None of the directors of the Company received or were paid any emoluments in respect of accepting office, and waived or agreed to waive any emolument for the years ended 31 December 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

(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 2020 and 2019.

9 OTHER INCOME

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

(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.

10 OTHER GAINS, NET

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

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

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11 FINANCE INCOME AND COSTS

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

12a SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 and 2019 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	Registered capital	Paid-in capital	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
					2020	2019	2020	2019
Renrui Education (Hong Kong) Limited	Investment Holding	Hong Kong	HKD1	HKD1	100	100	–	–
Beijing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Beijing, China	RMB21,000,000	RMB21,000,000	100	100	–	–
Beijing Ruilian Network Technology Co., Ltd.	Human Resources Services	Beijing, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Tianjin Renrui Human Resources Service Co., Ltd.	Human Resources Services	Tianjin, China	RMB3,000,000	RMB3,000,000	100	100	–	–
Xian Renrui Human Resources Service Co., Ltd.	Human Resources Services	Xian, China	RMB2,000,000	RMB2,000,000	100	100	–	–
Hefei Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hefei, China	RMB2,000,000	RMB2,000,000	100	100	–	–
Qingdao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Qingdao, China	RMB2,000,000	RMB2,000,000	100	100	–	–
Chengdu Qicheng WFOE	Investment Holding	Chengdu, China	USD13,250,000	USD11,650,000	100	100	–	–
Chengdu Tianfu	Human Resources Services and Investment Holding	Chengdu, China	RMB5,000,000	RMB5,000,000	100	100	–	–
Wuhan Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China	RMB43,000,000	RMB43,000,000	100	100	–	–
Chongqing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China	RMB4,000,000	RMB2,000,000	100	100	–	–
Guangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Guangzhou, China	RMB66,000,000	RMB66,000,000	100	100	–	–
Shenzhen Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China	RMB29,000,000	RMB29,000,000	100	100	–	–
Shanghai Renrui Network Technology Co., Ltd.	Human Resources Services and R&D	Shanghai, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Shanghai Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shanghai, China	RMB50,000,000	RMB50,000,000	100	100	–	–
Nanjing Renrui Human Resources Co., Ltd.	Human Resources Services	Nanjing, China	RMB23,000,000	RMB23,000,000	100	100	–	–
Hangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hangzhou, China	RMB21,000,000	RMB21,000,000	100	100	–	–
Suzhou Renrui Puhui Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Suzhou Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China	RMB2,000,000	RMB2,000,000	100	100	–	–
Renrui HR Group	Human Resources Services	Chengdu, China	RMB370,526,300	RMB370,526,300	100	100	–	–
Liaoning Renrui Service Outsourcing Co., Ltd.	BPO Services	Yingkou, China	RMB20,000,000	RMB20,000,000	100	100	–	–

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12a SUBSIDIARIES (Continued)

