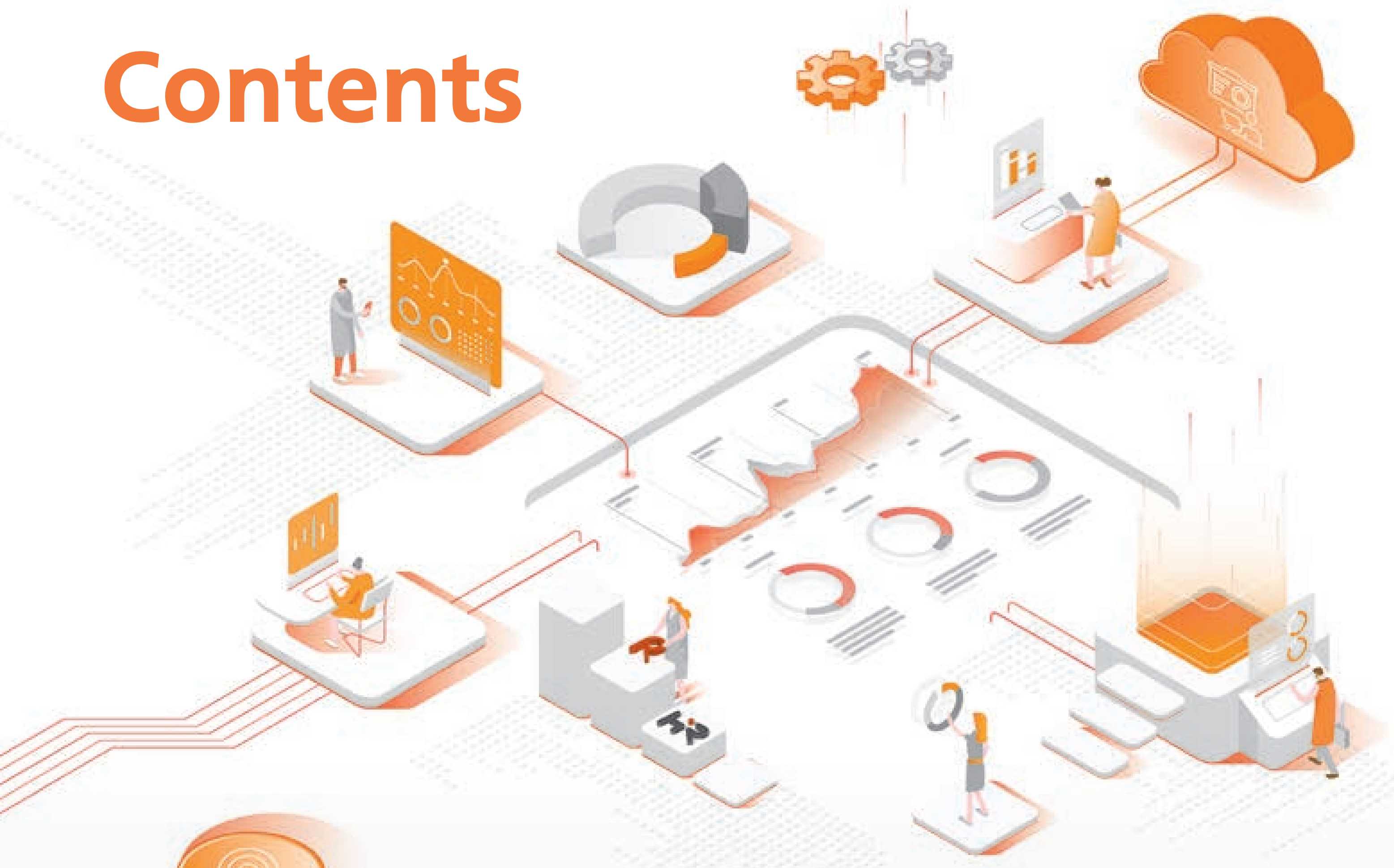
Renrui Human Resources Technology Holdings Limited
人瑞人才科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6919

2022
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 (resigned on 19 April 2023)
Mr. Xu Zhetong (appointed on 19 April 2023)

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Li Wenjia (resigned on 12 December 2022)
Ms. Chen Chen (appointed on 12 December 2022)
Ms. Siu Pui Wah

AUTHORIZED REPRESENTATIVES

Mr. Zhang Feng
Ms. Siu Pui Wah

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Chow Siu Lui (resigned on 19 April 2023)
Mr. Xu Zhetong (appointed on 19 April 2023)
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)* (resigned on 19 April 2023)
Mr. Chen Rui *(Chairman)* (appointed on 19 April 2023)
Mr. Zhang Jianguo
Mr. Leung Ming Shu

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISOR

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

PRC LEGAL ADVISOR

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

INDUSTRY CONSULTANT

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

Corporate Information

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.renruihr.com

STOCK CODE

6919

REGISTERED OFFICE

Maples Corporate Services Limited
PO 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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

BNP Paribas Hong Kong Branch
Standard Chartered 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				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	**3,638,203**	4,739,146	2,830,052	2,287,601	1,615,891
Gross profit	**184,700**	251,789	270,864	240,885	154,956
Operating profit	**11,445**	116,816	198,541	118,269	57,527
Profit/(loss) before income tax	**12,888**	120,428	208,394	(763,671)	(140,563)
(Loss)/profit for the year attributable to equity holders of the Company	**(7,303)**	101,667	182,616	(779,831)	(136,935)
(Loss)/earnings share (expressed in RMB per share)					
– Basic (loss)/earnings per share	**(0.05)**	0.66	1.19	(12.42)	(2.36)
– Diluted (loss)/earnings per share	**(0.05)**	0.61	1.07	(12.42)	(2.36)
Non-HKFRS measures					
Adjusted profit attributable to the equity holders of the Company[1]	**5,711**	108,503	182,940	134,262	67,690

CONDENSED CONSOLIDATED BALANCE SHEET

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Assets					
Non-current assets	**631,668**	340,291	125,114	106,207	93,404
Current assets	**1,496,219**	1,652,635	1,644,808	1,378,154	379,793
Total assets	**2,127,887**	1,992,926	1,769,922	1,484,361	473,197
Equity/(deficit)					
Total equity/(deficit)	**1,449,594**	1,277,732	1,236,063	1,067,371	(299,412)
Liabilities					
Non-current liabilities	**37,169**	57,551	40,785	54,381	443,790
Current liabilities	**641,124**	657,643	493,074	362,609	328,819
Total liabilities	**678,293**	715,194	533,859	416,990	772,609
Total equity/(deficit) and liabilities	**2,127,887**	1,992,926	1,769,922	1,484,361	473,197

Financial Summary

KEY FINANCIAL RATIO

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Gross margin (%)	**5.1**	5.3	9.6	10.5	9.6
Adjusted net margin attributable to the equity holders of the Company (%)[2]	**0.2**	2.3	6.5	5.9	4.2
Adjusted trade and notes receivables turnover days (days)[3]	**80**	44	48	46	46
Adjusted current ratio (times)[4]	**1.6**	1.6	1.6	1.4	1.2

Notes:

(1) Adjusted profit attributable to the equity holders of the Company refers to the (loss)/profit attributable to the equity holders of the Company for the year excluding items which do not relate to our ordinary course of business and are non-recurring in nature, including amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments, fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Adjusted profit attributable to the equity holders of the Company for the year is not a measure required by or presented in accordance with HKFRS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS. Please refer to the paragraph headed "Non-HKFRS Measures" under "MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL REVIEW" in this annual report for more details.

(2) Adjusted net margin attributable to the equity holders of the Company is calculated as the adjusted profit attributable to the equity holders of the Company 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

"Against the backdrop of a challenging market, we have been focusing on providing high-quality tech-driven professional human resources services to our customers. Capturing the digital transformation trend in China, our information technology and digital talent services developed significantly during the year, through organic growth and acquisition. We will actively integrate the acquired business into our organisation, realising synergies and expand our market share in the fast-growing digital businesses."

Mr. Zhang Jianguo
Chairman, Executive Director & CEO

Dear Shareholders,

On behalf of the board of directors and the management of Renrui Human Resources Technology Holdings Limited, I hereby present the annual report for the financial year ended 31 December 2022 to our shareholders.

In 2022, affected by the macro economy environment, we saw slowing demand from some of our clients and the difficulty for our company to carry out recruitment and other human resource activities for the clients. Our contract with a major customer in relation to information verification and customer services representatives, flexible staffing services also expired at the beginning of the year. Despite these challenges, we maintained good relationship with other general service outsourcing customers and provided them with valuable services. With assistance from a fine-turned and more integrated management platform and a more efficient team, we have been actively attracting new clients. Our customers acknowledged our strengthened capabilities of rapid mass recruitment and well-organized staff management.

We saw accelerated trend of digital transformation of China's economy and organically grew our digital technology and cloud service businesses by 195.7%, as compared to 2021. In addition to the organic growth, we accelerated the business expansion by acquiring a company during the year, which had 4,353 information technology and software development technical personnel and served over 160 customers across China, with business coverage in over 80 cities as of 31 December 2022. The information technology and software outsourcing business has high entry barrier and the acquisition brings a team of management experts to these high-margin services. In 2022, the acquisition further increased revenue from digital technology and cloud services business to approximately RMB538.9 million which accounted for 14.8% of total revenue in 2022. We set up a dedicated recruitment centre in Suzhou to provide interdisciplinary talents for our clients' needs, establishing talent groups for many fast growing industries such as new energy vehicles, intelligent manufacturing and financial institutions.

Chairman's Statement

Throughout 2022, despite the challenges and difficulties, we were able to respond to these changes rapidly by carrying out business upgrade, optimising organization structure, as well as adopting cost control measures. We performed analysis and identified several offices where services could be consolidated into larger regional centres. Difficult decisions were made to close these offices. We also recognised internally to focus on high margin growth areas and now separately manage information technology related positions and non-IT professional roles with high service fees. A digital talent recruitment centre has been established, along with a dedicated service department, for centralised delivery and management.

In line with our digital transformation strategy, we increased investments in research and development from RMB18.1 million in 2021 to RMB32.6 million in 2022. We have been developing a "Rui Zhi System", which is dedicated for digital technology and cloud services business operations. The system can greatly increase efficiency, lowering costs and its project management and recruitment modules have been put into use in 2022. Compared to the recruitment module in our existing system for general service outsourcing, similar module in Rui Zhi System enhances resume library to show detailed skills, project experience, technical route and technology tag catering for digital talents and the system also incorporates a workbench that provides users with an easy-to-read to-do list. Additional modules including data analysis will be operational soon. Additionally, a "Rui Bo System" for digital operation and customer services business is now up and running. Employees' salary calculation can automatically be linked with attendance and the system can automatically interface with SAP finance system in respect of cost accounting and profit projection.

In respect of corporate social responsibilities, we will continue to actively respond to major national strategic plans including the "14th Five-Year Plan" and the 2035 Long-term Goal Outline, and the "3060" goal of carbon neutrality. On the basis of human resources services, we will continue to assist green transition by reducing energy use, encouraging employees to choose sustainable travel and help new energy and green sector companies to find talents.

Whilst the world economy is facing high inflation, China's economy has been recovering steadily and the National People's Congress meeting announced in March a 2023 GDP growth target of around 5 percent. Many policies have been published to support employment and digital technology innovation. The General Office of the Ministry of Human Resources and Social Security has been promoting the development of the human resources services industry, supporting digitalisation, and issued "Notice on Carrying out Actions for Human Resources Service Organizations to Stabilize and Assist Employment". Significant progress in digital development is planned to be achieved by 2025 and the aim is to let China be one of the global leaders in digital development by 2035.

Compared to many other industries, the human resources market expected to continue to grow at a fast double-digit pace. Combining our existing fast and accurate recruitment capabilities and the acquired business expert network and experience, we will actively pursue opportunities in digital talents professional business and aim to continue to deliver valuable services and achieve growth in 2023. We will also explore other high value comprehensive flexible staffing business opportunities including in the positions of human resources, administration, finance, legal and R&D. We will continue to develop our integrated IT systems to improve operational efficiency and increase the number of comprehensive flexible employees under management. We will focus on strategic initiatives and build a comprehensive human resources ecosystem in a sustainable way.

I would like to thank all employees for their great contributions to the Company, in particular during difficult times. We will continue to work together with all stakeholders to advance sustainability and accelerate growth.

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW

2022 has been a challenging year. Affected by the macro-economy environment, the staffing demand from some of our clients declined, and at the same time the Group has faced difficulty in effectively arranging recruitment and other human resources services for the clients. Besides, the Cooperation Agreement entered into by the Company and a major customer relating to information verification and client service representative flexible staffing services has expired in mid-January 2022. These factors have impacted the financial performance of the Group. That said, revenue from comprehensive flexible staffing other than that from the Cooperation Agreement continued to grow. In 2022, the Group recorded a revenue of approximately RMB3,638.2 million, representing a decrease of approximately 23.2% compared to 2021. Revenue other than that generated from the Cooperation Agreement has increased by approximately 23.0% year-on-year from approximately RMB2,877.0 million in 2021 to approximately RMB3,538.3 million in 2022.

It is the Group's long-term strategy to develop by adhering to the principle of tech-driven human resources services. The revenue generated from organic digital technology and cloud services business in 2022 amounted to approximately RMB288.1 million, representing an increase of 195.7% compared to 2021. We announced in March 2022 and completed in September 2022 the acquisition of a company, which was engaged in providing information technology and digital talent services with 4,353 information technology and software development technical personnel and served over 160 clients in more than 80 cities across the PRC as of 31 December 2022. The acquisition enhanced the capability of the Group to continuously provide specialized services in digitalisation for clients and boosted revenue from digital technology and cloud services under the segment of comprehensive flexible staffing services by approximately 453.2% to RMB538.9 million in 2022 as compared to 2021.

By virtue of its high-quality professional services and leading innovation capabilities, in 2022, the Group obtained the Capability Maturity Model Integration Level 5 certification (CMMI5), the highest level in the global software field, and officially became a member of the eighth council of Shanghai Software Industry Association, which marked our elevated capability in continuous development of digital products and in project management. In addition, the Group's efforts in assisting the digital transformation and upgrading of enterprises have gained extensive recognition from industry peers and clients. With our advantages in innovative one-stop solutions for client service scenarios such as customer service centers, outbound call centers, and information verification centers, as well as our professional service, we were awarded the "Top Ten Service Outsourcing Organizations" by the China Electronics Chamber of Commerce. We also won the award of "2022 Best Ecosystem Mover" at the 2022 InfoQ Geek Media Conference, and the "New Talent Award" issued by the Ant Group at Ecosystem-based Employment Conference. Being the first private human resources enterprise as a work station of postdoctoral scientific researchers in China, we have assisted two postdoctoral fellows from Renmin University of China in studies on the topics of "The Digital Talent Gap" and "Research on Turnover of Emotional Workers" in 2022. By enhancing the in-depth integration of industry, academic, research and application for synergetic innovation, we aim to achieve technological innovation and substantial development of the industry, thereby contributing to the national strategy of strengthening the country with talents.

Management Discussion and Analysis

Advance in information technology and digital talent services market through organic growth and mergers and acquisitions

As its long-term strategic planning, the Group has been adhering to the development of tech-driven human resources services and intends to consolidate its leading position in human resources solutions sector, expand its operation and accelerate technology productization. We set up talent industry groups, focusing on industries with huge demand for digital talents including new energy vehicles, intelligent manufacturing, banks and other financial institutions and others. A dedicated recruitment centre for digital talents has also been established in Suzhou, providing multi-skilled talents for our clients' business development. The Group recorded an increase in revenue generated from the organic digital technology and cloud services business in 2022 of approximately 195.7% as compared to that in 2021.

The Group accelerated its expansion in digital businesses and acquired Shanghai Sirui in 2022. The number of organic comprehensive flexible staffing employees for digital technology and cloud services business increased from 885 as at 31 December 2021 to 2,033 as at 31 December 2022 and the Acquisition further increased the number by 4,353 to 6,386. Established in 2013, Shanghai Sirui has built robust customer coverage and expansion capabilities with a stable renewal rate for existing customers. In 2021 and 2022, it sourced more than 100 new customers, covering a wide range of industries including finance, advanced manufacturing, high-tech, internet, big data and healthcare. Given the higher entry barrier in the information technology and software outsourcing business, such business has a relatively high gross margin. Based on CIC's information, the gross margin of the information technology and software outsourcing businesses ranges from 15% to 25%. According to CIC, market size of information technology and software outsourcing services is expected to reach approximately RMB1,255.8 billion in 2026, representing a CAGR of approximately 13.4% from 2021 to 2026. Operating under the same business philosophy as the Group's comprehensive flexible staffing services, Shanghai Sirui adopts a customer-oriented service philosophy and delivers efficient and high-quality services, so as to help its customers solve the pain points of business and rapidly achieve business goals and digital transformation.

Actively embrace change and implement cost control measures

To swiftly respond to the challenging economic environment and the expiry of the Cooperation Agreement, we adopted cost control measures including consolidation of service locations by closing offices in certain cities and integrating services in these cities into larger regional service centres. These measures have improved operational efficiency and better allocated our resources in the strategic development areas, resulting in the improvement of the Group's profit level in the second half of 2022.

The Group has reviewed its businesses to identify target growth areas, and has resolved to separately manage high-margin information technology related positions and non-information technology professional positions with greater service value as digital talent outsourcing (DTO) services. We set up a Digital Talent Recruitment Centre (DTRC) and a DTO Service Department for centralised delivery and management, to improve the efficiency of personnel and service specialisation. In respect of other more traditional businesses including general service outsourcing, our focus will be to improve operational efficiency, upgrade service experience for the existing customers, continuously innovate in products and services and develop new customers and target positions.

Management Discussion and Analysis

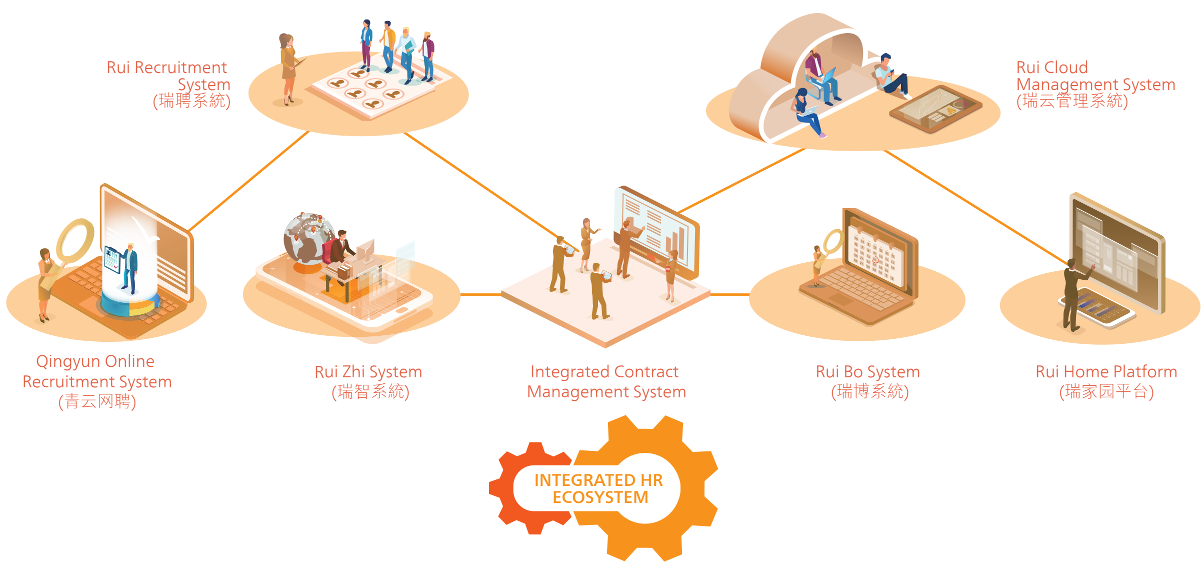
Continuously invest in R&D and lead industry service efficiency through innovation

In response to the external digitalisation trend, the Group has made more spending on research and development (R&D) to upgrade the one-stop human resources ecosystem to facilitate digital business development, resulting in an increase in R&D expenditure from RMB18.1 million in 2021 to RMB32.6 million in 2022.