Name of the subsidiaries	Principal activities	Place of incorporation	Registered capital	Paid-in capital	Ownership interest held by the Group (%) 2020	Ownership interest held by the Group (%) 2019	Ownership interest held by non-controlling interests (%) 2020	Ownership interest held by non-controlling interests (%) 2019
Ningbo Renrui Human Resources Service Co., Ltd.	Human Resources Services	Ningbo, China	RMB8,000,000	RMB8,000,000	100	100	–	–
Liaoning Renrui Puhui Human Resources Service Co., Ltd. ("Liaoning Puhui")	Human Resources Services	Yingkou, China	RMB20,000,000	RMB20,000,000	100	100	–	–
Liaoning Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Yingkou, China	RMB20,000,000	RMB20,000,000	100	100	–	–
Wuhan Huazhong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Shangrao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shangrao, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Sunflower Human Resources Limited	Investment Holding	The British Virgin Islands	USD50,000	USD1	100	100	–	–
Tournesol Human Resources Limited	Human Resources Services	Hong Kong	HKD1	HKD1	100	100	–	–
Shandong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Jinan, China	RMB3,000,000	RMB3,000,000	100	100	–	–
Guiyang Renrui Business Process Outsourcing Service Co., Ltd. (Note)	BPO Services	Guiyang, China	–	–	–	100	–	–
Liaoning Corporate	BPO Services	Yingkou, China	RMB10,000,000	RMB10,000,000	100	100	–	–
Luzhou Renrui Enterprise Service Outsourcing Co., Ltd.	BPO Services	Luzhou, China	RMB10,000,000	RMB10,000,000	100	–	–	–
Sichuan Renrui Network Technology Co.,Ltd.	Human Resources Services and R&D	Chengdu, China	RMB10,000,000	RMB2,400,000	100	–	–	–
Luzhou Ruiyi United Human Resources Service Co., Ltd.	Human Resources Services	Luzhou, China	RMB2,000,000	RMB2,000,000	60	–	40	–
Chengdu Renrui United Human Resources Service Co., Ltd.	Human Resources Services	Chengdu, China	RMB2,000,000	RMB2,000,000	60	–	40	–
Shijiazhuang Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shijiazhuang, China	RMB18,000,000	RMB18,000,000	100	–	–	–
Zhengzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Zhengzhou, China	RMB20,000,000	RMB10,000,000	100	–	–	–
Liaoning Renrui Senpu Network Service Outsourcing Co., Ltd.	BPO Services	Yingkou, China	RMB10,000,000	RMB6,000,000	60	–	40	–
Xinjiang Renrui Xinjian Human Resources Service Co., Ltd.	Human Resources Services	Shihezi, China	RMB5,000,000	RMB3,000,000	60	–	40	–
Changsha Renrui Human Resources Service Co., Ltd.	Human Resources Services	Changsha, China	RMB10,000,000	RMB10,000,000	100	–	–	–
Chongqing Renrui Renhui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China	RMB10,000,000	RMB10,000,000	100	–	–	–
Shenzhen Southern District Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China	RMB10,000,000	RMB10,000,000	100	–	–	–
Shandong Renrui Youming Service Outsourcing Co., Ltd.	BPO Services	Tai'an, China	RMB10,000,000	RMB6,000,000	60	–	40	–

Note: Guiyang Renrui Business Process Outsourcing Service Co., Ltd. was deregistered during the year ended 31 December 2020.

As at 31 December 2020, all the subsidiaries that have non-controlling interests were not material to the Group.

12b INVESTMENTS IN JOINT VENTURES

The movements in investments in joint ventures were as follows:

	Year ended 31 December 2020 RMB'000
As at 1 January	—
Additions	19,700
Share of results of joint ventures	(17)
As at 31 December	19,683

Set out below are the joint ventures of the Group as at 31 December 2020 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 2020 %	2019 %	Nature of relationship	Measurement method	Carrying amount 2020 RMB'000	2019 RMB'000
Tianjin Binhai Xunteng Technology Group Limited ("Xunteng Group")	China	15	—	Joint venture (1)	Equity method	17,550	—
Shanghai Zhencheng Technology Company Limited ("Zhencheng")	China	45	—	Joint venture	Equity method	2,133	—
						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 ("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 2020, the fair value of the contingent consideration receivable and liquidation preference right was approximately RMB728,000 and RMB1,852,000 respectively (Note 3.3), and fair value gains on derivative financial instruments for the year ended 31 December 2020 were approximately RMB30,000 (Note 10).

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12b INVESTMENTS IN JOINT VENTURES (Continued)

(2) The joint ventures are private companies and there is no quoted market price available for their shares. There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

(3) Summarised financial information for a joint venture

The tables below provided summarised financial information for a joint venture of 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 2020 RMB'000
Total assets	94,757
Total liabilities	37,878
Net assets	56,879
Group's share in %	15%
Group's share in RMB	8,532
Goodwill	9,018
Carrying amount	17,550
Revenue	56,280
Net profit and total comprehensive income	10,919

(4) Individually immaterial joint venture

In addition to the interests in a joint venture disclosed above, the Group also has interests in an individually immaterial joint venture that was accounted for using the equity method.

	Zhencheng *2020* *RMB'000*
Carrying amount of individually immaterial joint venture	2,133
Amount of the Group's share of loss and total comprehensive loss	117

13 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 2020 and 2019.