Continuing to build our competitive advantage through technology, the Group has started the development of an integrated management platform "Rui Zhi System" that was designed for DTO operation to better serve its DTO customers. The platform aims at higher efficiency, lower cost and stronger security through digitalising the management for personnel and business. The project management and recruitment modules have been launched as at 31 December 2022, to address the specific needs for information technology and digital talents positions by improving the accurate matching in resume library through display of technical advantages, project experience and technical skills of each candidate. In addition, a workbench has been incorporated into the platform to provide users with an easy-to-use list of placements and service process management. More modules, such as personnel service, job invitation, and data analysis, are expected to be fully operational in the near future.

In order to better serve the requirements of customers for digital operation and customer services, we embarked on the development of an integrated management platform "Rui Bo System", for digital operation and customer services in the second half of 2021, which has been put into operation since the first half of 2022. The platform realized digitalised management in multiple respects, including attendance checks with automated payroll function, project cost accounting, profit projection and interface with our finance SAP system. Such functions would promote business management efficiency, reduce operating costs, and improve risk control and security. We have also developed an information security intelligent verification platform to provide customers with integrated solutions of intelligent and manual verification, realise technology productization and meet customers' information verification needs for higher efficiency with lower costs.

Furthermore, Xiang Recruitment Platform has been upgraded and renamed as "Qingyun Online Recruitment System (青云网聘)", which could provide more accurate recruitment services, improve the accuracy of job matching through artificial intelligence (AI) technology and big data analysis, and provide better user experience for corporate clients and candidates.



Management Discussion and Analysis

	2022
Average revenue generated per internal employee [1] (RMB'000/person)	3,290
Average number of comprehensive flexible employees under management per internal employee[2] (person)	189
Turnover rate of comprehensive flexible employees [3]	9.8%

Notes:

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

2. Average number of comprehensive flexible employee under management per internal employee = ((number of comprehensive flexible staffing employees as at 31 December of the year + number of comprehensive flexible staffing employees as at 31 December of the previous year)/2)/((number of internal employees of comprehensive flexible staffing segment as at 31 December of the year + number of internal employees of comprehensive flexible staffing segment as at 31 December of the previous year)/2). The figure does not take into account data relating to Shanghai Sirui and digital operation and customer services business.

3. Turnover rate of comprehensive flexible employees = the average of the monthly turnover rate for the 12 months of the year. The figure does not take into account data relating to Shanghai Sirui.

The Group's average revenue generated per internal employee amounted to RMB3,290 thousand in 2022 and the staff turnover rate for comprehensive flexible staffing employees was approximately 9.8% for the Group. Our outsourcing management efficiency (measured by the number of outsourcing staff managed by one Group employee) stood at 189, among which the per capita management number of general service outsourcing was higher than that of digital talents due to position features.

Solidify leading position on general service outsourcing business

In 2022, the Group's general service outsourcing business revenue accounted for approximately 76.3% of the Group's total revenue, which was an integral part of our business. The revenue generated from the general service outsourcing business for the year ended 31 December 2022 was approximately RMB2,774.4 million, representing a decrease of 34.9% from 2021. Excluding the impact of the expiry of the Cooperation Agreement, the increase in revenue generated from general service outsourcing business in 2022 would have been approximately 11.4% as compared to 2021.

With the help of the fine-tuned and more integrated management platform and a more efficient team, we are actively attracting additional clients while maintaining long-term and stable cooperation with existing customers. Our advantages in rapid mass recruitment and efficient staff management are expected to help us stay as industry leader in general service outsourcing business.

Management Discussion and Analysis

OUTLOOK

China's GDP increased by approximately 3.0% in 2022 as compared to that in 2021, according to the National Bureau of Statistics, with growth target of 5.0% projected for 2023, indicating a promising future for the economy. On 30 June 2022, the General Office of the Ministry of Human Resources and Social Security issued "Notice on Carrying out Actions for Human Resources Service Organizations to Stabilize and Assist Employment" (the "**Notice**"). The Notice pointed out that all cities should closely focus on employment planning to promote the development of the human resources service industry and use the scale and quality of employment services as the primary standard for measuring the effectiveness of industry development. It promotes innovative development of flexible employment services and supports human resources service organizations using digital technology.

The digital transformation trend of Chinese enterprises has accelerated. The Communist Party of China Central Committee and the State Council recently rolled out a plan for digital development aiming to achieve significant progress by 2025, including interconnectivity in digital infrastructure, a significantly improved digital economy, and major breakthroughs achieved in digital technology innovation. By 2035, China is expected to be one of the global leaders in digital development and to build digital capabilities in the economic, political, cultural, social and ecological areas. As a pioneer in facilitating companies on digitalisation, the Group will actively pursue opportunities in information technology and digital talent services market, expanding its market share and improving margins. We will continue to actively integrate the acquired digital businesses into our organisation, achieving synergies, and increase market share in these fast-growing and high-margin areas. We will also upgrade the integrated HR ecosystem from time to time to better serve customers' needs and improve efficiency. The Directors are positive about the long-term sustainable growth potential of the Group in the future.

POLICY AND REGULATION REVIEW

In compliance with the "14th Five-Year Plan", several policy documents applicable to human resources industry were issued in 2021. On the basis of guidelines on the standardized and healthy development of the platform economy and high-quality development for human resources industry, the PRC government has further published certain notices and guiding opinions applicable to human resources industry in 2022. On the one hand, in order to better give play to the role of human resources service provider in boosting the high-quality development of labor service brands, the General Office of the Ministry of Human Resources and Social Security of China issued the Notice on Giving Play to the Role of Human Resource Service Providers in Boosting Labor Service Brand Building (Ren She Ting Fa [2022] No. 9) (《關於發揮人力資源服務機構作用助推勞務品牌建設的通知》 (人社廳發[2022]9號)) on 8 March 2022, which is proposed to improve awareness and treat labour brands as main priority of human resource service industry development; promote the improvement of the quality and efficiency of the labor service brand, support human resources service agencies to develop characteristic training products and training services for employees of labor service brands, so as to build themselves as the sound and long-term platform for the employee of labor service brands in job seeking, and smooth the flow of employees of labor service brand; foster and actively develop characteristic labor service brands and guide the human resources service providers based on local resources, market demand, industry projects as well as its professional advantages, building sizable labor service brands with characteristics and reputation.

Management Discussion and Analysis

On the other hand, despite complicated international situation, it adds that China faces the challenging tasks of reform, development and stability domestically, and that especially on the serious impact of the COVID-19 pandemic, the government has always prioritized economic and social development, innovated and implemented the employment-first policy, and promoted positive progress on issues relating to employment. In order to implement the Central Committee of the Communist Party of China and the State Council's decision on employment stability and giving full play to the advantages of human resources service provider that matches supply and demand with profession and high efficiency, the General Office of the Ministry of Human Resources and Social Security of China issued the Notice on the Action of Human Resources Service Providers to Stabilize and Promote Employment (Ren She Ting Han [2022] No. 105) (《關於開展人力資源服務機構穩就業促就業行動的通知》 (人社廳函[2022]105號)) on 30 June 2022, which puts forward that each local government shall further enhance political awareness, promote the development of human resources service industry with an eye to the programme for promoting employment, and take scale and quality of service employment as the primary standard, with innovate and controllable ideas, to measure the effect of industry development, therefore, encouraging all providers to extend the job supply of the market; innovatively promote flexible staffing services, support the providers to build a shared-employee platform across different regions and enterprises by using digital technologies, coordinate labor transmission between similar industries and job positions to ensure sound and flexible staffing, and encourage providers serving the labor-intensive enterprises with targeted recruitment, training, human resources service outsourcing and other professional services; actively back the development of human resources service providers, and publicize national and local policies on stabilizing and promoting employment, such as tax and fee reduction and subsidies for stabilizing employment, so as to improve the awareness of the policies for human resources service providers and strengthen the implementation of the policies.

In addition, the Ministry of Human Resources and Social Security formed the Measures for the Administration of Human Resources Service Providers (Draft) (《人力資源服務機構管理規定 (徵求意見稿) 》), which will be open for public opinion, aiming at promoting development of human resources service providers in a healthy and orderly manner, standardizing human resources service activities, protecting the legitimate rights and interests of market entities in China, and optimizing employment and resource allocation. Such draft measures specify that it will focus on standardizing the filing, service standards, supervision and management, and legal responsibility of operating human resources service providers while they carry out corresponding activities; stick into goal-oriented and issue-oriented principles, defining the rights and responsibilities of operational human resources service providers, making the market entities fulfill their responsibilities, defining the "red line" of human resources activities, and clarifying relevant provisions such as service principles, service items, service standards, and service responsibilities. Up to now, these measures are not yet effective.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2022, the total revenue of the Group amounted to approximately RMB3,638.2 million, representing a decrease of approximately 23.2% as compared to approximately RMB4,739.1 million for the year ended 31 December 2021. Such decrease was primarily due to the decrease in the revenue generated from the Group's general service outsourcing business under the comprehensive flexible staffing services segment following the expiry of the Cooperation Agreement, which was partially offset by the Group's rapid growth in revenue from digital technology and cloud services. Revenue other than that generated from the Cooperation Agreement has increased by approximately 23.0% year-on-year from approximately RMB2,877.0 million in 2021 to approximately RMB3,538.3 million in 2022.

The Group's revenue and results of operations by respective business segments for the year ended 31 December 2022 are as follows:

	2022		2021	
	Revenue RMB'000	% of total revenue	Revenue RMB'000	% of total revenue
Comprehensive flexible staffing	3,574,036	98.2	4,621,714	97.5
Professional recruitment	45,430	1.3	90,040	1.9
Other human resources solutions	18,737	0.5	27,392	0.6
Total	3,638,203	100.0	4,739,146	100.0

Adhering to our strategy of focusing on serving large-scale clients, we recorded a revenue of approximately RMB1,274.1 million from our top five clients for the year ended 31 December 2022, accounting for approximately 35.0% of the total revenue for the year, with the largest client accounting for approximately 12.4% of the total revenue for the year. We have been continuously optimizing our client structure and mitigating the high concentration risk of single large client.

Management Discussion and Analysis

Comprehensive Flexible Staffing

The revenue generated from comprehensive flexible staffing services for the year ended 31 December 2022 amounted to approximately RMB3,574.0 million, representing a decrease of approximately 22.7% as compared to that of approximately RMB4,621.7 million for the year ended 31 December 2021. The number of comprehensive flexible staffing employees as at 31 December 2022 was 30,833, including 23,698 from general positions, 749 from professional position, 2,033 from digital and information technology related position and 4,353 from digital and information technology related position from Shanghai Sirui, representing a decrease as compared to 50,447 comprehensive flexible staffing employees as at 31 December 2021. We recruited 26,199 comprehensive flexible staffing employees in 2022 including 2,288 digital and information technology talents, representing a decrease as compared to 58,199 comprehensive flexible staffing employees recruited in 2021. The decrease in the number of comprehensive flexible staffing employees was mainly due to the fact that: (i) the expiry of the Cooperation Agreement has led to a halt in the demand for the relevant recruitment; (ii) the staffing demand from clients was slowing down and the the Group has experienced difficulty in arranging recruitment for the clients in light of the general market condition; and (iii) we have started to further develop digital technology and cloud services according to the strategic direction of the Group, of which the unit price and service fee premium per comprehensive flexible staffing employee is much higher than that of general service outsourcing, while the number of employees required per month by a single customer is less than that of general service outsourcing due to difference in business nature. In the future, the Group will continue to broaden the income sources of higher value business segments to improve overall margin and at the same time grow the overall revenue scale steadily.

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

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

	For the year ended 31 December			
	2022		2021	
	Revenue RMB'000	% of total revenue	Revenue RMB'000	% of total revenue
General service outsourcing	2,774,405	77.6	4,263,142	92.2
Digital technology and cloud services	538,934	15.1	97,423	2.1
Digital operation and customer services	260,697	7.3	261,149	5.7
Total in comprehensive flexible staffing services	3,574,036	100.0	4,621,714	100.0

Management Discussion and Analysis

In 2022, we made strategic headway in our digital-enabled professional services business (comprising digital technology and cloud services and digital operation and customer services) with its revenue contribution as a percentage of the total revenue amounted to approximately 22.0% for 2022, growing from approximately 7.6% for 2021. Since the second half of 2021, the Group has undertaken business strategic upgrade with emphasis being laid on the development of digital technology and cloud services. As at 31 December 2022, the number of the employees for the Group's information technology and digital talent services reached approximately 6,386, including 2,033 form existing business and 4,353 from Shanghai Sirui, representing an increase of approximately 5,501 from approximately 885 as at 31 December 2021, and the revenue generated from digital technology and cloud services was approximately RMB538.9 million, representing an increase of approximately 453.2% as compared to that of 2021, including approximately RMB288.1 million from existing business and approximately RMB250.8 million contributed by Shanghai Sirui.

The turnover rate of comprehensive flexible staffing employees was approximately 9.8% in 2022, representing an increase from approximately 7.4% in 2021, which was mainly due to the temporary fluctuation brought by external environment. We will strengthen our efforts in continuous optimisation of the ecosystem platform, investment in data-driven analytics, and enhancement of standardisation of the project management process of comprehensive flexible staffing to achieve sophisticated online project management and online monitoring of key operating indicators.

Professional Recruitment

For the year ended 31 December 2022, revenue from professional recruitment amounted to approximately RMB45.4 million, representing a decrease of approximately 49.6% as compared to approximately RMB90.0 million for the year ended 31 December 2021, among which, revenue from recruitment of digital talents amounted to approximately RMB19.3 million, representing an increase of approximately 93.0% as compared to approximately RMB10.0 million for the year ended 31 December 2021. We successfully made 10,829 placements for our clients in 2022, representing a decrease from approximately 40,649 placements made in 2021, which was mainly due to economic downturn, causing the customers to become more cautious in expanding staff and leading to a fall in the recruitment need. However, demand of digital talents has increased with approximately 1,160 placements completed in 2022. Since 2019, we have gradually extended professional recruitment from serving clients with continuous bulk employment needs to recruiting positions with high value and high unit price. By providing professional recruitment services to high-value clients, we have begun to improve our ability to identify candidates who are accurate match for our clients of professional recruitment so as to establish a competitive barriers. Our average professional recruitment fee per placement increased from approximately RMB2,180.1 in 2021 to approximately RMB4,195.3.

Management Discussion and Analysis

Other HR Solutions

We provide training and development courses which are tailored to the specific situations and needs of our clients. Impact of COVID-19 pandemic has made it difficult for the Group to centralize customers' employees to provide offline training services. Accordingly, the total revenue generated from corporate training for the year ended 31 December 2022 amounted to approximately RMB0.1 million, representing a decrease of RMB0.9 million as compared to approximately RMB1.0 million for the year ended 31 December 2021.

Labour dispatch services are of lower value and are not our principal business for future development. For the year ended 31 December 2022, the total revenue generated from labour dispatch services amounted to approximately RMB4.2 million, representing a decrease of approximately RMB1.8 million as compared to approximately RMB6.0 million for the year ended 31 December 2021.

Other services include HR services consultation, talent assessment and tailored employee management solutions. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans on certain projects. For the year ended 31 December 2022, revenue generated from other services amounted to approximately RMB14.4 million, representing a decrease of approximately RMB6.0 million as compared to the total amount of approximately RMB20.4 million for the year ended 31 December 2021.

Cost

Our cost 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 2022, the Group's total cost amounted to approximately RMB3,453.5 million, representing a decrease of approximately RMB1,033.9 million or approximately 23.0% as compared to that of approximately RMB4,487.4 million for the year ended 31 December 2021. The decrease in costs was mainly attributable to a decrease of approximately RMB1,038.3 million in expenses involving employee benefit and reimbursement for travel expenses due to the decrease in the number of comprehensive flexible employees.

The average labour cost of each comprehensive flexible staffing employee managed by us for our clients was approximately RMB9,067 per month in 2022, representing an increase from approximately RMB8,098 per month in 2021. This was mainly due to the increase in the number of information technology and digital personnel in 2022, whose salaries were relatively high among comprehensive flexible staffing employees.

Management Discussion and Analysis

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 business segments for the years indicated:

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Comprehensive flexible staffing	**159,425**	**4.5**	207,077	4.5
Professional recruitment	**12,773**	**28.1**	25,464	28.3
Other human resources solutions	**12,502**	**66.7**	19,248	70.3
Total	**184,700**	**5.1**	251,789	5.3

Our gross profit margin for the year ended 31 December 2022 was approximately 5.1%, representing a slight decrease from approximately 5.3% for the year ended 31 December 2021. The gross profit margin in the first half of 2022 was approximately 3.8%, and was gradually improved to approximately 6.2% in the second half of 2022.

(a) The gross profit margin of comprehensive flexible staffing services was approximately 4.5% in 2022, remained the same as 2021. The gross profit margin has increased from approximately 3.1% in the first half of 2022 to approximately 5.7% in the second half of 2022. The gross profit margin was relatively low in the first half of 2022 mainly due to the fact that: (i) the average service premium payable per comprehensive flexible staffing employee of the general service outsourcing declined mainly due to the expiry of the Cooperation Agreement in mid-January 2022 which had a relatively higher premium; (ii) the decline in staffing demand of the internet industry, leading to a slowdown in the growth of the demand of the Group's certain customers in the internet industry for staffing services and a lower service fee or service premium; (iii) affected by the COVID-19 pandemic, digital operation and customer services business failed to grow as expected. The Xi'an Service Center (西安服務中心), which was completed and put into use in 2021, had a high vacancy rate, and the cost of idling led to a decline in gross profit margin; and (iv) one-off expenses were incurred when the Group implemented the cost reduction and efficiency enhancement measures in the first half of 2022. The increase in gross profit margin in the second half of 2022 was mainly due to the rapid organic growth and revenue increase from the Acquisition in the digital technology and cloud services business that featured higher gross profit margin, contributing to the increase in the gross profit. In addition, cost reduction and efficiency improvement measures have brought positive effects.

(b) The gross profit margin of professional recruitment services slightly decreased from approximately 28.3% in 2021 to approximately 28.1% in 2022. Nevertheless, the gross profit margin of professional recruitment services increased from approximately 23.4% in the first half of 2022 to approximately 36.7% in the second half of 2022. The lower profit margin in the first half of the year was mainly due to temporary decline of the recruitment needs of the customers in light of the COVID-19 pandamic since the beginning of 2022, which has lowered the revenue from recruitment for the Group while the fixed costs related to professional recruitment services remained. The improved profit margin in the second half was attributed to the increased average recruitment fee per placement bolstered by higher demand for information technology and digital-related talents which generated higher recruitment fees.

(c) The gross profit margin of other human resources solutions decreased from approximately 70.3% in 2021 to approximately 66.7% in 2022, which was mainly impacted by COVID-19 pandemic, leading to a fall in the recruitment need while the personnel costs remained unchanged.

Management Discussion and Analysis

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 2022 amounted to approximately RMB50.2 million, representing a decrease of approximately 23.4% as compared to approximately RMB65.5 million for the year ended 31 December 2021. This was mainly due to the fact that: (i) there was a decline in clients' recruitment needs in light of COVID-19 pandemic in 2022, resulting in a corresponding decrease in the marketing expenses of the Group for attracting job seekers; and (ii) our professional recruitment has increased the proportions for digital talents and professional positions with high value. The recruitment process is more accurate, thereby reducing the marketing expenses spent on attracting job applicants. The two said factors have rendered the marketing expenses in 2022 decreased by RMB14.5 million from 2021. Moreover, as affected by COVID-19 pandemic in 2022, sales staff had to prioritize working remotely and communicating online with customers, giving rise to a decrease of approximately RMB2.2 million in travel and entertainment expenses as compared to 2021. Our selling and marketing expenses as a percentage of revenue was approximately 1.4% for 2022, remaining unchanged from 2021.

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 platform, software and technologies.

In response to the enterprise digitalisation trend and to solidify our position as a leader in technology-driven HR services, more spending was made on the development of our integrated HR ecosystem. The R&D expenses for the year ended 31 December 2022 amounted to approximately RMB32.6 million, representing an increase of approximately 80.1% as compared to approximately RMB18.1 million for the year ended 31 December 2021. This was mainly due to: (i) the successful development and operation of "Rui Bo System" in the first half of 2022, being an integrated management platform for digital operation and customer services business which materialised digitalisation management in multiple aspects including attendance, salary calculation, project costing and profit margin calculation in our self-built service centers; (ii) the development of "Rui Zhi System", an integrated management platform designed for DTO operation, starting from the second half of 2022, to better manage the digital technology and cloud services business and better serve the customers with improved recruitment efficiency, reduced costs in contract staff management and enhanced security. The first phase of the recruitment module has been put into operation, and the second phase of the service management module is under development; (iii) the development of an information security intelligent verification platform to provide customers with integrated solutions of intelligent and manual verification, improving the Group's efficiency in information verification and meeting customers' needs to reduce costs; and (iv) the upgrading of Xiang Recruitment Platform which was renamed as "Qingyun Online Recruitment System (青云网聘)", so as to encourage more corporate users to post job vacancies with a better user experience, thereby attracting more resumes submitted by job seekers. Such a platform could also improve the accuracy of job matching through AI and big data analysis. Our R&D expenses as a percentage of revenue increased from approximately 0.4% in 2021 to approximately 0.9% in 2022.