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

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

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

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

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

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13 INCOME TAX EXPENSE (Continued)

(a) Income tax expense

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

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit/(Loss) before income tax expense	208,394	(763,671)
Tax calculated at PRC CIT rate of 25% income tax rate	(52,099)	190,918
Tax effects of:		
– Expenses not deductible for tax purposes	(5,631)	(1,854)
– Tax losses and temporary difference for which no deferred income tax asset was recognised	(28)	(649)
– Utilisation/recognition of tax losses for which no deferred income tax asset was previously recognised	106	525
– Additional deduction of 100% of the wages paid to disabled employees	655	625
– Research and development tax credit	2,388	2,310
– Cayman Islands incorporated company's profits not subject to income tax/(losses not deductible in calculating taxable income)	19,627	(223,741)
– Tax exemption and preferential income tax rates applicable to subsidiaries	9,588	16,041
– PRC withholding income tax from intercompany interest income	(83)	(335)
	(25,477)	(16,160)

14 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

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

(b) Diluted earnings/(loss) per share

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

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

For the year ended 31 December 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 390,000 share options granted on 29 October 2020 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2020. These share options could potentially dilute basic earnings per share in the future.

Notes to the Consolidated Financial Statements

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14 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share (Continued)

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

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

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

15 SHARE-BASED PAYMENTS

The total share-based compensation expenses recognised in the consolidated income statement were approximately RMB1,886,000 and RMB4,954,000 for the years ended December 31 2020 and 2019, respectively. The following table set forth a breakdown of the share-based compensation expenses:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Pre-IPO share option schemes (a)	1,592	4,954
Post-IPO share option scheme (b)	294	—
	1,886	4,954

15 SHARE-BASED PAYMENTS (Continued)

(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.

Movements in the number of 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 2019	21,822,600	0.60
Granted during the year	2,661,000	2.66
Forfeited during the year	(1,619,000)	0.97
Outstanding as of 31 December 2019	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

The Group adopted Binomial option-pricing model to determine the fair value of share options. Significant assumptions of share options granted during the year ended 31 December 2019 were set as below:

	Year ended 31 December 2019
Risk-free interest rates	1.76%~2.56%
Expected volatility	40.00%
Fair value of ordinary shares on grant dates (USD)	1.04~1.88
Exercise price (USD)	2.00~2.80
Dividend yield	0.00%

Notes to the Consolidated Financial Statements

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15 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO share option scheme

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 non-market performance conditions.

Movements in the number of 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 31 December 2020	390,000	30.00

The Group adopted Binomial option-pricing model to determine the fair value of share options. Significant assumptions of share options granted during the years ended 31 December 2020 were set as below:

	Year ended 31 December 2020
Risk-free interest rates	0.57%
Expected volatility	40.00%
Ordinary share price on grant date (HKD)	22.20
Exercise price (HKD)	30.00
Dividend yield	1.50%

16 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 2019						
Cost	99,042	8,510	172	1,892	10,200	119,816
Accumulated depreciation	(42,572)	(7,122)	(140)	(1,033)	(6,880)	(57,747)
Net book amount	56,470	1,388	32	859	3,320	62,069
Year ended 31 December 2019						
Opening net book amount	56,470	1,388	32	859	3,320	62,069
Additions	43,092	4,627	79	2,792	4,664	55,254
Disposals	(8,235)	(178)	—	(126)	—	(8,539)
Depreciation charge (Note 6)	(20,725)	(1,122)	(37)	(531)	(1,870)	(24,285)
Closing net book amount	70,602	4,715	74	2,994	6,114	84,499
At 31 December 2019						
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

Notes to the Consolidated Financial Statements

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16 PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Non-current assets pledged as security

As at 31 December 2020 and 2019, 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	
	2020 RMB'000	2019 RMB'000
Cost of revenue	11,793	13,458
Administrative expenses	9,151	7,098
Selling and marketing expenses	2,294	2,628
Research and development expenses	1,144	1,101
	24,382	24,285

(iii) During the year ended 31 December 2020, financial support funds of RMB2,000,000 (2019:nil) 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 assts. There were no unfulfilled conditions and other contingencies attaching to these grants.