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 2022 amounted to approximately RMB116.5 million, representing an increase of approximately 16.2% as compared to approximately RMB100.3 million for the year ended 31 December 2021, which was mainly because (i) the employee benefit expenses for our management personnel increased by approximately RMB14.3 million as compared to that of approximately RMB55.8 million in 2021; and (ii) the financial results of Shanghai Sirui have been consolidated into the Group's financial statements upon completion of the Acquisition. Our administrative expenses as a percentage of revenue increased from approximately 2.1% for the year ended 31 December 2021 to approximately 3.2% for the year ended 31 December 2022.

HR

As at 31 December 2022, we had a total of 31,910 employees based in various cities in the PRC. The table below sets forth the total number of employees by function as at 31 December 2022:

Functions	Number of Employees	% of total Employees
Internal Employees		
– Management	4	0.0%
– R&D	48	0.2%
– Sales and marketing	122	0.4%
– Project management/execution	565	1.8%
– Others *(Note 1)*	110	0.3%
Subtotal	849	2.7%
Comprehensive flexible staffing employees	26,480	83.0%
Total	27,329	85.7%
Shanghai Sirui *(Note 2)*		
– Internal employees	228	0.7%
– Comprehensive flexible staffing employees (IT-related and digital)	4,353	13.6%
Total including Shanghai Sirui	31,910	100.0%

Notes:

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

2. Financial results of Shanghai Sirui have been consolidated into the Group's financial statements upon completion of the Acquisition on 28 September 2022.

Management Discussion and Analysis

Other Income

Our other income for the year ended 31 December 2022 amounted to approximately RMB38.4 million, representing a decrease of approximately 20.3% as compared to approximately RMB48.2 million for the year ended 31 December 2021. Other income primarily comprises government grants and income from investment and wealth management, in particular, the financial support funds from certain government authorities, which served as an incentive to HR companies to serve local enterprises and to invest in R&D of company software and systems. The decrease in other income in 2022 was primarily attributable to the decrease in financial support funds from government authorities given the decrease in the revenue of the Group for 2022.

Other (Losses)/Gains, Net

For the year ended 31 December 2022, other losses, net amounted to approximately RMB13.2 million, while other gains, net for the year ended 31 December 2021 amounted to approximately RMB5.5 million. The recorded other net losses were mainly due to the changing market environment and the increase in operating costs in 2022, which resulted in net fair value loss in the companies the Group invested in as a result of revaluation, and the losses related to changes in fair value of certain investment and wealth management products.

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

For the year ended 31 December 2022, the reversal of net impairment gains on financial assets amounted to approximately RMB0.9 million, as compared to the provision for the net impairment losses on financial assets of approximately RMB4.8 million for the year ended 31 December 2021. Such change was mainly due to the expected economic recovery at the end of 2022, resulting in a decrease in the expected credit loss rate. As such, based on the ageing of the trade and bills receivables balance as at 31 December 2022 and the subsequent settlement, we provided the reversal of the impairment of trade and bills receivables, amounting to approximately RMB0.9 million.

Operating Profit

Operating profit of the Group amounted to approximately RMB11.4 million for the year ended 31 December 2022, representing a decrease of approximately 90.2% as compared to approximately RMB116.8 million for the year ended 31 December 2021.

Finance Income

Our finance income for the year ended 31 December 2022 amounted to approximately RMB3.9 million, representing a decrease of approximately 40.9% from approximately RMB6.6 million for the year ended 31 December 2021. This was primarily attributable to the decrease in interest income generated from bank deposits due to the decrease in idle funds upon utilisation of the Net Proceeds as scheduled.

Finance Costs

Our finance costs for the year ended 31 December 2022 amounted to approximately RMB5.1 million, representing a slight increase as compared to approximately RMB4.9 million for the year ended 31 December 2021.

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

The net gain attributable to the results of joint ventures and associates for the year ended 31 December 2022 was approximately RMB2.7 million, representing an increase of approximately RMB0.8 million as compared to that for the year ended 31 December 2021. The net gain attributable to the results of joint ventures and associates for the year ended 31 December 2022 comprised (i) investment gain of approximately RMB3.7 million generated from investments in Binhai Xunteng, Zhencheng Technology and Renrui New Career; and (ii) investment loss of approximately RMB1.0 million incurred from investment in Wanma Technology.

Management Discussion and Analysis

Profit before Income Tax

Due to the changes in the aforementioned items, our profit before income tax for the year ended 31 December 2022 amounted to approximately RMB12.9 million, representing a decrease of approximately 89.3% as compared to the profit before income tax of approximately RMB120.4 million for the year ended 31 December 2021.

Profit for the Year

Profit for the year ended 31 December 2022 amounted to approximately RMB6.9 million, representing a decrease of approximately 93.3% as compared to the profit of approximately RMB102.3 million for the year ended 31 December 2021.

(Loss)/profit attributable to the equity holders of the Company

The loss attributable to the equity holders of the Company for the year ended 31 December 2022 was approximately RMB7.3 million, as compared to the profit attributable to the equity holders of the Company of approximately RMB101.7 million for the year ended 31 December 2021. In the first half of 2022, the loss attributable to the equity holders of the Company was approximately RMB25.4 million, and the profit attributable to the equity holders of the Company in the second half of 2022 was approximately RMB18.1 million. Despite facing such challenges as the pandemic and the expiry of the Cooperation Agreement in the first half of the year, we have adjusted timely to implement cost control measures and optimize organization structure, and continued to enhance digital talent professional services with high value through the two-wing strategy of organic growth and acquisition. The profitability of the Company has resumed in the second half of the year.

Non-HKFRS Measures

To supplement the consolidated financial statements which are presented in accordance with the HKFRS, we also presented adjusted net profit and adjusted profit attributable to the equity holders of the Company as additional financial measures, which are not required by, nor presented in accordance with, the HKFRS. The following table reconciles our non-HKFRS financial measures in each year presented to the financial measures prepared in accordance with HKFRS:

	2022	2021
Profit for the year	**6,856**	102,348
Share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme	**5,638**	5,942
Amortisation of intangible assets resulting from acquisition	**10,045**	844
Impairment of goodwill	**16,372**	—
Net fair value gains or loss in relation to equity investments	**(12,876)**	571
Less: income tax effect on above amortisation	**(2,067)**	(211)
Adjusted net profit	**23,968**	109,494
(Loss)/profit attributable to equity holders of the Company	**(7,303)**	101,667
Share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme	**5,638**	5,942
Amortisation of intangible assets resulting from acquisition	**10,045**	844
Impairment of goodwill	**16,372**	—
Net fair value gains or loss in relation to equity investments	**(12,876)**	571
Less: income tax effect on above amortisation	**(2,067)**	(211)
Less: adjustments attributable to non-controlling interests	**(4,098)**	(310)
Adjusted profit attributable to the equity holders of the Company	**5,711**	108,503

Management Discussion and Analysis

In evaluating the business, the Board considers and uses non-HKFRS financial measures, such as adjusted net profit and adjusted profit attributable to the equity holders of the Company as supplemental measures to review and assess the Company's operating performance. We believe that the non-HKFRS financial measures 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 upon assessment and judgment of the Board. We believe that, by excluding such items not directly related to our business operations, the non-HKFRS financial measures could help investors identify the trends underlying our core operating results that could otherwise be distorted. We also believe that such non-HKFRS measures provide more useful information to investors of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across periods. However, our presentation of non-HKFRS financial measures may not be comparable to other measures presented by other companies with similar labels. The use of non-HKFRS measures 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	
	2022 **RMB'000**	2021 RMB'000
Total current assets	**1,496,219**	1,652,635
Total current liabilities	**641,124**	657,643
Net current assets	**855,095**	994,992

Our net current assets as at 31 December 2022 amounted to approximately RMB855.1 million, representing a decrease of approximately 14.1% as compared to approximately RMB995.0 million as at 31 December 2021. This was mainly due to a combination of the following factors: (i) an increase in trade receivables and notes receivable of approximately RMB195.0 million; (ii) the payment of RMB421.7 million for the Acquisition, the second installment of consideration for acquiring Shanghai Lingshi and the investment in Kumao Robot; and (iii) the redemption of certain investment grade corporate bonds and bond funds purchased with idle funds of approximately RMB102.0 million (financial assets at FVOCI and financial assets at fair value through profit or loss).

Management Discussion and Analysis

Trade and Notes Receivables

Our trade and notes receivables as at 31 December 2022 increased by approximately 25.6% to approximately RMB955.9 million as compared to approximately RMB761.0 million as at 31 December 2021. This was mainly due to a combination of factors comprising (i) the increase in account receivables of approximately RMB381.2 million arising from the Acquisition, which was partially offset by the decrease by approximately RMB190.0 million in receivables of the general service outsourcing business resulting from decrease in its revenue; and (ii) the decrease in expected credit loss as at 31 December 2022 of approximately RMB4.4 million as compared to 2021.

The following table sets forth the turnover days of trade receivables for the years indicated:

	For the year ended 31 December	
	2022	2021
Trade and notes receivables turnover days[(1)]	**87**	44
Adjusted trade and notes receivables turnover days[(2)]	**80**	49

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 2022, our trade and notes receivables turnover days was 87 days, and the adjusted trade and notes receivables turnover days was 80 days, representing an increase as compared to 2021, mainly because (i) the credit period granted to clients of digital technology and cloud services business is generally within 90 days, longer than the previous maximum credit period of 70 days for the general service outsourcing business; and (ii) the credit period for Shanghai Sirui is generally within 155 days and the completion of the Acquisition has resulted in a longer credit term of overall trade and bills receivable. The actual collection period for most clients is within the credit period of 10 days to 155 days.

Prepayments, Deposits and Other Receivables

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

As at 31 December 2022, our prepayments, deposits and other receivables amounted to approximately RMB40.4 million, representing an increase of approximately 4.1% as compared to approximately RMB38.8 million as at 31 December 2021, which was mainly attributable to an increase in prepayments, deposits and other receivables of approximately RMB6.3 million upon the Acquisition, which was partially offset by (i) the decrease in the balance of prepaid marketing fee by approximately RMB1.7 million compared to that as at 31 December 2021, being affected by the decline in customer recruitment demand; and (ii) the decrease of approximately RMB3.6 million in prepayments for commercial insurance compared to that as at 31 December 2021 resulting from a decrease in the number of comprehensive flexible staffing employees.

Management Discussion and Analysis

Financial Assets at FVOCI

As at 31 December 2022, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB5.4 million, decreasing from RMB102.1 million as at 31 December 2021, which was mainly due to the redemption of certain investment-grade bonds and bond funds by the Group.

Financial assets at fair value through profit or loss

As at 31 December 2022, the balance of financial assets at fair value through profit or loss in current assets amounted to approximately RMB114.7 million, which represented our purchase of investment-grade bond funds with part of idle funds.

As at 31 December 2022, the balance of financial assets at fair value through profit or loss in non-current assets amounted to approximately RMB34.3 million, which was mainly related to minority investment.

Trade and Other Payables

As at 31 December 2022, our trade and other payables amounted to approximately RMB498.0 million, representing a decrease of approximately 15.4% as compared to approximately RMB588.9 million as at 31 December 2021. The decrease was mainly attributable to the decrease in the balance of accrued salaries and benefits by approximately RMB78.2 million due to the decrease in number of comprehensive flexible staffing employees.

Our suppliers usually grant credit periods of less than one month to us, which is settled by us monthly upon receipt of invoices.

Current Income Tax Liabilities

As at 31 December 2022, our current income tax liabilities amounted to approximately RMB10.5 million, representing a decrease of approximately 40.7% as compared to approximately RMB17.7 million as at 31 December 2021, which was mainly due to the decrease in profit before income tax.

Borrowings

The borrowings of the Group has increased by approximately RMB90.2 million from approximately RMB5.0 million as at 31 December 2021 to approximately RMB95.2 million as at 31 December 2022, which mainly due to the outstanding bank borrowings of approximately RMB95.2 million of Shanghai Sirui resulting from consolidation of its financial results upon completion of the Acquisition.

Property, Plant and Equipment

As at 31 December 2022, the carrying value of our property, plant and equipment was approximately RMB65.1 million, representing a decrease of approximately 42.5% from approximately RMB113.2 million as at 31 December 2021. Such change was mainly due to a combination of the following factors: (i) the Group implemented cost reduction and efficiency enhancement measures in 2022, closing certain service locations and reducing the scale of some office space, resulting in the disposal of property, plant and equipment totalling approximately RMB28.2 million; and (ii) depreciation expenditures in 2022 were approximately RMB44.5 million, which was partially offset by (i) the establishment of the recruitment and delivery centre in Suzhou and related renovations works contributing to an increase in property, plant and equipment of approximately RMB20.8 million; and (ii) the property, plant and equipment of Shanghai Sirui amounted to approximately RMB6.2 million as at 31 December 2022.

Intangible Assets

As at 31 December 2022, the carrying amount of our intangible assets was approximately RMB420.0 million, representing an increase from approximately RMB91.3 million as at 31 December 2021. This was mainly due to the increase of RMB88.9 million in intangible assets and RMB265.6 million in goodwill through the Acquisition, which was partially offset by (i) an impairment of goodwill of approximately RMB16.4 million upon the revaluation on Shanghai Lingshi and Lingshi Yuntian in light of the changing market environment and increased operating costs; and (ii) the amortization expenses in relation to customer relationships of Shanghai Sirui, Shanghai Lingshi and Lingshi Yuntian of approximately RMB10.0 million.

Management Discussion and Analysis

Investments in Joint Ventures Accounted for Using the Equity Method

As at 31 December 2022, the balance of investment in joint ventures accounted for using the equity method was approximately RMB25.3 million, representing an increase of approximately 17.1% from approximately RMB21.6 million as at 31 December 2021, which was mainly due to the profit recorded by Binhai Xunteng and Zhencheng Technology in 2022.

Investment in Associates Accounted for Using the Equity Method

As at 31 December 2022, the balance of investment in associates accounted for using the equity method amounted to approximately RMB5.9 million, representing the Group's investments in Renrui New Career, an associate of the Company established jointly with Kumao Robot.

Deferred Income Tax Assets

As at 31 December 2022, the carrying amount of our deferred income tax assets was approximately RMB16.2 million, representing an increase as compared to approximately RMB12.2 million as at 31 December 2021, which was mainly due to the deferred income tax assets arising from loss of certain subsidiaries of the Company in 2022.

KEY FINANCIAL RATIOS

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

	For the year ended 31 December	
	2022	2021
Revenue growth	**-23.2%**	67.5%
Gross margin	**5.1%**	5.3%
Adjusted current ratio (times)(1)	**1.6**	1.6
Non-HKFRS:		
Adjusted net margin attributable to the equity holders of the Company(2)	**0.2%**	2.3%

Notes:

(1) 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.

(2) Adjusted net margin attributable to the equity holders of the Company (non-HKFRS) is calculated as the adjusted profit attributable to the equity holders of the Company as a percentage of the revenue for the same year. Adjusted profit attributable to the equity holders of the Company (non-HKFRS) is defined as the profit or loss attributable to the equity holders of the Company for the year excluding items which do not relate to our ordinary course of business and are non-recurring in nature, including amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments, fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Please refer to the paragraph headed "Non-HKFRS Measures" under "MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL REVIEW" in this annual report for more details.

Management Discussion and Analysis

Adjusted Current Ratio

As at 31 December 2022, our current ratio decreased from approximately 2.6 as at 31 December 2021 to approximately 2.3, which was due to the decrease in current assets of approximately RMB156.4 million. The decrease in current assets was mainly due to the same reasons as disclosed under the paragraph headed "Net Current Assets".

The adjusted current ratio after deducting the unutilised Net Proceeds from the global offering remained at approximately 1.6, same as at 31 December 2021, demonstrating that the short-term solvency of the Group has not changed and remained solid.

Liquidity and Capital Resources

In 2022, we met our capital requirements principally through our business operations and the Net Proceeds.

As at 31 December 2022, we had cash and cash equivalents of approximately RMB354.4 million, representing a decrease of approximately RMB284.0 million as compared to that of approximately RMB638.4 million as at 31 December 2021. Such change was mainly due to factors comprising (i) the net cash generated from operating activities of approximately RMB118.9 million; (ii) the net cash used in investing activities of approximately RMB328.1 million due to the payments of approximately RMB421.7 million for acquisition and investment, as offset by proceeds from the redemption of certain bank investment and wealth management products; (iii) the net cash used in financing activities of approximately RMB91.3 million due to the repayment of borrowings and dividends paid to shareholders; and (iv) an increase in cash and cash equivalents of approximately RMB16.6 million due to changes in exchange rates.

TREASURY POLICIES

The treasury and funding policies of the Group primarily focus on liquidity management and maintaining an optimum level of liquidity.

CASH FLOWS

Net Cash Generated from/(Used in) Operating Activities

Net cash inflow generated from operating activities for the year ended 31 December 2022 was approximately RMB118.9 million, as compared to net cash outflow used in operating activities of approximately RMB90.0 million the year ended 31 December 2021. The change from net cash used in 2021 to net cash generated from operating activities in 2022 was mainly because amid the concerns about the risk of bad debts of trade receivables brought about by the economic downturn and the need for sufficient cash flow to support digital technology and cloud services business, we have strengthened the management of the collection of trade receivables since the second half of 2022, thus speeding up the recovery of trade receivables.

Net Cash Used in Investing Activities

For the year ended 31 December 2022, net cash used in investing activities was approximately RMB328.1 million, representing an increase of approximately RMB201.9 million from approximately RMB126.2 million for the year ended 31 December 2021. The increase was mainly due to the fact that the Group accelerated the layout of strategic investments in 2022 by acquiring Shanghai Sirui and Shanghai Lingshi and investing in Kumao Robot, all of which led to a total payment of approximately RMB421.7 million. The above investment expenses were partially offset by proceeds from the redemption of investment grade corporate bonds and large-denomination bank certificates of deposit issued by bank.

Management Discussion and Analysis

Net Cash Used in Financing Activities

For the year ended 31 December 2022, net cash outflow used in financing activities was approximately RMB91.3 million, while the net cash used in financing activities for the year ended 31 December 2021 was approximately RMB108.9 million, representing a decrease of approximately RMB17.6 million. Such change was mainly due to a combination of the following factors: (i) dividend payment in cash to shareholders of approximately RMB31.4 million in 2022, representing a decrease of approximately RMB22.1 million compared to 2021; (ii) the cost reduction and efficiency measures implemented by the Group in 2022 involving the closure of seven secondary service locations including Hangzhou and digital operation and customer service centers in Luzhou and Xi'an, resulting in a rental reduction of approximately RMB6.3 million compared to 2021; and (iii) a payment of approximately RMB21.3 million was made to purchase the Company's shares in 2021, while there was no such payment made in 2022. The aforementioned decrease in net cash used in financing activities was partially offset by the financing expenses of approximately RMB31.4 million incurred by Shanghai Lingshi and Shanghai Sirui.

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2022, we had outstanding borrowings of approximately RMB95.2 million denominated in RMB all at fixed interest rate, which mainly represented the outstanding bank borrowings of Shanghai Sirui.

As at 31 December 2022, we had unutilised banking facilities of approximately RMB275.0 million.

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 2022, all these covenants had been complied with by the Group.

As at 31 December 2022, our lease liabilities in respect of our leased properties amounted to approximately RMB42.6 million, representing a decrease of approximately RMB35.3 million as compared to approximately RMB77.9 million as at 31 December 2021, which was mainly due to reduced rental area.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2022 and 2021, 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 2022, our capital expenditure amounted to approximately RMB13.0 million, among which, (i) approximately RMB8.2 million was used for renovating the offices including recruitment and delivery centre in Suzhou, digital operation and customer service centre in Foshan and new offices in Wuhan; and (ii) approximately RMB4.8 million was used for development of systems and computer equipment systems.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2022, we had not entered into any material off-balance sheet commitments or arrangements.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had no material contingent liabilities (2021:nil).