17 INTANGIBLE ASSETS

	Software RMB'000
At 1 January 2019	
Cost	1,584
Accumulated amortisation	(981)
Net book amount	603
Year ended 31 December 2019	
Opening net book amount	603
Additions	439
Amortisation charge* (Note 6)	(274)
Closing net book amount	768
At 31 December 2019	
Cost	1,804
Accumulated amortisation	(1,036)
Net book amount	768
Year ended 31 December 2020	
Opening net book amount	768
Additions	2,692
Amortisation charge* (Note 6)	(316)
Closing net book amount	3,144
At 31 December 2020	
Cost	4,496
Accumulated amortisation	(1,352)
Net book amount	3,144

* Amortisation charges were included in administrative expenses for both years ended 31 December 2020 and 2019.

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18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

Financial assets

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Financial assets at amortised cost			
Trade and notes receivables	21	477,895	341,452
Deposits and other receivables	20	1,731	2,458
Other non-current assets (i)		7,043	6,005
Restricted cash	22	7,865	—
Cash and cash equivalents	22	967,225	1,029,456
Financial assets at fair value through other comprehensive income			
Wealth management products purchased from banks (ii)		185,827	—
Financial assets at fair value through profit or loss			
Derivative financial instruments	3.3	2,580	—
		1,650,166	1,379,371

Financial liabilities

	Note	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	26	50,632	54,345
Lease liabilities	27	58,564	73,430
		109,196	127,775

18 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

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

(ii) As at 31 December 2020, the Group held certain wealth management products purchased from banks of approximately RMB185,827,000 (31 December 2019: nil), which will be due within one year.

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Losses recognised in other comprehensive income (Note 24)	**(604)**	—
Interest from financial assets at FVOCI recognised in profit or loss in other income		
Related to investments derecognised during the period	**1,375**	—
Related to investments held at the end of the reporting period	**1,761**	—
	3,136	—

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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19 DEFERRED INCOME TAXES

(i) Deferred tax assets

The balance comprises temporary differences attributable to:	As at 31 December 2020 RMB'000	2019 RMB'000
Tax losses	8,227	10,188
Loss allowances for financial assets	2,156	1,506
Lease liabilities	595	1,081
Accrued expenses	221	892
Government grants	150	—
Unrealised profit	1,329	1,268
Total deferred tax assets	12,678	14,935

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 2019	24,231	1,511	192	157	—	—	26,091
(Charged)/credited to the consolidated income statement	(14,043)	(5)	889	735	—	1,268	(11,156)
At 31 December 2019	10,188	1,506	1,081	892	—	1,268	14,935
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

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 RMB380,000 (2019: RMB5,179,000) 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.

19 DEFERRED INCOME TAXES (Continued)

(i) Deferred tax assets (Continued)

	As at 31 December	
	2020	2019
Expiry date	RMB'000	RMB'000
2020	–	9
2021	–	4
2022	–	47
2023	–	1,266
2024	–	3,853
	–	5,179

(ii) Deferred tax liabilities

Deferred income tax liabilities as at 31 December 2020 of RMB6,094,637 (2019: RMB1,742,567) have not been recognised for the withholding tax that would be payable on the unremitted earnings of the subsidiaries in the PRC, totalling RMB60,946,374 (2019: RMB17,425,668).

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepayments	8,196	3,438
Deposits	1,551	1,827
Input VAT deductible	2,119	1,350
Other receivables	279	825
Less: provision for impairment	(99)	(194)
	12,046	7,246

As at 31 December 2020 and 2019, 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 2020 and 2019, the carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB.

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21 TRADE AND NOTES RECEIVABLES

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

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

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

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

Impairment and risk exposure

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

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash on hand	21	20
Cash at banks	975,069	1,029,436
Less: restricted cash - current (i)	(1,815)	—
restricted cash - non-current (i)	(6,050)	—
Cash and cash equivalents	967,225	1,029,456

(i) As at 31 December 2020, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificates.

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	952,674	152,786
HKD	13,765	874,875
USD	786	1,795
	967,225	1,029,456

23 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 1 January 2019	1,945,420,521	97,271	54,579,479	2,729
Conversion of preferred shares	54,579,479	2,729	(54,579,479)	(2,729)
At 31 December 2019	2,000,000,000	100,000	—	—
At 31 December 2020	2,000,000,000	100,000	—	—

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23 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 2019	57,960,000	2,898	18	—	—	54,579,479	2,729
Issuance (i)	11,592,000	580	4	—	—	—	—
Repurchase (i)	(11,592,000)	(580)	(4)	—	—	—	—
Issue of ordinary shares in connection with the listing, net of listing expenses (ii)	38,000,000	1,900	14	865,862	—	—	—
Conversion of preferred shares (Note 25)	54,579,479	2,729	19	1,304,697	—	(54,579,479)	(2,729)
At 31 December 2019	150,539,479	7,527	51	2,170,559	—	—	—
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 (iii)	3,130,100	157	1	71,695	—	—	—
Exercise of share options (iv)	2,795,500	140	1	10,224	—	—	—
Acquisitions of shares held for share-based payment scheme (v)	—	—	—	—	(66,609)	—	—
At 31 December 2020	156,465,079	7,824	53	2,252,478	(66,609)	—	—

(i) On 6 March 2019, the Company repurchased 11,592,000 shares from Ming Feng Holdings Limited ("Ming Feng") at a total repurchase price of USD579.60. On the same day, the Company issued 5,796,000 shares and 5,796,000 shares to Wu Fu Min Feng Holdings Limited controlled by Mr. Zhang Feng and Lin Feng Holdings Limited controlled by Ms. Zhang Jianmei, respectively, and each at a subscription price of USD289.80.

(ii) On 13 December 2019, the Company issued 38,000,000 new ordinary shares of USD0.00005 each at HKD26.60 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HKD1,010,800,000 (equivalent to RMB908,386,000). The excess over the par value of RMB14,000 for the 38,000,000 shares issued net of the transaction costs of approximately RMB42,510,000 was credited to share premium account with an amount of RMB865,862,000.

(iii) 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.

(iv) 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.

(v) 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 2020, the trustee acquired 2,632,000 shares from the market at a total consideration of approximately HKD74,507,000 (equivalent to approximately RMB66,609,000), and no award shares were granted.

24 OTHER RESERVES

Other reserves of the Group	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 2019	—	1,961	(8,894)	(6,933)
Currency translation differences	—	—	(28,932)	(28,932)
Share-based compensation (Note 7)	—	4,954	—	4,954
At 31 December 2019	—	6,915	(37,826)	(30,911)
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 18)	(604)	—	—	(604)
At 31 December 2020	(604)	8,801	(70,245)	(62,048)

25 HYBRID FINANCIAL INSTRUMENTS

	Series A Preferred Shares (i) RMB'000	Series B-1 Preferred Shares (ii) RMB'000	Series B-2 Preferred Shares (iii) RMB'000	Series D Preferred Shares (iv) RMB'000	Total RMB'000
At 1 January 2019	171,546	110,374	25,010	95,268	402,198
Fair value change	461,960	204,794	54,176	157,221	878,151
Currency translation differences	11,925	6,054	1,511	4,877	24,367
Conversion of preferred shares (Note 23)	(645,431)	(321,222)	(80,697)	(257,366)	(1,304,716)
At 31 December 2019	—	—	—	—	—

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25 HYBRID FINANCIAL INSTRUMENTS (Continued)

Upon the Listing on 13 December 2019, all outstanding Preferred Shares of the Company were converted into ordinary shares of USD0.00005 each at HKD26.60 per share. The fair value of the 54,579,479 shares was HKD1,451,814,000 (equivalent to RMB1,304,716,000), and the excess over the par value of RMB19,000 was credited to share premium account with an amount of RMB1,304,697,000.