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, given 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 2022. For the year ended 31 December 2022, the Group recorded a net exchange gain of approximately RMB3.9 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.

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2022, none of the Group's assets was pledged (31 December 2021: nil).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Shanghai Ruiying, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Neusoft Holdings on 7 March 2022 for the acquisition of 46.0% equity interests in Shanghai Sirui from Neusoft Holdings at a total consideration of approximately RMB408.0 million and the Acquisition was completed on 28 September 2022. Shanghai Sirui is an information technology and software outsourcing service provider dedicated to providing digital transformation and information technology services to customers. The Company was entitled to appoint a majority of the board of directors of Shanghai Sirui and thereby had the decision-making power over the relevant activities of Shanghai Sirui. Shanghai Sirui has become a non-wholly owned subsidiary of the Company and its financial results were consolidated into the financial statements of the Group upon completion of the Acquisition. For further details, please refer to the announcements of the Company dated 8 March, 21 September, 28 September 2022 and the circular of the Company dated 26 September 2022.

As disclosed in the announcements of the Company dated 15 September 2021 and 2 November 2021, the Group entered into two equity sale and purchase agreements to acquire 51% equity interests in each of Shanghai Lingshi and Lingshi Yuntian. Pursuant to the relevant equity sale and purchase agreements, the vendors have undertaken an increase rate of 19% in the premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Lingshi Yuntian for the year ended 30 June 2022 as compared to 2021, failing which, the Group would not need to pay the final installment of the consideration (being 6% of the total consideration) to the vendors. The payment of final installment of consideration was not made as the actual increase rate was less than 19%.

The Group has no disposal of subsidiaries, associates or joint ventures of the Group which would fall to be disclosed under the Listing Rules for the year ended 31 December 2022.

The Group did not hold any significant investment as at 31 December 2022.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

To strengthen our position as a leading comprehensive human resources solutions provider, we plan to use the Net Proceeds for certain expansion projects. Details of such expansion projects are set out in the paragraph headed "USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING" in this annual report and the section headed "Future Plans and Use of Proceeds" in the Prospectus.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there was no material event affecting the Group which has occurred since 31 December 2022.

Biographies of Directors and Senior Management

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

Executive Directors

Mr. Zhang Jianguo（張建國）

Chairman, Executive Director and Chief Executive Officer
Aged 59

Mr. Zhang Jianguo is also the chairman of the Nomination Committee and a member of Investment and Compliance 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 22 years of experience in the HR management sector and he is responsible for the overall strategic planning and business direction, operation and management of our Group while overseeing our flexible staffing services. Prior to joining our Group, Mr. Zhang Jianguo was the chief executive officer of ChinaHR.com (中華英才網), a provider of HR services based in the PRC, from July 2004 to January 2009, where he was responsible for overall management. From January 2003 to July 2004, Mr. Zhang Jianguo was the general manager of China Stone Management Consulting Ltd. (北京華夏基石企業管理諮詢公司), a management consulting company, where he was responsible for overall day-to-day management. From June 2001 to December 2002, Mr. Zhang Jianguo was the general manager of Shenzhen Yihua Times Management Consulting Ltd. (深圳市益華時代管理諮詢有限公司), where he was responsible for overall day-to-day management. From April 1990 to June 2000, Mr. Zhang Jianguo held various positions at Huawei (華為), a provider of information and communications technology infrastructure and smart devices. He served as the vice president before his departure, and was responsible for overseeing HR matters.

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

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

Biographies of Directors and Senior Management

Mr. Zhang Feng（張峰）

Executive Director and Chief Operating Officer
Aged 49

Mr. Zhang Feng (former names: Zhang Haifeng (張海峰) and Zhang Feng (張鋒)), was appointed as a Director in October 2011, and was re-designated as an executive Director and appointed as the Chief Operating Officer of our Group in March 2019. Mr. Zhang Feng is also a director and/or a general manager of various subsidiaries of the Group. He is responsible for overseeing the research and development of our information system (including the Xiang Recruitment Platform), managing the recruitment and delivery centre in Suzhou and the operation infrastructure of our professional recruitment services, and devising the overall product development strategy of our Group. Mr. Zhang Feng has more than 21 years of experience in the HR management sector. Prior to joining our Group, Mr. Zhang Feng worked as a regional general manager at ChinaHR.com (中華英才網), from August 2004 to June 2011, where he was responsible for overseeing sales, operation and management. From July 2000 to August 2004, he held various positions at Datang Telecom Technology Co., Ltd. (大唐電信科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600198)), which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment. He served as the HR manager before his departure, and was responsible for HR management.

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

Biographies of Directors and Senior Management

Ms. Zhang Jianmei（張健梅）

Executive Director and General Manager of the information technology and digital talents service division

Aged 43

Ms. Zhang Jianmei was appointed as a Director in September 2018, and was re-designated as an executive Director in March 2019. Ms. Zhang Jianmei is also a director or a supervisor of various subsidiaries of the Group. She has been responsible for overseeing the Group's flexible staffing services in the IT industry since September 2020 and has no longer been responsible for overseeing the overall sales and business development of our Group. Ms. Zhang Jianmei was awarded the Top 50 Female Entrepreneurs in China's Human Resources Service Industry (中國人力資源服務業女企業家Top 50 獎項) by Tophr (第一資源) in 2021. Ms. Zhang Jianmei has more than 19 years of experience in the HR management sector. Prior to joining our Group, Ms. Zhang Jianmei worked as a vice general manager of the western region of China and a general manager of the Chengdu subsidiary of ChinaHR.com (中華英才網), from July 2004 to March 2011, where she was responsible for the operation and management of its business in the western region of China. From August 2002 to July 2004, she worked as a vice general manager of the Chengdu subsidiary of Times Bright China (時代光華), a company in the education and training industry, where she was responsible for the operation and management of its Chengdu subsidiary.

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

Biographies of Directors and Senior Management

Non-Executive Directors

Mr. Chen Rui (陳瑞), aged 49, 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. He is also the chairman of the Investment and Compliance Committee. Mr. Chen, is a Director nominated by LC Fund V, L.P. (our substantial shareholder) and LC Parallel Fund V, L.P. Mr. Chen was appointed as the chairman of the Investment and Compliance Committee on 19 April 2023. Please refer to the Company's announcement dated 19 April 2023 for more details.

Mr. Chen was a supervisor of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團股份有限公司) (a joint stock company listed on the Stock Exchange (stock code: 1599)) from October 2013 to March 2022. From February 2005 up to present, he has held various positions at Legend Capital Management Co., Ltd. (君聯資本管理股份有限公司), a venture capital company, and he currently serves as the co-chief investment officer and managing director, where he is primarily responsible for overseeing investments.

Mr. Chen 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 62, 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 was also a member of the Audit Committee and the chairman of the Investment and Compliance Committee before his resignation. Mr. Chow was 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 resigned as non-executive Director and ceased to be member of the Audit Committee and the chairman of the Investment and Compliance Committee on 19 April 2023. Please refer to the Company's announcement dated 19 April 2023 for more details.

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 (currently known as The Hong Kong Chartered Governance Institute) from 2010 to 2016, the chairman of its professional development committee from 2014 to 2015, and the chairman of its audit committee in 2016. He was the chairman of the Mainland Development Strategies Advisory Panel of the Hong Kong Institute of Certified Public Accountants from 2016 to 2017.

Mr. Chow is currently (i) an independent non-executive director of Genertec Universal Medical Group Company Limited (formerly known as Universal Medical Financial & Technical Advisory Services Company Limited) (stock code: 2666), Futong Technology Development Holdings Limited (stock code: 465), China Everbright Greentech Limited (stock code: 1257), China Tobacco International (HK) Company Limited (stock code: 6055) and AGTech Holdings Limited (stock code: 8279), the shares of which are listed on the Stock Exchange; and (ii) an independent non-executive director of Global Cord Blood Corporation (NYSE stock code: CO), the shares of which are listed on the New York Stock Exchange. Mr. Chow was an independent non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (stock code: 1635) from April 2016 to May 2022, Fullshare Holdings Limited from December 2013 to December 2021 (stock code: 607) respectively, the shares of which are listed on the Stock Exchange.

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

Mr. Xu Zhetong (徐喆童), aged 30, our non-executive Director. He was appointed as a non-executive Director and a member of the Audit Committee on 19 April 2023. Please refer to the Company's announcement dated 19 April 2023 for more details. He is also a member of the Audit Committee. Mr. Xu has been a vice president of VMS Investment Group (HK) Limited since February 2021. Mr. Xu worked as an investment associate in CICC Xicheng (Beijing) Investment Fund Management Co., Ltd.* (中金熙誠(北京)投資基金管理有限公司) from April 2019 to February 2021. He was an investment associate in Yuanjing Wanfang (Tianjin) Equity Investment Management Enterprise (Limited Partnership)* (遠景萬方(天津)股權投資管理企業(有限合夥)) from October 2016 to April 2019. From July 2014 to September 2016, Mr. Xu worked as an investment banking analyst in China International Capital Corporation Limited. Mr. Xu obtained a bachelor's degree in Economics (Finance) from Renmin University of China in June 2014.

Biographies of Directors and Senior Management

Independent Non-Executive Directors

Ms. Chan Mei Bo Mabel (陳美寶), aged 51, is our independent non-executive Director and joined our Group in November 2019. She is also the chairlady of the Remuneration Committee and member of the Audit Committee and the Nomination Committee. She established Mabel Chan & Co. (陳美寶會計師事務所) (an accounting firm, formerly known as Mabel M.B. Chan Certified Public Accountant) in February 1999 and became the deputy managing partner of Grant Thornton Hong Kong Limited following their merger in January 2016. Ms. Chan has been serving as an independent non-executive director of Kingmaker Footwear Holdings Ltd. (stock code: 1170), the shares of which are listed on the Hong Kong Stock Exchange. Ms. Chan was also an independent non-executive director of Bank of Zhengzhou Co., Ltd. (stock code: 6196), from June 2015 to December 2021, the shares of which are listed on the Hong Kong 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 May 2020, a member of Barristers Disciplinary Tribunal Panel of Hong Kong from May 2010 to May 2020, a member of the Securities and Futures Appeals Tribunal of HKSAR from April 2017 to March 2023, 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 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, a member of ICAC Corruption Prevention Advisory Committee since January 2021, a council member of Hong Kong Association of Registered Public Interest Entity Auditors Limited since June 2021 and a member of HKSAR Election Committee since August 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 51, 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 47, is our independent non-executive Director and joined our Group in November 2019. He is also the chairman of the Audit Committee and a member of the Investment and Compliance Committee. Mr. Leung founded internet private equity fund Harmony Capital as the founding partner in January 2018. Mr. Leung has been the company secretary of China ITS (Holdings) Co., Ltd. (stock code: 1900), the shares of which are listed on the Stock Exchange, since January 2008 and the chief financial officer of this company from January 2008 to January 2018. He is also a non-executive director of GOGOX HOLDINGS LIMITED (stock code: 2246), an independent non-executive director of Sun.King Technology Group Limited (stock code: 580), Cabbeen Fashion Limited (stock code: 2030), Infinities Technology International (Cayman) Holding Limited (formerly known as "Jiu Zun Digital Interactive Entertainment Group Holdings Limited") (stock code: 1961), and Gala Technology Holding Limited (stock code: 2458), the shares of which are listed on the Stock Exchange. He was also the independent director of Glory Star New Media Group Holdings Limited (NASDAQ: GSMG), the shares of which are listed on NASDAQ, from February 2020 to April 2022. Mr. Leung 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 23 years' experience in corporate finance and accounting. Mr. Leung started his professional career at PricewaterhouseCoopers in Hong Kong as an auditor in 1998, where he was responsible for performing statutory audit work on listed companies in Hong Kong. He then worked at the global corporate finance division of Arthur Andersen & Co. in Hong Kong, which subsequently merged with PricewaterhouseCoopers, until December 2000, where he was responsible for conducting financial advisory services for government bodies and due diligence exercises for corporate clients. From July 2001 to February 2003, Mr. Leung also worked as a business consultant in Market Catalyst International (Hong Kong) Limited, where he was responsible for advising companies on issues of strategy, organization and operations. Mr. Leung then spent approximately three years from February 2003 to January 2006 at CDC Corporation, a NASDAQ listed company, as a senior manager in the mergers and acquisitions department, and as the chief financial officer of China.com Inc. (now renamed as Sino Splendid Holdings Limited), a subsidiary of CDC Corporation (stock code: 8006), the shares of which are listed on the Stock Exchange, where he was responsible for overseeing the entire finance operations, mergers & acquisitions, investors relationship, and other capital market activities of that company. From February 2006 to October 2006, Mr. Leung served as the chief financial officer of Beijing Xinwei Telecom Technology Co., Ltd., a related party of 大唐電信科技股份有限公司 (Datang Telecom Technology Co., Ltd., the shares of which are listed on The Shanghai Stock Exchange (stock code: 600198)) which is engaged in the development of telecommunication standard and manufacture of telecommunication equipment, where he was responsible for driving a proposed initial public offering process of that company. From November 2006 to January 2008, he served as the chief financial officer of Beijing Lingtu Spacecom Technology Co., Ltd. (北京靈圖星訊科技有限公司), a subsidiary of Beijing Lingtu Software Co., Ltd. (北京靈圖軟件技術有限公司), a PRC digital mapping and navigation software company, where he was responsible for conducting equity fund raising, and overseeing the finance operations of that company. Since April 2021, Mr. Leung has been serving as group chief financial officer, a member of strategy committee of 58.com Inc. and a managing partner of 58 Industry Fund, where he is mainly responsible for overseeing overall financial and legal functions and strategic investment of 58.com Inc.

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

Biographies of Directors and Senior Management

Senior Management

Ms. Chen Chen (陳晨), aged 39, is the vice president in charge of strategic planning and investment and financing affairs of the Group and a member of the senior management of the Company. She has been appointed as a joint company secretary and the chief financial officer of the Company since 12 December 2022.

Ms. Chen joined the Company in September 2021 and is primarily responsible for the Group's strategic research and planning, investor relations, and investment and mergers and acquisitions strategy. Prior to joining the Group, Ms. Chen had worked in investment banking industry for over 10 years with extensive experience in corporate finance, industry research and financial analysis. She joined the headquarter of BNP Paribas in Paris in November 2009 and worked in the Asia Pacific investment banking department of BNP Paribas Securities (Asia) Limited in Hong Kong from August 2010 to September 2021.

Ms. Chen obtained master's degrees in Master of Science in Management (Finance) and Master in European Business from EMLYON Business School. She obtained bachelor's degree in Business French with a minor in International Economics and Trade from Shanghai University of International Business and Economics.

Mr. Li Wenjia (李文佳), aged 39, has been a vice president, the chief financial officer and a joint company secretary of the Company until 12 December 2022.

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

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

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company for the year ended 31 December 2022.

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, an investment holding company, and its subsidiaries are principally engaged in the provision of comprehensive flexible staffing services, professional recruitment, and other human resources solutions in more than 300 cities in China. The Group has reinvented traditional human resources business process with digitalisation and new technology innovation. Its one-stop ecological system allows the Group to serve its customers across the PRC in a result-oriented manner, effectively tackling large-scale talent recruitment and management problems in the PRC.

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 revenue was generated from the general service outsourcing from our clients in the new economy industries, 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. We tried to manage and mitigate the aforementioned risks by (i) adhering to the Group's long-term strategy to focus on tech-driven and digital-enabled human resources services; (ii) actively sourcing new clients as well as maintaining a stable relationship with existing clients leveraging the Group's experience, resources and expertise; and (iii) keeping abreast of the latest developments in human resources industry so as to adapt to the ever-changing market.

Based on currently available information to the Board, as at the date of this annual report, COVID-19 is not expected to cause any material adverse impact on the Group's business.

For risks in relation to the Modified Contractual Arrangements (as defined below), please refer to the paragraph headed "Connected and continuing connected transactions – C. Modified Contractual Arrangements – Risks relating to the Contractual Arrangements" on pages 49 to 50 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 90 to 124 in this annual report.

Report of the Directors

Compliance with Laws and Regulations

During the year ended 31 December 2022, 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. Further, we had not made full contributions for social insurance and housing provident fund based on the actual salary levels of our employees. 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 2022, 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 2022 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 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 2022 are set out in the audited consolidated financial statements on pages 136 to 228 in this annual report.

FINAL DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: HK$0.24 per Share).

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

Report of the Directors

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 2022 are set out in Note 24 to the audited consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2022 are set out on pages 140 to 141 in the consolidated statement of changes in equity in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company has distributable reserves of approximately RMB2,167.8 million in total available for distribution (2021: RMB2,199.1 million).

BANK LOANS AND OTHER BORROWINGS

As at 31 December 2022, the Group had bank borrowings amounting to RMB95,164,000 (as at 31 December 2021: RMB5,017,000). For more details, please refer to Note 26 to the audited consolidated financial statements for the year ended 31 December 2022 contained in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in Note 17 to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

For the year ended 31 December 2022 and up to the latest practicable date prior to the issue of this annual report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

DIRECTORS

The Directors during the year ended 31 December 2022 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 (resigned on 19 April 2023)
Mr. Xu Zhetong (appointed on 19 April 2023)

Independent Non-executive Directors:

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

Report of the Directors

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

In accordance with article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Xu Zhetong, who was appointed by the Board on 19 April 2023 to fill the casual vacancy, will hold office until the forthcoming AGM and being eligible, have offered himself for re-election thereat.

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 31 to 37 in this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company for a term of one year commencing from the Listing Date (in respect of non-executive Directors, except for Mr. Xu Zhetong who has signed an appointment letter with the Company for a term of one year commencing from 19 April 2023) 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 forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Ms. Chan Mei Bo Mabel, Mr. Shen Hao and Mr. Leung Ming Shu), and the Company considers such Directors to be independent from the date of their appointment to 31 December 2022 and remain so as at the date of this annual report.

Report of the Directors

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

As at 31 December 2022, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Total number of Shares/ underlying Shares held[9]	Approximate percentage of shareholding interest in the Company[10] (%)
Zhang Jianguo	Interest of controlled corporation [1]	46,970,500(L)	29.97%
	Interests held jointly with other persons [4]	13,225,800(L)	8.44%
Zhang Feng	Interest of controlled corporation [2]	6,015,200(L)	3.84%
	Interests held jointly with other persons [4]	53,725,300(L)	34.29%
	Beneficial owner [2]	455,800(L)	0.29%
Zhang Jianmei	Interest of controlled corporation [3]	5,826,000(L)	3.72%
	Interests held jointly with other persons [4]	53,441,500(L)	34.10%
	Beneficial owner [3]	928,800(L)	0.59%
Chow Siu Lui	Beneficial owner [5]	80,000(L)	0.05%
Chan Mei Bo Mabel	Beneficial owner [6]	80,000(L)	0.05%
Shen Hao	Beneficial owner [7]	80,000(L)	0.05%
Leung Ming Shu	Beneficial owner [8]	80,000(L)	0.05%

Notes:

(1) Ming Feng Holdings Limited ("**Ming Feng**") is wholly owned by Mr. Zhang Jianguo and under the SFO, Mr. Zhang Jianguo is deemed to be interested in the 46,970,500 Shares held by Ming Feng.

(2) Wu Fu Min Feng Holdings Limited ("**Wu Fu Min Feng**") is wholly owned by Mr. Zhang Feng and under the SFO, Mr. Zhang Feng is deemed to be interested in the 6,015,200 Shares held by Wu Fu Min Feng. In addition, Mr. Zhang Feng was granted options under the mid-senior level management pre-IPO share option scheme which entitle him to subscribe for 455,800 Shares.

(3) Lin Feng Holdings Limited ("**Lin Feng**") is wholly owned by Ms. Zhang Jianmei and under the SFO, Ms. Zhang Jianmei is deemed to be interested in the 5,826,000 Shares held by Lin Feng. In addition, Ms. Zhang Jianmei was granted options under the mid-senior level management pre-IPO share option scheme which entitle her to subscribe for 928,800 Shares.

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

(5) Mr. Chow Siu Lui was granted options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares. Mr. Chow Siu Lui resigned as non-executive Director on 19 April 2023. Please refer to the Company's announcement dated 19 April 2023 for more details.

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

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

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

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

(10) As at 31 December 2022, the Company had 156,699,879 issued Shares.

Interests in associated corporation of the Company

Name of Director/ Chief Executive	Associated Corporation	Capacity/Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated 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 2022, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

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

As at 31 December 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held(7)	Approximate percentage of shareholding interest(8) (%)
Wang Fen (1)	Interest of spouse	60,196,300(L)	38.42%
Wu Qi (2)	Interest of spouse	60,196,300(L)	38.42%
Chen Bin (3)	Interest of spouse	60,196,300(L)	38.42%
Ming Feng	Beneficial owner	46,970,500(L)	29.97%
LC Fund V, L.P. (4)	Beneficial owner	20,266,244(L)	12.93%
LC Fund V GP Limited (4)	Interest of controlled corporation	21,750,495(L)	13.88%
VMS Strategic Investment Fund, L.P. (5)	Beneficial owner	16,747,481(L)	10.69%
VMS Strategic Investment GP Limited (5)	Interest of controlled corporation	16,747,481(L)	10.69%
VMS Auto Italia Fin Services Holdings Limited (5)	Interest of controlled corporation	16,747,481(L)	10.69%
VMS Holdings Limited (5)	Interest of controlled corporation	16,747,481(L)	10.69%
Mak Siu Hang Viola (5)	Interest of controlled corporation	16,747,481(L)	10.69%
FIL Limited (6)	Interest of controlled corporation	13,879,683(L)	8.86%
Pandanus Associates Inc (6)	Interest of controlled corporation	13,879,683(L)	8.86%
Pandanus Partners L.P. (6)	Interest of controlled corporation	13,879,683(L)	8.86%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	10,870,983(L)	6.94%

Notes:

(1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo and under the SFO, Ms. Wang Fen is deemed to be interested in the 60,196,300 Shares/underlying Shares in which Mr. Zhang Jianguo is interested.

(2) Ms. Wu Qi is the spouse of Mr. Zhang Feng and under the SFO, Ms. Wu Qi is deemed to be interested in the 60,196,300 Shares/underlying Shares in which Mr. Zhang Feng is interested.

(3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei and under the SFO, Mr. Chen Bin is deemed to be interested in the 60,196,300 Shares/underlying Shares in which Ms. Zhang Jianmei is interested.

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

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

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

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

(8) As at 31 December 2022, the Company had 156,699,879 issued Shares.

Report of the Directors

Save as disclosed above, as at the date 31 December 2022, the Directors and the chief executives of the Company were not aware of any other persons (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2022 or as at 31 December 2022, there subsisted any arrangements to which the Company or any of its subsidiaries was a party that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

ISSUANCE OF SECURITIES

On 27 January 2022, a total of 156,600 Shares was issued following exercise of share options under the Pre-IPO Share Option Scheme at an exercise price of USD0.1111 (equivalent to approximately HK$0.87) per Share. During the year ended 31 December 2022, no debentures or debt securities was issued by the Company or its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Save as disclosed above, none of the Directors or their associates had any interests in any business which competes or is likely to compete, directly or indirectly, with the businesses of the Group for the year ended 31 December 2022.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group had the following continuing connected transactions which are required under the Listing Rules to be disclosed in the annual report.

A. Comprehensive Flexible Staffing Service Framework Agreement

On 31 May 2022, the Company and Qihang entered into the comprehensive flexible staffing services framework agreement to govern the terms and conditions of the transactions between the Group and the Qihang Group in connection with the provision of the comprehensive flexible staffing services by the Group to the Qihang Group, for a term of two years with effect from 1 January 2022 to 31 December 2023 (both days inclusive). Pursuant to the comprehensive flexible staffing services framework agreement, members of the Group agreed to provide the comprehensive flexible staffing services to members of the Qihang Group according to separate comprehensive flexible staffing services agreements to be entered into by the relevant members of the Group with the relevant members of the Qihang Group from time to time pursuant to the comprehensive flexible staffing services framework agreement.

Qihang is held directly by Mr. Cai Yulong as to over 30%, who is a director of Shanghai Lingshi and Lingshi Yuntian, each being a non-wholly owned subsidiary of the Company. As a result, each of Qihang and its subsidiaries is an associate of Mr. Cai Yulong and therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the comprehensive flexible staffing services framework agreement constitute continuing connected transactions of the Company.

Report of the Directors

The fees payable for the provision of the comprehensive flexible staffing services by the Group are determined by the Group and the Qihang Group on normal commercial terms, negotiated on an arm's length basis. For details, please refer to the Company's announcement dated 31 May 2022.

The annual caps in respect of the aggregate service fees payable under the comprehensive flexible staffing services framework agreement for the year ended 31 December 2022 and for the year ending 31 December 2023 is RMB26,000,000 and RMB 39,000,000, respectively.

B. Technical Personnel Supply Services Framework Agreement

On 21 September 2022, the Company and Neusoft Education entered into the technical personnel supply services framework agreement to govern the terms and conditions of the transactions between the Group and Neusoft Education Group in relation to the provision of technical personnel supply services by the Neusoft Education Group to the Group, effective from the completion of the Acquisition (i.e. 28 September 2022) to 31 December 2024 (both days inclusive). Pursuant to the technical personnel supply services framework agreement, Neusoft Education agrees to provide technical personnel supply services to the Group according to separate technical personnel supply services agreements to be entered into by the relevant members of the Group with the relevant members of the Neusoft Education Group from time to time pursuant to the technical personnel supply services framework agreement.

Neusoft Education is an associate of Neusoft Holdings, which is a substantial shareholder of Shanghai Sirui, an indirect non-wholly owned subsidiary of the Company following the completion of the Acquisition. As a result, Neusoft Education is a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the transactions contemplated under the technical personnel supply services framework agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The fees payable for the provision of the technical personnel supply services by the Neusoft Education Group are determined by the Group and the Neusoft Education Group on normal commercial terms, negotiated on an arm's length basis. For details, please refer to the Company's announcements dated 21 September 2022 and 28 September 2022.

The annual caps in respect of the aggregate service fees payable under the technical personnel supply services framework agreement for the year ended 31 December 2022 and for the years ending 31 December 2023 and 2024 is RMB15,000,000, RMB30,000,000 and RMB30,000,000, respectively.

C. Modified Contractual Arrangements

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

Reasons for the Contractual Arrangements

We provide one-stop HR solutions comprising flexible staffing services, professional recruitment services, BPO services and other HR solutions 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 2022, through the Consolidated Affiliated Entities and based on the Old Negative List and the MIIT Consultations, our Company operated (i) the Shanghai Renrui Recruitment Services, (ii) the Client Service Representative BPO Services and (iii) the Client Service Representative Flexible Staffing Services subject to the Client-imposed Licence Requirement.

Report of the Directors

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, and it obtained on 30 July 2021 the VATS Call Center Licence issued by the Ministry of Industry and Information Technology, which is a license that must be held for the operation of Client Service Representative BPO Services. The Company is currently transferring (1) the Client Service Representative BPO Services operated by Liaoning Renrui and (2) the Client Service Representative Flexible Staffing Services operated by Beijing Ruilian to Liaoning Corporate, together with all relevant contracts, which is expected to be completed by the end of 2024. The amount of revenue our Group derived from the Client Service Representative BPO Services amounted to approximately RMB57.1 million (2021: RMB144.8 million), and accounted for approximately 1.6% of our Group's total revenue (2021: 3.1%) for the year ended 31 December 2022. For more details, please refer to the Section headed "Contractual Arrangements — PRC Laws and Regulations relating to Foreign Ownership Restrictions — Subsequent Development in Response to the New Negative List" on Pages 178 to 181 of the Prospectus.

Qualification Requirements

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

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

Efforts and Actions Undertaken to Comply with the Qualification Requirements

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

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

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

However, the 2022 Decision which was valid on 1 May 2022 repealed the proven record and operating experience requirement for foreign investors in the FITE Regulations. No applicable PRC laws, regulations or rules can by far provide clear guidance or interpretation for the implementation of the 2022 Decision. There is still great uncertainty in the true construction and implementation of the 2022 Decision and relevant regulations by government bodies.

Risks Relating to the Contractual Arrangements

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

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

Report of the Directors

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

Modified Contractual Arrangements in Place

A brief description of the major terms of the Modified Contractual Arrangements which were in place during the year ended 31 December 2022 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.

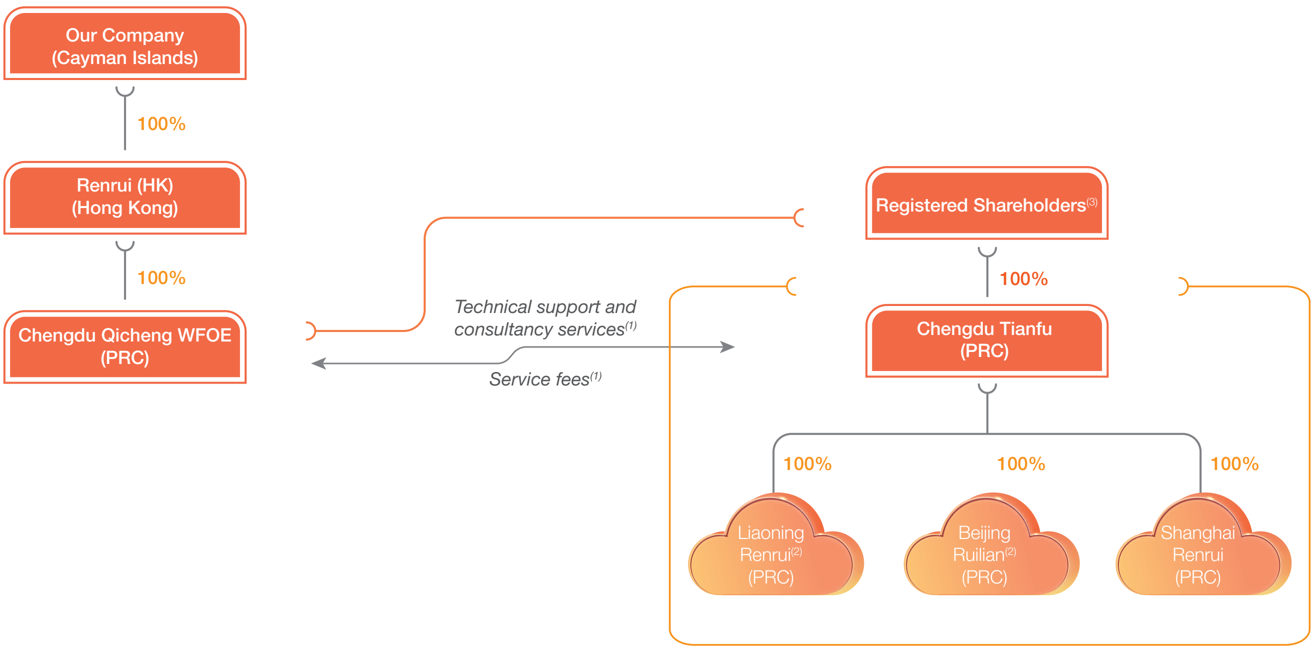
Report of the Directors

Spouses' Undertakings

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

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

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



Notes:

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

"——▶" denotes contractual relationship.

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

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

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

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

Report of the Directors

Apart from the above, there are no other new contractual arrangements entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the financial year ended 31 December 2022. 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 2022.

For the year ended 31 December 2022, none of the Modified Contractual Arrangements has been unwound as none of the restrictions that led to the adoption of structured contracts under the Modified Contractual Arrangements has been removed. As at 31 December 2022, 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.

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 2022 was approximately RMB179.3 million (2021: RMB220.7 million), which accounted for approximately 4.9% of our total revenue (2021: 4.7%), representing an increase by 0.2% as compared to that of 2021.

The net assets of our Consolidated Affiliated Entities were approximately RMB136.3 million as at 31 December 2022 (2021: approximately RMB151.8 million).

Mitigation Actions Taken by the Company

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

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

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

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

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

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

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

Listing Rule Implications

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

Report of the Directors

Waiver from the Stock Exchange and Annual Review

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

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

b) no change without independent Shareholders' approval;

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

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

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

During the year ended 31 December 2022, the Company had complied with the waiver conditions set out by the Stock Exchange and all necessary Listing Rules requirements as required by the Stock Exchange.

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

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

The amount of revenue our Group derived from the Client Service Representative Flexible Staffing Services subject to Client-imposed Licence Requirement amounted to approximately RMB21.9 million (2021: RMB21.2 million) and accounted for approximately 0.6% of our Group's total revenue (2021: 0.4%) for the year ended 31 December 2022. Since the contract between our Group and Client B (a company principally engaged in property development and property investment in the PRC) had been terminated in March 2021 and was not renewed afterwards, such amount of revenue for the year ended 31 December 2022 was derived solely from Client A (a leading American multinational technology company which operates e-commerce and cloud computing platform).

Confirmations from the Independent Non-executive Directors and the Auditor on the Connected Transactions

For transactions contemplated under the comprehensive flexible staffing services framework agreement and the technical personnel supply services framework agreement as disclosed in section A and section B above, in accordance with Listing Rule 14A.55, the independent non-executive Directors have reviewed such transactions conducted during the year ended 31 December 2022 and confirmed that these transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The actual transaction amount of the transactions disclosed above for the year ended 31 December 2022 has not exceeded their respective annual caps.

Report of the Directors

In relation to the Modified Contractual Arrangements as disclosed in section C above, the independent non-executive Directors have confirmed that for the year ended 31 December 2022:

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

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

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

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

e) the transactions carried out pursuant to the Modified Contractual Arrangements have not exceeded the Annual Revenue Cap for the year ended 31 December 2022; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a letter issued by the auditor of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, confirming that, with respect to the transactions contemplated under the comprehensive flexible staffing services framework agreement and the technical personnel supply services framework agreement, and the transactions carried out pursuant to the Modified Contractual Arrangements during the year ended 31 December 2022:

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) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

a) 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;

d) with respect to the aggregate amount of each of the continuing connected transactions (other than those transactions with Chengdu Tianfu under the contractual arrangements) set out in the disclosed continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company;

e) with respect of the disclosed continuing connected transactions with Chengdu Tianfu under the 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 the holders of the equity interests of Chengdu Tianfu which are not otherwise subsequently assigned or transferred to the Group.

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

Save as disclosed above, during the year ended 31 December 2022, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Director or an entity connected with a Director was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance in relation to the business of the Group subsisting during the year ended 31 December 2022 or as at 31 December 2022.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, (i) no contract of significance was entered into between the Company, or one of its subsidiary companies, and a controlling shareholder of the Company or any of its subsidiaries during the year ended 31 December 2022; and (ii) no contract of significance was entered into for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries during the year ended 31 December 2022.

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 2022 between the Company and a person other than a Director or any person engaged in the full-time employment of the Company.

DIRECTORS' PERMITTED INDEMNITY PROVISION

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

STAFF, EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

As at 31 December 2022, we had 1,077 internal employees (as at 31 December 2021: 1,135 internal employees). Total remuneration expenses for internal employees, including remuneration for Directors, for the year ended 31 December 2022 amounted to RMB232.2 million (for the year ended 31 December 2021: RMB208.6 million). The remuneration package for our employees generally includes salaries, bonuses and allowances. Other staff benefits include social insurance and housing provident contribution made by the Group, employee housing borrowing plan, and share options and share awards available under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Our remuneration policies are formulated based on the performance of individual employees and benchmarked against the market with reference to the Company's long-term goals and objectives, and are reviewed regularly.

The employee housing borrowing plan was implemented in June 2021 upon approval by the Remuneration Committee and the Board with a view to enhancing employee benefits and thereby increasing the stability of employees. As at 31 December 2022, the amount of borrowings granted to employees under the plan which remained outstanding was approximately RMB54.3 million, representing approximately 2.6% of the total assets of the Company as at 31 December 2022. The outstanding borrowings are repayable in 2024 or 2025 with an annual interest rate of 2% for the year ended 31 December 2022. The outstanding borrowing amount as at 31 December 2022 was drawn down by 59 employees under their respective loan agreements entered into with their relevant employers (being subsidiaries of the Group) under the employee housing borrowing plan. Each loan agreement had a term of three years, commencing from the date on which the loan was drawn down. The average amount loaned to each individual employee was approximately RMB0.9 million.

Report of the Directors

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, and the remuneration policy of the Company for the Directors takes into account the Company's operating results, duties, responsibilities, experiences, skills, time commitment and 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 2022 are set out in Note 8 and Note 7 to the audited consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in Note 32 to the audited consolidated financial statements of the Group for the year ended 31 December 2022 contained in this annual report. To the best knowledge of the Directors, no related party transactions disclosed in the audited consolidated financial statements constituted a connected transaction or a continuing connected transaction as defined under the Listing Rules. In respect of connected transactions the Group conducted during the year ended 31 December 2022, the Company has complied with the requirements under Chapter 14A of the Listing Rules. Please refer to the section headed "CONNECTED AND CONTINUING CONNECTED TRANSACTIONS" for more details.

SHARE OPTION SCHEMES

1. Pre-IPO share option schemes

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

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

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

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

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

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

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

Report of the Directors

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

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

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

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

(ii) Non-managerial Employee Pre-IPO SOS

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

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

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

Report of the Directors

(c) Vesting period

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

(d) Exercise of option

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

As at 31 December 2022, options to subscribe for an aggregate of 17,674,100 Shares (representing approximately 11.3% of the total issued Shares of the Company) under the Pre-IPO Share Option Schemes remained outstanding, 156,600 of the options granted under the Pre-IPO Share Option Schemes had been exercised, and 1,792,700 options had been lapsed or forfeited in accordance with the terms of the Pre-IPO Share Option Schemes during the year ended 31 December 2022. No option was cancelled under the Pre-IPO Share Option Schemes for the year ended 31 December 2022.

No further options shall be granted under the Pre-IPO Share Option Schemes after the Listing Date. Therefore, no option was granted under the Pre-IPO Share Option Schemes for the year ended 31 December 2022.

Details of movements in the share options granted under the Pre-IPO Share Option Schemes during the year ended 31 December 2022 are as follows:

		Number of share options						
Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Exercised during the year ended 31 December 2022	Lapsed/ Forfeited during the year ended 31 December 2022	Outstanding as at 31 December 2022	Vesting period of share options	Exercise price of share options
Executive Directors								
Mr. Zhang Feng	31 January 2013 and 20 February 2013	455,800	–	–	–	455,800 *(Note 2)*	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111
Ms. Zhang Jianmei	31 January 2013, 20 February 2013 and 16 October 2018	928,800	–	–	–	928,800 *(Note 2)*	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111 - USD0.88
In aggregate		1,384,600	–	–	–	1,384,600		
Other management members and employees of our Group								
In aggregate	31 January 2013 – 31 July 2019	15,487,300	–	–	(1,792,700)	13,694,600 *(Note 2)*	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD2.80
Other participants *(Note 1)*								
In aggregate	31 January 2013 – 5 November 2018	2,751,500	–	(156,600) *(Note 3)*	–	2,594,900 *(Note 2)*	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD0.88
Total		19,623,400	–	(156,600)	(1,792,700)	17,674,100		

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

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

Note 3: Such options were exercised on 27 January 2022 at an exercise price of USD0.1111 (equivalent to approximately HK$0.87) per Share. The closing price of the Shares immediately before the date on which the options were exercised, being 26 January 2022, was HK$8.51.

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

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 option may be exercised
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) Vesting period and performance targets
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 within the time period stipulated in the relevant grant letter.

(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 2022, the remaining life of the Scheme is approximately 6 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 2022, options to subscribe for an aggregate of 6,765,400 Shares (representing approximately 4.3% of the total issued Shares of the Company) under the Post-IPO Share Option Scheme remained outstanding. 11,350,000 options had been granted, 9,344,600 options had been lapsed or forfeited while no option had been exercised nor cancelled under the Post-IPO Share Option Scheme during the year ended 31 December 2022.

In considering the grant of share options on 17 June 2022, the Remuneration Committee took into account various factors, including the Group's performance during the previous financial year, each grantee's experience and potential, length of service, performance during the previous financial year and past contribution to the Group.

The vesting of the share options granted on 17 June 2022 is not subject to clawback mechanism. For share options granted to the Directors, no performance target is attached thereto. The Remuneration Committee was of the view that the grants to the Directors were appropriate and no performance target or clawback mechanism was necessary as the main purpose of the grants was to recognize the satisfactory performance and contributions made by the grantees before the grant. The Remuneration Committee was of the view the grants aligned with the purpose of the Post-IPO Share Option Scheme given that the grantees had contributed directly and significantly to the overall operations and long-term and sustainable growth of the Group by their leadership and management experience. The grants could align the interests of the grantees with that of the Company and its Shareholders and encourage the grantees to continue to contribute to the future development of the Group to enhance the value of the Company and its shares.