(i) On 23 March 2012, the Company entered into Series A Preferred Shares Purchase Agreement with LC Fund V, L.P. and LC Parallel Fund V, L.P. (together "LC"). According to the agreement, the Company would issue 13,500,000 preferred shares amounting to USD3,000,000 with a maturity period of five years. Such Series A Preferred Shares were subsequently subdivided into 27,000,000 Series A Preferred Shares on 1 August 2012.

On 24 January 2018, the Company and LC agreed to extend the Series A Preferred Shares to 1 January 2021.

(ii) On 27 February 2014, the Company and Macquarie Corporate Holdings Pty Limited ("Macquarie") entered into Series B-1 Preferred Shares Purchase Agreement. According to the agreement, the Company would issue 13,437,500 Series B-1 Preferred Shares amounting to USD4,300,000 with a maturity period of five years.

On 16 July 2018, Macquarie sold 8,814,464 Series B-1 Preferred Shares to VMS Strategic Investment Fund, L.P. ("VMS"), with total sale price of USD7,500,000. On the same day, the Company entered into Amended and Restated Memorandum with Macquarie and VMS, which extended the expiry date of Series B-1 Preferred Shares to the third anniversary of the Series D Preferred Shares closing date. The Company may make a request to Series B-1 Preferred Shareholders for an extension for two years.

(iii) On 24 March 2015, the Company entered into Convertible Bond Purchase Agreement with LC and Macquarie. The Series B-2 Bond had an issue price of USD1,500,000, with a maturity period of five years, bearing an interest rate of 10% per annum. On 28 September 2015, all outstanding principal and accrued and unpaid interests of the bond converted into Series B-2 Preferred Shares. Then LC held 2,250,495 Series B-2 Preferred Shares amounting to USD1,050,000 and Macquarie held 1,125,247 Series B-2 Preferred Shares amounting to USD525,000.

On 24 January 2018, the Company and LC agreed to extend the Series B-2 Preferred Shares to 1 January 2021.

On 16 July 2018, the Company entered into Amended and Restated Memorandum with Macquarie, which extended the expiry date of Series B-2 Preferred Shares to the third anniversary of the Series D Preferred Shares issue date. The Company may make a request to Series B-1 Preferred Shareholders for an extension for two years.

(iv) On 16 July 2018, the Company entered into Series D Preferred Shares Purchase Agreement with VMS and North Sea Investment Company Limited (North Sea). According to the agreement, the Company would issue to VMS 7,933,017 Series D Preferred Shares, amounting to USD7,000,000; to North Sea 2,833,220 Series D Preferred Shares, amounting to USD2,500,000.

26 TRADE AND OTHER PAYABLES

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

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

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

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

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27 LEASE LIABILITIES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Minimum lease payments due:		
Within 1 year	20,750	23,146
Between 1 and 2 years	23,457	21,264
Between 2 and 5 years	19,516	37,703
	63,723	82,113
Less: future finance charges	(5,159)	(8,683)
	58,564	73,430
Present value of lease liabilities		
Within 1 year	17,779	19,049
Between 1 and 2 years	21,774	18,570
Between 2 and 5 years	19,011	35,811
	58,564	73,430

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

28 DIVIDENDS

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

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

29 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit/(loss) before income tax	208,394	(763,671)
Adjustments for:		
– Depreciation of property, plant and equipment (Note 16)	24,382	24,285
– Amortisation of intangible assets (Note 17)	316	274
– Net losses on disposal of property, plant and equipment (Note 10)	4	87
– Share-based payments (Note 7)	1,886	4,954
– Provision for/(reversal of) net impairment losses on financial assets (Note 3.1(b))	2,941	(53)
– Share of results of joint ventures	17	—
– Interest income (Note 11)	(12,820)	(1,562)
– Interest expenses (Note 11)	2,950	5,351
– COVID-19-related rent concessions (Note 6)	(885)	—
– Exchange gains - net	(23,560)	—
– Net gains on financial assets at FVPL (Note 10)	(9,968)	—
– Interest from financial assets at FVOCI (Note 9)	(3,136)	—
– Fair value gains on derivative financial instruments (Note 10)	(30)	—
– Fair value losses on hybrid financial instruments (Note 25)	—	878,151
– Gains on early termination of lease contracts (Note 10)	(77)	(326)
Operating profit before working capital changes	190,414	147,490
Change in working capital:		
– Trade and notes receivables	(140,184)	(9,947)
– Prepayments, deposits and other receivables and other non-current assets	(5,659)	28,794
– Restricted cash	(7,865)	—
– Trade and other payables	126,729	(10,577)
– Contract liabilities	(3,168)	(4,913)
Cash generated from operations	160,267	150,847