Please refer to Note 16(b) to the financial statements for the year ended 31 December 2022 contained in this annual report for fair value of the share options granted under the Post-IPO Share Option Scheme for the year ended 31 December 2022, which were calculated using the Binomial option-pricing model as at the date of grant. Given the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of Binomial model itself, the fair value calculated using Binomial model are subject to certain fundamental limitations.

The number of options available for grant under the Post-IPO Share Option Scheme as at 1 January 2022 and 31 December 2022 was 10,293,947 and 8,288,547, respectively.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company for the year ended 31 December 2022 (being 11,350,000) divided by the weighted average number of the Shares (excluding Shares held for share-based payment scheme) for the year ended 31 December 2022 was approximately 7.4%.

Report of the Directors

Details of movements in the share options granted under the Post-IPO Share Option Scheme during the period ended 31 December 2022 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options: Outstanding as at 1 January 2022	Granted during the period ended 31 December 2022	Exercised during the period ended 31 December 2022	Lapsed/ Forfeited during the period ended 31 December 2022	Outstanding as at 31 December 2022	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
Non-executive Director								
Mr. Chow Siu Lui (resigned on 19 April 2023)	22 January 2021	40,000	–	–	–	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
	17 June 2022	–	40,000	–	–	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK$5.99
Mr. Chen Rui	17 June 2022	–	40,000	–	(40,000)	–	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK$5.99

Report of the Directors

Category and Name of grantee	Date of grant of share options	Number of share options Outstanding as at 1 January 2022	Granted during the period ended 31 December 2022	Exercised during the period ended 31 December 2022	Lapsed/ Forfeited during the period ended 31 December 2022	Outstanding as at 31 December 2022	Vesting period of share options	Exercise price of share options
Independent non-executive Directors								
Ms. Chan Mei Bo Mabel	22 January 2021	40,000	–	–	–	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
	17 June 2022	–	40,000	–	–	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK$5.99
Mr. Shen Hao	22 January 2021	40,000	–	–	–	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
	17 June 2022	–	40,000	–	–	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK$5.99
Mr. Leung Ming Shu	22 January 2021	40,000	–	–	–	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK$27.3
	17 June 2022	–	40,000	–	–	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK$5.99

Report of the Directors

Category and Name of grantee	Date of grant of share options	Number of share options: Outstanding as at 1 January 2022	Granted during the period ended 31 December 2022	Exercised during the period ended 31 December 2022	Lapsed/ Forfeited during the period ended 31 December 2022	Outstanding as at 31 December 2022	Vesting period of share options	Exercise price of share options
Other management members and employees of our Group								
In aggregate	22 January 2021	2,400,000	–	–	(2,050,800)	349,200	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 28 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 40 months after the Date of Grant *(Note 2)*	HK$27.3
	16 July 2021	1,810,000	–	–	(330,300)	1,479,700	(i) one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant	HK$10.668
	17 June 2022	–	11,150,000	–	(6,533,500)	4,616,500	(i) one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant *(Note 3)*	HK$5.99
Total		4,760,000	11,350,000	–	(9,344,600)	6,765,400		

The outstanding number of share options as at 1 January 2022 has not taken into account the fulfilment of the vesting conditions (the "**Vesting Conditions**") in relation to performance targets measured by the Group's results for the year ended 31 December 2021 (if any) as detailed in Note 1 and Note 2 below, which information was not available as at 31 December 2021. If the fulfilment of the Vesting Conditions had been taken into account, additional 2,232,000 share options would lapse due to failure to meet the Vesting Conditions, and therefore the number of share options outstanding as of 31 December 2021 and 1 January 2022 disclosed in Note 16(b) to the audited consolidated financial statements of the Company contained in the Company's 2021 annual report published on 28 April 2022 and this annual report, respectively, is 2,528,000, reflecting the additional lapse of 2,232,000 share options as compared to 4,760,000. Such lapse of additional 2,232,000 share options has been reflected in the total number of share options lapsed/forfeited during the year ended 31 December 2022 under the Post-IPO Share Option Scheme in the table above (i.e. 9,344,600), compared to which the number of share options lapsed/forfeited during the year ended 31 December 2022 disclosed in Note 16(b) to the audited consolidated financial statements of the Company contained in this annual report, being 7,112,600, is 2,232,000 less therefrom.

Report of the Directors

Note 1:

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

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

Note 2:

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

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

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

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

Note 3:

The exercise of the options by certain employees of the Group is conditional upon the fulfilment of certain performance targets relating to the Group's financial and business performance for the year ended 31 December 2022, depending on the position and department of the grantees.

Note 4:

For options granted on 22 January 2021, the exercise period was from 22 January 2021 to 21 January 2031. For options granted on 16 July 2021, the exercise period was from 16 July 2021 to 15 July 2031. For options granted on 17 June 2022, the exercise period was from 17 June 2022 to 16 June 2032.

Note 5:

For options granted on 22 January 2021, the closing price of the Shares immediately before the date on which the options were granted, being 21 January 2021, was HK$28.35. For options granted on 16 July 2021, the closing price of the Shares immediately before the date on which the options were granted, being 15 July 2021, was HK$10.68. For options granted on 17 June 2022, the closing price of the Shares immediately before the date on which the options were granted, being 16 June 2022, was HK$5.55.

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

SHARE AWARD SCHEME

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

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

(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), being 15,053,947 Shares, representing approximately 9.6% of the total issued shares of the Company as at the date of this annual report. The Shares underlying the Award ("**Award Shares**") newly allotted and issued by the Company under specific mandate from the Shareholders pursuant to the Post-IPO Share Award Scheme shall be subject to an annual limit of 2% 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), or such other limit as may be required from the Stock Exchange from time to time. The maximum number of Award which may be granted to a grantee but unvested under the Post-IPO Share Award Scheme shall not exceed 1% of the total number of issued Shares from time to time.

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

Report of the Directors

(e) Basis of the determining the consideration/benchmarked share price
The consideration or the benchmarked share price in respect of any particular grant of Award shall be determined by the Board in its discretion with reference to the prevailing market price of the Shares.

(f) 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. An award 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 in favour of the Company as consideration for the grant thereof within 7 days of the grant or the time period otherwise stipulated in the relevant grant letter.

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

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

On 22 January 2021, a total of 2,300,000 Award Shares were granted by the Company to 29 awardees, none of whom is connected persons, pursuant to the Post-IPO Share Award Scheme. Those Award Shares will be settled in the form of payment of the actual selling price, netting of the benchmarked share price of HK$25 per Award Share and related charges, in cash upon the vesting of such Award. For further details, please refer to the Company's announcement dated 22 January 2021. For the year ended 31 December 2022, no Award Shares were granted or cancelled, and a total of 277,000 Award Shares were lapsed/forfeited in accordance with the terms of the Post-IPO Share Award Scheme.

Report of the Directors

Details of movements in the share awards granted under the Post-IPO Share Award Scheme during the year ended 31 December 2022 are as follows:

Category of grantee	Date of grant of share award	Number of share awards Outstanding as at 1 January 2022	Granted during the year ended 31 December 2022	Lapsed/ Forfeited during the year ended 31 December 2022	Outstanding as at 31 December 2022	Vesting period of share awards	Benchmarked share price per award share
Employees of our Group							
In aggregate	22 January 2021	2,120,000 *(Note 2)*	–	277,000	1,843,000 *(Note 2)*	(i) one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 36 months after the Date of Grant *(Note 1)*	HK$25

Note 1: The Awards shall be vested subject to the relevant awardee remaining as an eligible person under the Post-IPO Share Award Scheme on or before the vesting dates, with no performance target or clawback mechanism attached thereto.

Note 2: As at 1 January 2022 and 31 December 2022, nil and 688,700 Award Shares have been vested in accordance with the vesting schedule, respectively. For the year ended 31 December 2022, a total of 688,700 Award Shares have been vested. The closing price of the Shares immediately before the date on which the Award Shares were vested, being 21 January 2022, was HK$8.8. Pursuant to the rules of the Post-IPO Share Awards, upon vesting of the Awards, the Board shall direct and procure the Trustee to sell the Award Shares and pay the grantee the proceeds arising from such sale after netting off the benchmarked share price and related charges; provided that the Board shall not direct the Trustee to sell the relevant Award Shares whereby the prevailing market price of the Shares is lower than the benchmarked share price. In light of the prevailing market price being lower than the benchmarked share price during the year ended 31 December 2022, no Award Share was directed to be sold.

The number of Award Shares available for grant under the Post-IPO Share Award Scheme as at 1 January 2022 and 31 December 2022 was 12,933,947 and 13,210,947, respectively.

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

Report of the Directors

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended 31 December 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for 4.6% (2021: 3.7%) of the Group's total purchases and purchases from the largest supplier accounted for 1.4% (2021: 1.6%).

For the year ended 31 December 2022, the Group's sales to its five largest customers accounted for 35.0% (2021: 59.4%) of the Group's total sales and sales to the largest customer accounted for 12.4% (2021: 41.7%).

During the year ended 31 December 2022, none of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares of the Company) had any interest in the Company's five largest customers or suppliers.

CHARITABLE DONATIONS

During the year ended 31 December 2022, the Group donated pandemic prevention materials worth approximately RMB20,240 in value to the government of Zhanqian District, Yingkou City. In August 2022, the Group donated 60 computers and 60 sets of desks and chairs to the People's Government of Houshan Town, Luzhou to support rural revitalization and development.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Shares during the year ended 31 December 2022.

USE OF PROCEEDS FROM THE GLOBAL OFFERING AND CHANGE OF USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on 13 December 2019 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. Prior to the implementation of the re-allocation plan announced on 8 March 2022, the Company had utilised the Net Proceeds in accordance with the intended use set out in the Prospectus.

As set out in the announcement of the Company dated 8 March 2022, after taking into account the reasons for and the benefits of the Acquisition, in order to better utilise the financial resources of the Group and to capture favourable investment opportunities, the Board has reviewed the plan for the use of the Net Proceeds and resolved to re-allocate part of the Net Proceeds for the Acquisition based on the amount of unutilised Net Proceeds as at 31 January 2022 ("**1st re-allocation**"). For details, please refer to the announcement of the Company dated 8 March 2022. The Company has utilised the Net Proceeds in accordance with the 1st re-allocation plan since then up to 31 December 2022.

The Company has utilised Net Proceeds of HK$463.6 million for the year ended 31 December 2022. As at 31 December 2022, the Company had unutilised Net Proceeds of HK$250.8 million.

On 28 March 2023, the Board, having reviewed the utilisation plan of the Net Proceeds and considered the reasons set out in the paragraph "Reasons for the Change of Use of Proceeds" below, has resolved to further re-allocate the intended use of the unutilised Net Proceeds ("**2nd re-allocation**"). Details of the breakdown of the Net Proceeds utilised up to 31 December 2022 and the intended use of the unutilised Net Proceeds after the 2nd re-allocation are set out below:

	Intended use of Net Proceeds	Original allocation of Net Proceeds (HK$ million)	Amount of Net Proceeds unutilised as at 31 December 2021 (HK$ million)	Balance of the unutilised Net Proceeds after 1st re-allocation as at 31 January 2022 (HK$ million)	Amount of Net Proceeds utilised during the year ended 31 December 2022 (HK$ million)	Balance of Net Proceeds unutilised as at 31 December 2022 under the 1st re-allocation plan (HK$ million)	Balance of Net Proceeds unutilised as at 31 December 2022 after 2nd re-allocation (HK$ million)	Intended timetable for the use of the unutilised Net Proceeds
(i)	Expand our geographic coverage to better support our clients and new opportunities	198.4	74.8	30.8	27.0	10.0	39.0	By 31 December 2023
(ii)	Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, information technology industry and new retail clientele	168.7	94.4	466.0	394.0	79.3	50.3	By 31 December 2024
(iii)	Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	129.0	98.4	48.3	12.4	36.4	56.4	By 31 December 2023
(iv)	Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	187.2	95.8	4.6	91.2	51.2	By 31 December 2024
(v)	Further promote our brand and launch marketing and promotion activities	99.2	90.6	11.3	24.7	10.9	10.9	By 31 December 2023
(vi)	Support our global expansion strategy in the next four years	79.4	79.4	23.0	0.0	23.0	23.0	By 31 December 2024
(vii)	Working capital and general corporate purposes	99.2	89.6	0.0	0.9	0.0	20.0	By 31 December 2023
	Total	**992.2**	**714.4**	**675.2**	**463.6**	**250.8**	**250.8**	

Report of the Directors

Reasons for the Change of Use of Proceeds

The reasons for the 2nd re-allocation of the intended use of the unutilised Net Proceeds are as follows:

(1) For item (ii), the Group has strategically conducted a series of acquisitions in financial service, information technology and other industries since the Listing, in particular the Acquisition completed in 2022. The Group will continue to expand the Company's industry coverage through acquisitions and organic growth and actively search for strategic investment targets that are in line with the Company's development strategy. However, in light of the current market environment where mergers and acquisitions are slowing down given the market uncertainty and volatility, the Company may not be able to identify suitable targets, if any, within the originally expected timetable; therefore it may be more desirable to allocate more funds for businesses currently undergoing fast growth, such as digital technology and cloud services. As a result, approximately HK$29.0 million of the unutilised Net Proceeds originally allocated to item (ii) will be re-allocated to item (i), so as to better support the existing clients and capture the potential opportunities to expand industry clients, in particular in relation to industries with huge demand for digital talents. At the same time, the intended timetable for the use of the unutilised Net Proceeds for item (ii) was extended to the end of 2024 to allow more time for the Group to identify suitable targets as appropriate. In addition, as the expansion activities under item (i) were unable to be fully carried out as expected amid COVID-19 pandemic in 2022, the intended timetable for the use of the unutilised Net Proceeds for item (i) was extended to the end of 2023.

(2) For item (iv), the Group has continuously enhanced its investment in the integrated human resources ecosystem and its data mining technology capabilities since the Listing. Nevertheless, given that substantial parts of the upgrade of the integrated human resources system, namely Rui Zhi System, Rui Bo System, and Qingyun Online Recruitment System, have been completed in 2022, the Group expects to see a decrease in investment amount required in this regard. As a result, approximately HK$40.0 million of the unutilised Net Proceeds originally allocated to item (iv) will be re-allocated to items (iii) and (vii), with HK$20.0 million re-allocated to each item respectively.

(3) For item (iii), in light of the gradual recovery of macro-economic environment since the beginning of 2023 with an increasing recruitment demand for mid-to-high-end information technology and digital talents, the Group plans to strengthen its investment in its headhunting service offerings to capture such opportunities. Since the expansion activities under item (iii) were slowed down amid COVID-19 pandemic in 2022, the intended timetable for the use of the unutilised Net Proceeds for item (iii) was extended to the end of 2023. For item (vii), while the Group's principal businesses have been able to generate a sound cash flow, given the future business growth needs and the uncertainty faced in fundraising activities, the Group plans to reallocate part of the unutilised Net Proceeds to replenish its general working capital.

(4) Due to the impact of COVID-19 pandemic in 2022, branding and marketing and promotion activities under item (v) as well as the Company's global expansion strategy under item (vi) have experienced practical difficulty to be effectively rolled out. Therefore, while the amount of unutilised Net Proceeds allocated for such items was not adjusted, the intended timetable for the use of the unutilised Net Proceeds was postponed to the end of 2023 and 2024, respectively, which was estimated based on information currently available to the Board.

The Group will continue to utilise the Net Proceeds in accordance with the intended use of proceeds as set out in the Prospectus, subject to the amount further re-allocated for each intended use according to 2nd re-allocation plan. Save as disclosed above, the Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this annual report.

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high corporate governance standards. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 74 to 89 in this annual report.

ANNUAL GENERAL MEETING

The forthcoming AGM of the Company will be held on 9 June 2023. 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 forthcoming AGM, the register of members of the Company will be closed from 6 June 2023 (Tuesday) to 9 June 2023 (Friday), both days inclusive, during which no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed Share transfer forms accompanied by the relevant Share certificates, must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 June 2023 (Monday).

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 2022.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2022 have been audited by PricewaterhouseCoopers.

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

On behalf of the Board
Zhang Jianguo
Chairman of the Board

PRC, 28 March 2023

Corporate Governance Report

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

The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that during the year ended 31 December 2022, the Company has complied with all applicable code provisions set out in the CG Code except for the deviation from code provision C.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.

CULTURES AND VALUES

The Company's vision is to become a world-class influential human resources integrated services provider, committed to providing high-quality business solutions for our customers based on solving their business problems. We adhere to a legitimate, compliant and ethical operating principle while actively taking on social responsibility and promoting coordinated and sustainable development of the economy, society and environment.

In 2022, the Company published the "Corporate Culture Outline" (《企業文化大綱》), covering the governance concepts of the company's vision, duty, values and social responsibility, organization management, etc., guiding the Company to achieve its goals. We have also conducted a series of corporate culture promotion and learning activities to promote and maintain the preferable corporate culture established by the Board the senior management over the years.

BOARD OF DIRECTORS

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

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

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

Board Composition

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

Executive Directors:

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

Non-executive Directors:

Mr. Chen Rui
Mr. Chow Siu Lui (resigned on 19 April 2023)
Mr. Xu Zhetong (appointed on 19 April 2023)

Independent Non-executive Directors:

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

Corporate Governance Report

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 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

C.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. Key decisions made by Mr. Zhang Jianguo are effectively monitored and scrutinized by other Directors and members of management of the Group. Finally, as Mr. Zhang Jianguo is our principal founder, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensure that the interests of all shareholders are considered. During the year ended 31 December 2022, 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 Ms. Chan Mei Bo Mabel and Mr. Leung Ming Shu possess appropriate professional qualifications or accounting or related financial management expertise. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company. None of the independent non-executive Directors has served more than nine years on the Board.

Corporate Governance Report

In order to ensure that independent views and input are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the independent non-executive Directors regularly without the presence of the executive Directors.

The Board reviews the implementation and effectiveness of the above mechanisms on an annual basis.

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, excluding Mr. Xu Zhetong who was appointed on 19 April 2023) 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 annual general meeting of the Company after the appointment 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 would receive 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 2022, the Company organised training for all Directors covering a wide range of relevant topics, including consultation paper on Review of Corporate Governance Code and Related Listing Rules, Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers, the Environmental, Social and Governance Reporting Guide, disclosure of interests and regulatory updates or newsletter. In addition, relevant reading materials including compliance manual/legal and regulatory updates/online training videos/case sharing have been provided to the Directors for their reference and studying.

Corporate Governance Report

The training records of the Directors for the year ended 31 December 2022 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 (resigned on 19 April 2023)	A, B
Independent Non-executive Directors	
Ms. Chan Mei Bo Mabel	A, B
Mr. Shen Hao	A, B
Mr. Leung Ming Shu	A, B

Notes:

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

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

BOARD COMMITTEES

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

Corporate Governance Report

Audit Committee

For the year ended 31 December 2022, the Audit Committee comprised 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. As disclosed in the Company's announcement dated 19 April 2023, following resignation of Mr. Chow Siu Lui as a non-executive Director, Mr. Chow ceased to be a member of the Audit Committee. Mr. Xu Zhetong, a non-executive Director appointed on the same day, has been appointed as a member 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.

During the year ended 31 December 2022, five Audit Committee meetings were held on 24 March 2022, 19 August 2022, 20 October 2022, 30 November 2022 and 14 December 2022. Works performed by the Audit Committee during the year ended 31 December 2022 include, to review the annual financial results and report for the year ended 31 December 2021, significant issues on the financial reporting, operational and compliance controls, to review the effectiveness of the risk management and internal control systems and internal audit function, to consider the appointment of external auditor, engagement of non-audit services and relevant scope of works, to review connected transactions and arrangements for employees to raise concerns about possible improprieties, to review the Group's unaudited interim results for the six months ended 30 June 2022, to consider the engagement of the external audit firm to conduct the review on the Group's internal audit function and their service scope, and to discuss the audit plan for the 2022 financial year with the auditor.

The Audit Committee had met with the external auditor without the presence of the executive Directors at the five meetings held on 24 March 2022, 19 August 2022, 20 October 2022, 30 November 2022 and 14 December 2022, 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 chairlady of the Remuneration Committee.

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

During the year ended 31 December 2022, two Remuneration Committee meetings were held on 21 January 2022 and 14 June 2022. Works performed by the Remuneration Committee during the year ended 31 December 2022 include to review and make recommendation to the Board on the remuneration policy and the structure of the Company and the remuneration packages of the Directors and senior management, to assess performance of executive Directors, and to review and make recommendations to the Board on proposed grant of share options. For details of the grant of share options on 17 June 2022 and the consideration factors taken into account by the Remuneration Committee, please refer to the section headed "SHARE OPTION SCHEMES" in this annual report.

Corporate Governance Report

Pursuant to code provision E.1.5 of the CG Code, the remuneration paid to the members of senior management by bands for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of Individuals
HK$1,000,001 to HK$2,000,000	2

Nomination Committee

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

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed change to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the board on the selection of individuals nominated for directorships, 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 2022, one Nomination Committee meeting was held on 29 March 2022. Works performed by the Nomination Committee during the year ended 31 December 2022 include to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the AGM. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board was maintained.

Investment and Compliance Committee

For the year ended 31 December 2022, the Investment and Compliance Committee comprised three members, including one non-executive Director, namely Mr. Chow Siu Lui, one executive Director, namely Mr. Zhang Jianguo and one independent non-executive Director, namely Mr. Leung Ming Shu. Mr. Chow Siu Lui was the chairman of the Investment and Compliance Committee. As disclosed in the Company's announcement dated 19 April 2023, following resignation of Mr. Chow Siu Lui as a non-executive Director, Mr. Chow ceased to be the chairman of the Investment and Compliance Committee. Mr. Chen Rui, a non-executive Director, has been appointed as the chairman of the Investment and Compliance of the Committee.

Corporate Governance Report

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 2022, one Investment and Compliance Committee meeting was held on 30 December 2022. Works performed by the Investment and Compliance Committee during the year ended 31 December 2022 include to review and make recommendations to the Board concerning the respective investment projects and proposals of the Company, its subsidiaries and consolidated affiliated entities.

BOARD DIVERSITY POLICY AND NOMINATION POLICY

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

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

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

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

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

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

Corporate Governance Report

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

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

DIVERSITY ON SENIOR MANAGEMENT AND OTHER WORKFORCE

To achieve diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates are considered and ensure that gender diversity is taken into account when recruiting staff members of mid to senior level. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a board and diverse pool of skilled and experienced employees.

In order to cater for the demand for the Group's strategic development and achieve gender diversity across the workforce, Ms. Chen Chen, the Group's vice president of the strategic planning and investment and financing, who was subsequently appointed as a joint company secretary and the chief financial officer of the Company on 12 December 2022, had been nominated as a senior management member of the Company during the year ended 31 December 2022.

During the year, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

As at 31 December 2022, the gender ratio in the workforce including senior management) is 30% (male) : 70% (female). For further details of gender ratio and initiatives taken to improve gender diversity together with the relevant data, please refer to the section headed "STAFF CARE" under the Environmental, Social and Governance Report.

The Directors are of the opinion that gender diversity has been achieved on senior management and workforce level with reference to the current circumstances of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is delegated by the Board to perform the functions set out in the code provision A.2.1 of the CG Code.

The primary duties of the Audit Committee in performing corporate governance functions include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Company's compliance with the CG Code and disclosure in its corporate governance reports.

During the year ended 31 December 2022, the Audit Committee had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance with the Model Code, and the compliance with the CG Code and the disclosure in this Corporate Governance Report.

BOARD MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

During the year ended 31 December 2022, nine Board meetings and one annual general meeting were held. Since the Listing Date, the Company has adopted the practice of holding Board meetings regularly, at least four times a year for Board meetings, and at approximately quarterly intervals with active participation of majority of Directors, either in person or through electronic means of communication.

Corporate Governance Report

The attendance records of each Director at the Board meetings and Board committee meetings of the Company as well as general meetings held during the year ended 31 December 2022 are set out below:

	Attendance/Number of Meeting(s)					
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment and Compliance Committee	Annual General Meeting
Mr. Zhang Jianguo	9/9	N/A	2/2	1/1	1/1	1/1
Mr. Zhang Feng	9/9	N/A	N/A	N/A	N/A	1/1
Ms. Zhang Jianmei	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Chen Rui	9/9	N/A	N/A	N/A	N/A	1/1
Mr. Chow Siu Lui (resigned on 19 April 2023)	8/9	5/5	N/A	N/A	1/1	1/1
Ms. Chan Mei Bo Mabel	9/9	5/5	2/2	1/1	N/A	1/1
Mr. Shen Hao	9/9	N/A	2/2	1/1	N/A	1/1
Mr. Leung Ming Shu	9/9	5/5	N/A	N/A	1/1	1/1

The Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors on 2 September 2022.

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

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before the date of each Board meeting or committee meeting (or other agreed period) 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 Directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. Queries raised by Directors should receive a prompt and full response, if possible.

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.

Corporate Governance Report

DIVIDEND POLICY

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

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

After considering the financial conditions of the Company and the Group and various factors as set out in the dividend policy, the Board did not recommended the payment of a final dividend for the year ended 31 December 2022 (for the year ended 31 December 2021: HK$0.24 per Share).

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Risk identification is based on discussions and interviews with senior management from different departments. Risks are preliminarily identified by senior management from the risk universe which is a collection of risks built on environmental analysis and external benchmarking that can impact the Group at the entity or specific business process level. Key risk factors are then identified by integrating the results of the discussions and interviews. Risk evaluation is the second step to assess the relative impact and likelihood of identified key risk factors. These identified key risk factors are further assessed by a scale rating process by the senior management to evaluate their impact and likelihood. Risk prioritisation is a mapping exercise. A risk map is used to prioritise the identified key risk factors according to their impact and likelihood.

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 2022, we have not experienced any material disruption to our information and technology system due to malfunctioning of software or hardware. To avoid any service interruption due to power outage, our digital operation and customer service centers and dedicated storage server are equipped with uninterruptible power supply (UPS) apparatuses and can provide emergency power support for up to one hour. Our office at Yingkuo BPO services centers is equipped with uninterruptible power supply apparatuses and can provide emergency power support for up to two hours. We maintain and update our core system on a weekly basis. We also have a dedicated team of engineers to debug, upgrade and maintain the reliability and security of our system. If there is a need for system debugging, our team of engineers can typically complete the task within one hour. Benefiting from an experienced team led by one of our Founders and Chief Operating Officer, Mr. Zhang Feng, we believe we have built our technology infrastructure system according to a high industry standard and this cannot be easily replicated by our competitors.

Data security

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

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

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

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

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

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

Corporate Governance Report

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 2022, 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 2022, we have not received any complaints from any third party, or been involved in any dispute with any third party, or been investigated or punished by any competent authorities in relation to privacy and personal information protection.

Payment and payroll cycle

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

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

INTERNAL AUDIT FUNCTION

The Company has established its internal audit department in 2022 to assist the Board and the Audit Committee in their review of the adequacy and effectiveness of the risk management and internal control systems on an annual basis covering the preceding financial year. In 2022, the Group engaged an external audit firm to conduct a comprehensive review on the Group's internal control systems for a period of three years.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

WHISTLEBLOWING POLICY AND ANTI-CORRUPTION

The Company has established a whistleblowing policy and procedures and implemented a system which acts as an open channel enabling employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence without fear of retribution, about any suspected misconduct or malpractice within the Group. Well-defined procedures are put in place for independent investigations and follow-up actions. With delegated authority and responsibility, Audit Committee is tasked to conduct periodical review on reports of whistleblowing cases submitted if any.

The Company has also formulated and implemented multiple policies to provide guidance for employees, encouraging them to adhere to the principles of fairness, integrity and honesty, abide by laws and regulations and anti-corruption practices, so as to promote frank communication and cultivate an honest and trustworthy corporate culture.

Corporate Governance Report

INSIDE INFORMATION

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have at all time complied with the Model Code during the year ended 31 December 2022.

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 2022.

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 2022 which provide a true and fair view of the state of affairs of the Company and of the results of its operations and its cashflows.

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

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

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Company for the year ended 31 December 2022 is set out in the Independent Auditor's Report contained in this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services (being services in relation to review of the Company's interim results and major acquisition related assurance and advisory) provided by the Auditor to the Group during the year ended 31 December 2022 was approximately as follows:

Type of Services	Amount (RMB'000)
Audit related services	2,650
Non-audit services	850
Total	3,500

Corporate Governance Report

JOINT COMPANY SECRETARIES

Ms. Chen Chen (who was as appointed on 12 December 2022 following the resignation of Mr. Li Wenjia on the same day) 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 Ms. Chen Chen, and they worked and communicated closely to discharge the functions of joint company secretaries.

During the year ended 31 December 2022, each of Mr. Li Wenjia, Ms. Chen Chen 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 has adopted a Shareholders' Communication Policy, which complies with the Listing Rules and provides all Shareholders with equal access to such information, in order to keep Shareholders informed of its performance, operations and significant business developments. The Shareholders' Communication Policy of the Company is available on the website of the Company.

The 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.

Shareholders may raise questions or make a request through designated channels for the Company's information to the extent such information is publicly available. Please refer to page 3 of this annual report for the address of the Company's Hong Kong Share Registrar and contact details of the Company. Shareholders can contact Tricor Investor Services Limited, the Company's Hong Kong Share Registrar, for questions about their shareholdings. For putting forward enquiries to the Board, please refer to the section headed "Putting Forward Enquiries to the Board" below.

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.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of Shareholders' Communication Policy, and concluded that with the above measures in place, the policy is effective and well-implemented for its provision of different channels for Shareholders to communicate their views on matters affecting the Company.

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

SHAREHOLDERS' RIGHTS

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

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

Article 12.3 of the Articles provides that any one or more members may deposit written requisition to convene an extraordinary general meeting at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s), provided that such requisitionist(s) held together, as at the date of deposit of the requisition, Shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company.

Corporate Governance Report

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 no later than 15 business 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.

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

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

Putting Forward Enquiries to the Board

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

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

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

(For the attention of the Board of Directors)

Email: ir@renruihr.com

Shareholders may 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

On 30 March 2022, the Board proposed to make certain amendments (the "**Proposed Amendments**") to the then Articles in order to, among other things, (i) bring it in line with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules, (ii) reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules, and (iii) make certain house-keeping changes, and to adopt a set of new Articles incorporating the Proposed Amendments. As approved by the Shareholders at the AGM held on 10 June 2022 by way of a special resolution, the new Articles has been adopted in substitution for and to the exclusion of the then Articles. For further details, please refer to the circular of the Company dated 29 April 2022 and the announcements of the Company dated 30 March 2022 and 10 June 2022.

Save as disclosed above, no other changes have been made to the Articles during the year ended 31 December 2022. The latest Articles are available on the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Company has prepared this Environmental, Social and Governance Report (the "**2022 ESG Report**") in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules, which sets out the environmental, social and governance (ESG) performance of the Group in 2022. This is the fourth ESG Report of the Group. In order to gain a more comprehensive understanding of the Company's performance in relation to ESG, the Report shall be read in conjunction with the Corporate Governance Report. During the reporting period from 1 January 2022 to 31 December 2022, the Group has complied with all the "comply or explain" provisions contained in the "Environmental, Social and Governance Reporting Guide".

SCOPE OF REPORTING

The ESG Report covers the overall environmental and social performances of the comprehensive human resources solutions services of the Company and all of its subsidiaries, including comprehensive flexible staffing, professional recruitment and other HR solution businesses. The reporting period is from 1 January 2022 to 31 December 2022, and description in some parts of the Report goes beyond the above period.

STANDARDS OF REPORTING

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

- "Materiality": materiality assessments have been carried out to identify environmental and social issues that have impacts on stakeholders, the main stakeholders and procedures are presented in the section "Stakeholder Engagement" in this report;

- "Quantitative": The Report has quantified KPIs in environmental and social aspects, accompanied by instructions and relevant comparative data;

- "Consistency": Statistical methods and KPIs in environmental aspects are consistent with those for 2021, and compare with relevant data;

- "Balance": In accordance with the principle of "Balance", the Company discloses its ESG performance objectively.

DESCRIPTION OF DATA

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

1. ESG OVERVIEW

1.1 Corporate Vision, Mission and Values

The Group adheres to the long-term development strategy of "technology-driven HR services" and the corporate vision of "becoming a world-class influential provider of integrated human resources services and digital technology solutions". The Group is committed to the core values of being "client-oriented, striver-oriented, and long-term committed to hard work and self-judgment". We always believe that only a company that is committed to fulfilling environmental and social responsibilities can lead and promote the sustainable development of the society.

In 2022, the Company published the "Corporate Culture Outline" (《企業文化大綱》), covering the governance concepts of the company's vision, duty, values and social responsibility, organization management, etc., guiding the Company to achieve its goals.

1.2 Sustainable Development Goals and Outlook

Since its establishment, the Group has been deeply involved in human resources services and strives to consolidate its leading position in the industry through being committed to corporate social responsibility and continuous innovation for sustainable development.

Environmental, Social and Governance Report

Digitization fosters a bright prospect. Digital transformation has been a natural choice for the development of enterprises, and digital talents are the key driving force in the digital transformation of enterprises. The Group has upgraded strategically in 2022. We have digitalized and renovated traditional human resources recruitment through innovative technologies, to facilitate a faster and more efficient access for Chinese enterprises to digitalization opportunities. For such, the Group has become a reliable and excellent partner in seeking digital talents. As an enterprise and a social citizen, the Group will continue to actively invest in green development, industry ecology, talent development, etc. in response to major national strategic plans including "The Outline of the 14th Five-Year Plan and Long-Range Objectives Through the Year 2035" and "The Plan for Development of the Digital Economy During the "14th Five-Year" Period". The Group will stand firmly with fellow companies to chart the course for the harmonious development of the human resources industry in the future.

1.3 ESG Governance

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.

The Board supports our commitment to fulfilling its ESG responsibilities and assumes full responsibility for the ESG strategies and reporting. The Board reviews the Group's ESG governance at least once a year during meetings. It identifies, evaluates and manages important ESG-related matters. It reviews the ESG performance and target achievement progress of the Group. It monitors and approves the annual ESG report.

The management is delegated to be responsible for assessing and determining ESG-related risks and relevant issues, 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, proposing measures to address such risks and confirming the effectiveness of the ESG system.

To carry out ESG management in full swing, review and evaluate the progress and effectiveness of relevant ESG-related strategies, the Group communicates with stakeholders regularly to obtain their feedback, while directors and management receive relevant training and information learning to continuously improve ESG governance. we have established an ESG working group, which consists of multiple working groups and functional departments. 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 via regular written reports. We also summarize and evaluate progress through internal meetings, employee satisfaction surveys, customer satisfaction surveys or interviews.

Based on the nature of our business, we have limited influence on the environment. It is also reflected on the materiality assessments. Therefore, we did not set any environment-related target during the report period. The Board will review the relevant performance of ESG and assess the necessity of setting ESG-related goals on a regular basis.

1.4 Awards, Membership and Certificates

The Group has been committed to promoting employment and fulfilling social responsibilities. As a result, the Group has been awarded many different awards and titles, and has won accolades from the capital market and business cooperation in recognition of its efforts.

Environmental, Social and Governance Report

During the year ended 31 December 2022, we received the following awards:

January 2022

- Renrui Human Resources Technology Holdings Limited was granted the Golden Hong Kong Stock Award: Best Large Consumption and Service Company (金港股年度最佳大消費及服務公司) by Zhitong Finance(智通財經)

February 2022

- Xi'an Renrui Human Resources Service Co., Ltd. was granted the Human Resource Integrity Service Provider of Shaanxi Province (陝西省人力資源誠信服務機構) by the Department of Human Resources and Social Security of Shaanxi Province (陝西省人力資源和社會保障廳)

March 2022

- Renrui Human Resources Group was granted the AAAAA-class Operational Human Resources Service Provider in Sichuan by Sichuan Human Resources Services Consulting Association

- Renrui Human Resources Group was granted the Integrity Demonstration Institute of Human Resource Industry in Sichuan by Sichuan Human Resources Services Consulting Association

- Renrui Human Resources Group was included in the first batch of enterprises to establish science and technology association for enterprises and institutions by Science and Technology Association of Chengdu in 2022

August 2022

- Renrui Human Resources Technology Group Limited was granted the Award for the Most Promising Staffing Company (螞蟻生態集團用工新銳獎) by Ant Group

September 2022

- Renrui Human Resources Technology Holdings Limited was granted the 2022 Recruiting & Staffing Solution Provider Value Award by HR Excellence Center

- Liaoning Renrui Business Process Outsourcing Service Co., Ltd. (遼寧人瑞服務外包有限公司) was granted the 2022 Top 10 Outsourcing Institute (2022年度十佳外包服務機構) by China Electronics Chamber of Commerce

December 2022

- Renrui Human Resources was granted "the Most Valuable Social Service Company" and "the Best IR Team of the Year"(「最具價值社會服務公司」及「年度最佳 IR 團隊」) by Zhitong Finance (智通財經)

- Renrui Human Resources Group was granted the 2022 Best Ecological Construction Award (2022年度最佳生態建設獎) by InfoQ

Environmental, Social and Governance Report

Various associations that the Group has membership of and established close ties with to promote industry development, include:

- Human Resources Service Industry Committee of All-China Federation of Industry and Commerce
- Enterprise Branch of Human Resources Development of China
- China Human Resources Association
- Beijing Human Resources Consulting Association
- Shanghai Human Resources Consulting Association
- Sichuan Human Resources Association
- Nanjing Human Resources Industry Association
- The Eighth Council of Shanghai Software Industry Association

The Group is dedicated on delivering services that adhere to globally recognised standards and have been accredited with the following certifications:

- CMMI5 Certification For International Software Quality Management- Capability Maturity Model Integration
- ISO 9001-Quality Management System
- ISO 14001 -Environmental Management System
- ISO 20000 -IT Service Management
- ISO 27001-Information Security Management System
- ISO 45001 -Occupational Health and Safety Management System

1.5 Stakeholder Engagement and Materiality

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

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

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

Environmental, Social and Governance Report

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

1.6 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 2022, the ESG working group took the following steps to conduct materiality assessment:

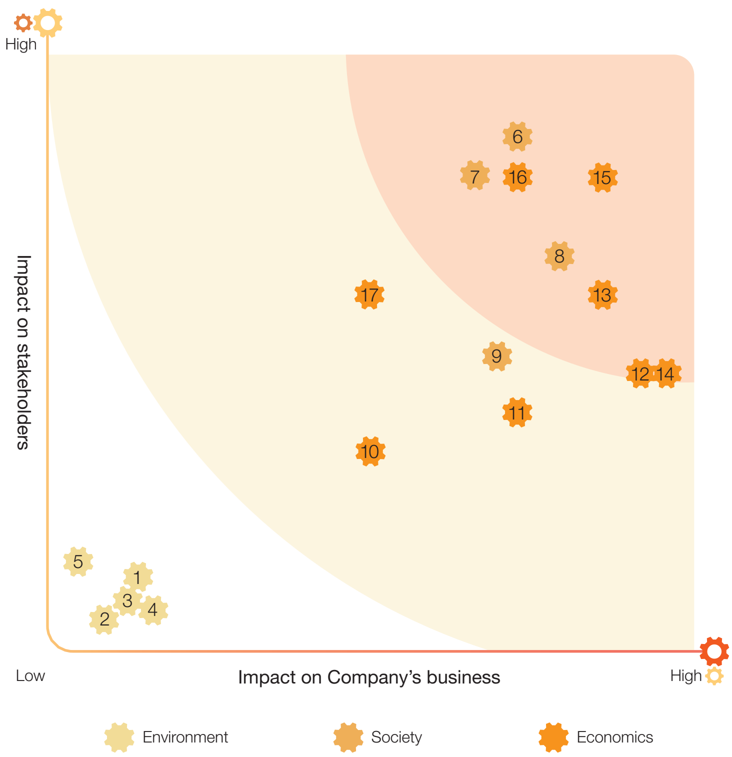
- Ø**Identification of issues:** Considering factors such as current condition of the Company, industry overview, risks and opportunities encountered, 17 issues were identified. These issues were related to and affected the Company and its stakeholders in environmental, social and economic aspects;

- Ø**Interviews:** The Group designed questionnaires and conduct interview sessions with internal stakeholders on the identified issues. It consolidated answers from those questionnaires and conducted materiality analysis to obtain preliminary results of materiality evaluation; and

- Ø**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 2022 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.