Major non-cash investing and financing activities disclosed in other notes are:

- acquisition of right-of-use property – Note 16; and
- options and shares issued to employees under the share-based payment scheme for no cash consideration – Note 15.

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30 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 2020 and 2019:

	Liabilities from financing activities			
	Bank borrowings RMB'000	Hybrid financial instruments RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as at 1 January 2019	10,000	402,198	53,762	465,960
Cash flows	(10,433)	—	(19,719)	(30,152)
Fair value changes of hybrid financial instruments	—	878,151	—	878,151
Currency translation differences	—	24,367	—	24,367
Conversion of preferred shares	—	(1,304,716)	—	(1,304,716)
Other changes (i)	433	—	39,387	39,820
Liabilities from financing activities as at 31 December 2019	—	—	73,430	73,430
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

(i) Other changes included mainly non-cash movements including addition of lease liabilities and accrual of interest expenses.

31 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	
	2020 RMB'000	2019 RMB'000
Wages, salaries and bonus	3,381	2,999
Social insurance and housing fund	59	82
Share-based payments	294	413
	3,734	3,494

(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	
	2020 RMB'000	2019 RMB'000
Purchase of subcontracting services from a joint venture		
Xunteng Group	1,913	—

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31 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	
	2020 RMB'000	2019 RMB'000
Trade payables		
Xunteng Group	1,913	—

32 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	
	2020 RMB'000	2019 RMB'000
Property, plant and equipment	4,071	612

33 CONTINGENT LIABILITIES

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

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

(i) In January 2021, the Company acquired 1,024,200 of its own shares through the trustee for the purpose of the post-IPO Share award scheme from the open market. The total amount paid to acquire these shares was approximately HKD25,423,000 (equivalent to approximately RMB21,213,000) and was deducted from shareholders' equity when the shares were repurchased.

(ii) In January 2021, the Company granted share options to 20 grantees under the post-IPO Share option scheme which entitled the grantees to subscribe for a maximum of 2,560,000 shares, among which, options to subscribe for a total 160,000 shares were granted to four directors, while the remaining options were granted to the employees of the Group. The exercise price is HKD27.30 per share.

In January 2021, the Company also granted a total of 2,300,000 award shares to 29 grantees under the post-IPO share award scheme. The share awards shall be vested in three batches. The exercise price is HKD25.00 per award share.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		88,542	93,055
Amount due from a related party		432,037	—
Total non-current assets		520,579	93,055
Current assets			
Loan to a subsidiary		—	29,110
Financial assets at fair value through other comprehensive income		185,827	—
Prepayments, deposits and other receivables		208	—
Cash and cash equivalents		359,975	875,043
Total current assets		546,010	904,153
Total assets		1,066,589	997,208
EQUITY			
Share capital	23	53	51
Share premium	23	2,252,478	2,170,559
Other reserves	36(a)	(100,427)	(29,555)
Accumulated losses		(1,085,751)	(1,164,258)
Total equity		1,066,353	976,797
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		—	3,625
Other payables		236	16,786
Total current liabilities		236	20,411
Total liabilities		236	20,411
Total equity and liabilities		1,066,589	997,208

The balance sheet of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf.

Zhang Jianguo
Director

Zhang Feng
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35 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 2019	—	164	(9,159)	(8,995)
Currency translation differences	—	—	(27,311)	(27,311)
Share-based compensation (Note 7)	—	6,751	—	6,751
At 31 December 2019	—	6,915	(36,470)	(29,555)
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)