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



Environmental, Social and Governance Report

2 ENVIRONMENTAL ASPECT

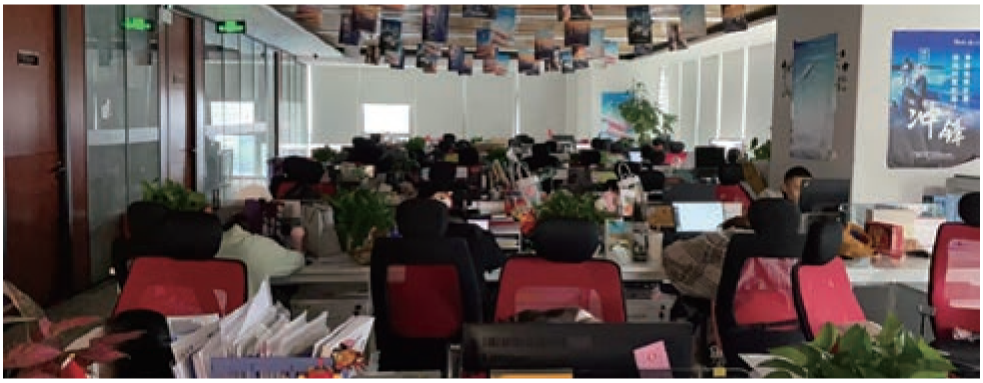
The Group has been committed to energy conservation and emission reduction for their operation activities. As a solution provider based on the philosophy of technology-driven human resources, we have recognized the role of technology in our daily business activities and office environment, and we will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

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

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

In 2022, the Group relocated its offices in Chengdu, Xi'an, Beijing, Wuhan and other places in 2022. During which, 5,250 packaging cartons were used, all of which were reusable cartons and have been returned to the logistics company for recycling after the completion of the relocation. Branches in Suzhou conducted renovation during the year. The interior decoration materials such as paint, flooring, carpet, drywall, lamps, glass and office desks are environmental-friendly materials, which could also be recycled after the expiry of the depreciation period. The Group also published 13,000 books such as Corporate Culture Outline (《企業文化大綱》) of Renrui Human Resources by three times, the material of which are all environmental-friendly papers and environmental-protection packaging materials.

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.



Lights out during lunch break to save electricity

Garbage sorting promotional stickers

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

- Green plants were placed on each work cubicle and in specific corners of the office;
- The Shanghai office actively implemented office 6S management specifically as follows: defined one hour before going off duty every Friday as "Workday 1 Hour", mobilized all employees to clean personal areas as well as public and recreation areas in the offices, compared and scored these areas, disclosed the results to all employees by mail, and set up a giving mechanism;
- Instructions for use were posted in each meeting room, requiring that the video conferencing system, lights and air conditioners be turned off after the meeting, the tables and chairs be restored, and garbage and personal items be cleaned up.
- Recyclable cartons were used for package during the relocation of offices in Chengdu, Xi'an, Wuhan, and old resources and office supplies were fully used;
- Offices in Shanghai, Wuhan, etc. are arranged to turn off lights during lunch break in working days, to save electricity and facilitate employees to take a rest;
- The Company upgraded its printing system. Twice swiping card on the printer is required after initiating the printing demand of files online, to avoid waste of papers and enhance the security and confidentiality of information. Moreover, we also encourage employees to use electronic documents. In 2022, there were a total of 3,718 (2021: 599) electronic contracts made by various department, to further reduce the consumption of papers.

Environmental, Social and Governance Report

For the year ended 31 December 2022, the Group's environmental KPIs covered 14 major offices in Chengdu, Shanghai, Beijing, Wuhan, Guangzhou and other cities. The specific data is as follows:

	2022	2021
Emissions[1]		
Total greenhouse gases ("**GHG**") emissions (tCO_2e)[2]	**453.3**	480.4
Energy indirect GHG emissions (Scope 2) (tCO_2e)	**453.3**	480.4
Total GHG emissions per capita (tCO_2e/employee)	**0.53**	0.57
Use of Resources		
Total energy consumption (MWh)[5]	**698.4**	740.3
Total indirect energy consumption (MWh)	**698.4**	740.3
Including: Purchased electricity (MWh)	**698.4**	740.3
Total energy consumption per capita (MWh/employee)[7]	**0.82**	0.65
Water consumption (tons)[6]	**431.0**	475.7
Water consumption per capita (tons/employee)[7]	**0.51**	0.42

Notes:

1. Due to the business nature, we do not generate waste gas emissions. We only generate a small amount of wastewater from the office in the daily operations and is managed together by the property management companies, therefore, KPI A1.1 (the types of emissions and respective emissions data) and KPI A1.5 (description of emissions target(s) set and steps taken to achieve them) are not disclosed in this ESG 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 this ESG Report;

4. Non-hazardous waste produced during the operation includes domestic waste and is managed together by the property management companies. Therefore, KPI A1.4 (total non-hazardous waste produced) is not disclosed in the Report. KPI A1.6 (description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them) is also not applicable as a result;

5. Due to the nature of the operations, our indirect energy consumption comes from purchased electricity and does not involve direct energy consumption. Total energy consumption is calculated based on electricity consumption. Given our electricity consumption was moderate for our operation size, the Company considered KPI A2.3 (description of energy use efficiency target(s) set and steps taken to achieve them) is not applicable;

6. The water comes from municipal water supply and there is no issue in sourcing useable water. Given our water consumption was moderate for our operation size, the Company considered KPI A2.4 (description of water efficiency target(s) set and steps taken to achieve them) is not applicable;

7. The increase in energy consumption per capita and water consumption per capita in 2022 as compared to 2021 was mainly due to the addition of equipment and increase in the office area in Shanghai headquarters, which was partially offset by the closure of offices and decrease in number of employee as a result of implementation of cost reduction and efficiency enhancing measures. It is expected that the energy and water consumption per capita will decrease as business scale grows.

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, Aspect A3 (environment and natural resources), KPI A3.1 (description of the significant impact of activities on the environment and natural resources and actions taken to manage them), Aspect A4 (climate change) and KPI A4.1 (description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them) are not disclosed in this ESG Report.

3. SOCIAL ASPECT

3.1. Responsible Operation

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

As at the end of 2022, we had established more than 70 subsidiaries and branches nationwide, covering more than 300 cities in China. We can respond to the staffing needs of our clients at multiple outlets nationwide: (i) providing comprehensive flexible staffing services to clients to improve the staffing mode of clients, effectively dispatching eligible contract employees that are suitable for clients' business operation; 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.

Owing to its high-quality professional service and advanced innovation capacity, the Group passed the authentication of the highest level CMMI5 in global software sector in 2022 and officially became a member unit of the Eighth Council of Shanghai Software Industry Association. The Group also received 11 honorary awards from the industry, customers and media during the year. For details, please refer to 1.4 Awards, Membership and Certificates.

3.2 Philosophy of Service

Service innovation

As the leading integrated human resources solutions provider, the Group, upholding the philosophy of being "client-focused and result-oriented", provides enterprises with services including comprehensive flexible staffing, professional recruitment and other human resources solutions etc. Our comprehensive and integrated human resources ecosystem consisting Qingyun Online Recruitment System, Rui Recruitment System, Rui Home Platform, Rui Cloud Management System, Integrated Contract Management System, and two management systems developed in 2022, named Rui Zhi System and Rui Bo System. These business operation and internal management systems are interoperable with the platform open to candidates and contract employees, thereby improving the recruitment efficiency and the contract employees' management abilities. These systems and platforms play an important role in providing customers integrated services, including posting recruitment advertisements, online communication with candidates, interview appointments, interview process and result management, candidate onboarding and pre-job training, and to follow-up personnel management, and employee data storage, salary calculation, and staff service.

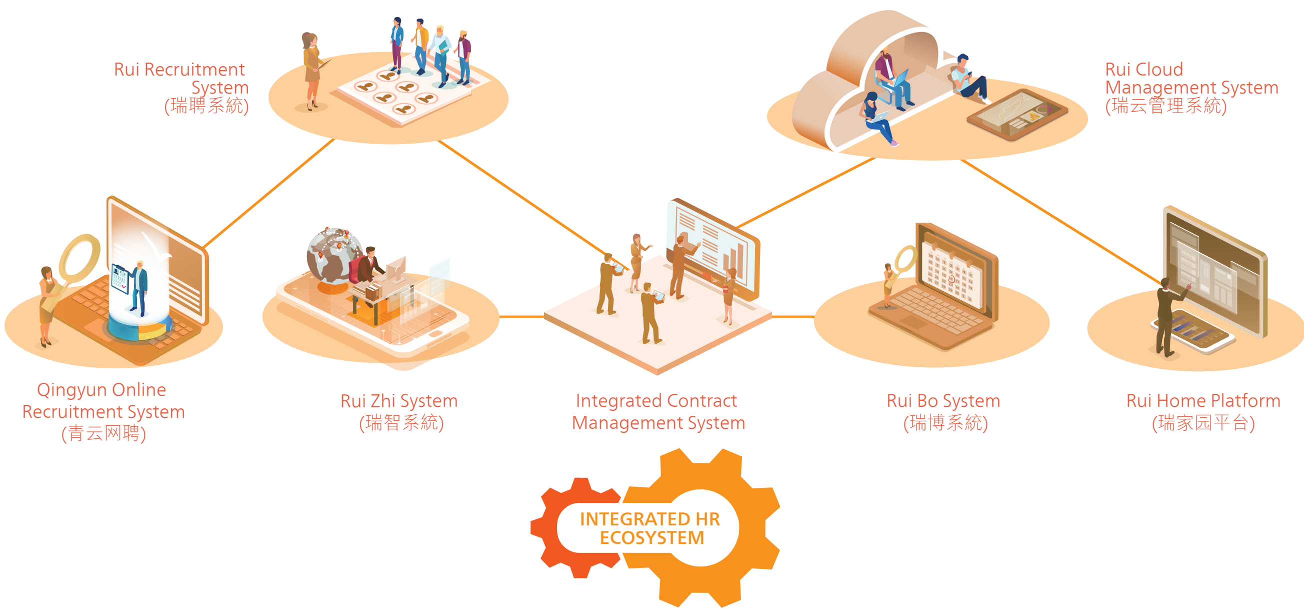
Environmental, Social and Governance Report

The Group has always adhered to the philosophy of "science and technology-driven human resources services", continuously enhances its core competitiveness through technology research and development and investment, and presents as an industry leader. For the year ended 31 December 2022, we invested approximately RMB 33.8 million in the information system R&D, representing a significant increase as compared to that of approximately RMB 18.1 million for the year ended 31 December 2021. We increased the investment in R&D expenditure, to further ensure the continuous iteration and upgrade of our existing systems and platforms. Every year, new systems are incorporated into our ecosystem to support our business development and satisfy clients' service requirement. For example, in 2022 we developed Rui Bo System for digital operations and customer service business, and in the fourth quarter of 2022, the research and development of Rui Zhi System was launched in response to the business development and recruitment in response to the business development and recruitment needs of digital technology and cloud services.

Service optimization

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

In the future, the Group will continue to increase its investments in the information systems research and development while further improve service systems and platforms, and maintain the advanced nature of the integrated human resources ecosystem.



Environmental, Social and Governance Report

Service control

We continuously improve service processes, optimize the performance appraisal of project management and execution teams and help clients bring down employment risks.

Taking comprehensive flexible staffing projects as an example, we constantly update business model, so as to form a business delivery system with market competitiveness and establish a barrier with core competence, and enhance customer service experience by leverage of industry advantages. We motivate project team members to quickly recruit comprehensive flexible staffing employees for clients while effectively control the turnover rate of staff.

Performance growth is fundamental to the Group's sustainable growth. In 2022, We issued the Special Incentive for the Net Increase in the Number of ITO Employees (《ITO在崗淨增特別激勵》), aiming to promote the organic growth of businesses in digital technology and cloud services through upgrading business strategy. Due to our operation characteristics, KPI B6.1 "Percentage of total products sold or shipped subject to recalls for safety and health reasons" and KPI B6.4 "Description of quality assurance process and recall procedures" do not apply; therefore, no disclosure has been made in this regard.

3.3 Client first

Client satisfaction

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

Our performance is set by focusing on clients, emphasizing on solving problems and directing by results, to incentive employees to complete performance targets in high quality and standard, thus creating higher core value for the Company and clients. Meanwhile, in respect of performance management, the Company insists on solving problems and improves the appraisal and assessment system to meet performance targets.

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

Customer complaint

The Group values the feedback and opinions of every client and contract staff, and has set up customer complaint hotlines (400-175-0886 and 400-179-0886) and compliant mailbox (BMD@renruihr.com) They may also provide their suggestions or opinions through sending emails to the designated mailbox and directly to our onsite team.

The Group has issued service standards such as the Service Demands on Complaint Hotlines (《關於投訴專線的服務要求》) and arranged specially-assigned persons to answer the compliant calls and receive compliant emails. After receiving a complaint from a client or a contract staff, our client service department will report the investigation results to them within 2 working days, handle the compliant within 1 week, and conduct a review with the client or contract staff 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 of complaints by clients or contract staff, and proposes specific improvement suggestions, so as to enhance the quality and level of services. For the year ended 31 December 2022, the Group has received 12 complaints on the landline phone of the Group, but has not received any formal email complaint. 9 phone complaint cases related to candidates' dissatisfaction with the services provided by the Group's recruitment consultants. The Group has responded to the candidates and strengthened the training on recruitment consultants' communication skills. Two cases involved suppliers dissatisfied with procedures under the Group's procurement system. The Group has explained to the suppliers and further detailed introductions of relevant procedures before cooperation with them. One case involved contract employees dissatisfied with performance-based pay. The Group has articulated relevant information and improved training on communication with contract employees. The Group keeps an open mind to complaints and comments, strengthens communication, and strives for high quality service.

3.4 Compliance operation

Intellectual property

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

For the year ended 31 December 2022, we obtained a number of intellectual property rights such as those relating to 40 trademarks, 95 software copyrights and 45 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, apps and website and other major channels to carry out brand promotion in compliance with laws and regulations. At the same time, we regulate the publication of advertisements in accordance with the Advertisement Placement Process of Renrui Human Resources (《人瑞人才廣告投放流程》) and other documents on internal process, and strictly control various stages of advertisement placement. The Group will also impart legal knowledge such as prohibited words in the Advertising Law to employees by e-mail.

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

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. In order to enhance communications with shareholders, Renrui Human Resources comprehensively changed and upgraded the corporate official account on WeChat and investor relation website in 2022. By focusing on company news, industry insight, products service and professional comments, the website was more intuitional and dimensional whether on brand image and content design or audience experience.

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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. We continued to attract the attention of potential candidates by means such as providing high-quality job opportunities on the Qingyun Online Recruitment System and new media advertising platforms, as well as through offline promotion like publishing articles in widely recognized magazines in the human resources industry, participating in association forums, holding industry seminars and cooperating with colleges and universities, and and such new media methods as online lectures and live streams, to promote our brands. The content output by the Group, combined with its innovative practices leading the development of the industry, has received attention and recognition from a lot of media. In 2022, we have participated in 15 marketing activities, approached to more than 10,000 enterprises directly, with over 800,000 visitors on-line and off-line. The diversified dynamic marketing methods guarantee market exposure for our brands and continue to maintain strong brand recognition of our services. During the promotion of our brand through diversified channels, we also strictly observe the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and relevant laws and regulations. Our marketing strategy targets corporate customers and potential candidates, and we are of the view that our professionalism and compliance on marketing, accompanied by word-of-mouth effect, are instrumental for strengthening brand awareness among professionals and industry leaders.

3.5 Protecting information security

Protection of Personal Information

We pay special attention to information security. To build the Group's candidate talent pool, we collect a great deal of personal data, including names, telephone numbers, email addresses, and job search intention and preferences of candidates (such as past work history, education and other background information). The Group strictly abides by the Protection of Personal Information Law of People's Republic of China (《中國人民共和國個人信息保護法》). The collection, storage and use of candidates' personal data must obtain their authorization and consent, such as expressly agreeing to our user agreement. Complaint Hotline (400-179-0886) and Customer Service Hotline also accept complaints, comments or suggestions on personal data protection.

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.

消防培訓

Environmental, Social and Governance Report

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.

Data Copy Base

To prevent the loss and damage of data information by human, force majeure and other accidental factors, 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. For data disaster-backup of the Company, we have established precise response plan and system to ensure the integrity and accuracy of the backup data. In addition, we conduct data disaster-back up drill at least once a year to enable us to quickly cope with the emergency accidents. 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 2022, we did not receive any complaints about the disclosure of personal privacy and trade secrets.

3.6 Contract employees' rights and interests

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

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

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

Environmental, Social and Governance Report

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 off-line 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. In 2022, we conducted a total of 492 training courses for contract employees, with more than 3,500 participants. The dramatic decrease of participants is mainly attributed to the effects of epidemic lockdown; We started a series of training programs with aimed at skills training.

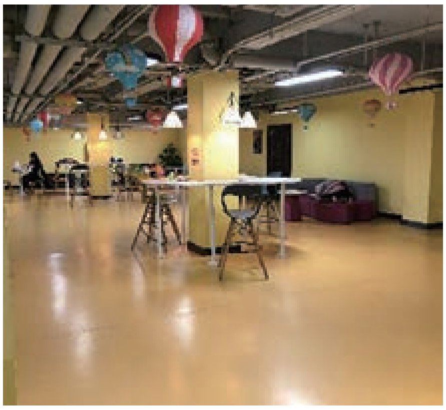
Democratic communication: The Group has established the Rui Home Platform. Through the Rui Home Platform, contract employees may process and sign their employment contracts online, apply for leaves, inquire about salary distribution and social security and provident fund payment at any time and apply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

Health and safety: We attach great importance to the contract employees' health and safety. In accordance with the relevant state labor safety and health regulations, the Group equips contract employees with necessary safety protection measures, provide the necessary personal protection equipment based on corresponding positions. In order to cope with the Covid-19 epidemic, we collaborated with the city's Prevention and Control Centre to establish corporate sites and ensure employees' security. Also, we arranged dormitory cleaning and internal disinfection and sterilization work once the restriction was lifted. Meanwhile, we conducted promotion and guidance work for the people and stressed the compliance with epidemic prevention and control requirements. The Group establishes accountability system for the prevention and control of occupational diseases, so as to improve the management implementation and level of occupational disease prevention and control. The Group offers medical checkup packages below market prices and customized business insurance packages with significantly higher price-performance ratio than the market for our contract employees to purchase according to their needs, exactly the same as Renrui employees.

At the same time, in April and October 2022, we have conducted fire safety knowledge training and fire drill, to strengthen the fire safety awareness of contract employees and improve their capacity of emergency rescue and disposal. We continue to promote the use of the following functions on the Rui Home Platform to fully guarantee the health of contract employees: health registration and punching in/out, home office working hour registration, online application for back-to-work-certificate, etc.

Environmental, Social and Governance Report

Caring for contract employees: We care for our contract employees and create a relaxed and caring work atmosphere for them. In 2022, we have established activity rooms in regional offices, which are equipped with lazy sofas, leisure tables and chairs, table football, sandbags, etc., so that contract employees can fully relax during their breaks. In addition, a variety of activities can also be carried out in the activity room, for example, giving out small gifts to contract employees during holidays, organizing pertinent activities to help them relieve stress and improve their happiness.



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

Fun Handicrafts

Presents for Dragon Boat Festival

Activities for Employees - Tea Break

3.7 SUPPLIER MANAGEMENT

Our suppliers include providers for computer equipments, office supplies and services, HR service related partners, public utilities department, professional service institutions and others.

We value sustainable relationships with suppliers and business partners. We standardize suppliers 'review and management based on the Procurement and Supplier Management Policy of Renrui Group (《人瑞集團採購及供應商管理制度》). During the access stage, we assess and confirm the service capability of the suppliers, review their qualification assessment and then put them on the list of suppliers. For those suppliers that have been included in the list, we evaluate the performance of them at least once a year to ensure quality. For suppliers with subpar performance, the Group will cease to work with them.

We identify environmental and social risks along the supply chain by regular discussion with the senior management, the Purchasing Department and selected suppliers. We monitor and evaluate the supplier management process taking into account the identified risks.

The selection of suppliers abides by the principles of fairness, justice, openness, ensuring the qualification and service ability of suppliers to meet the need of business. The purchasing price follows the fair market price to form the edge of centralised purchasing price, and protect the legal interest of suppliers at the same time.

Access	The Purchasing Department has set up comprehensive supplier inspection and entry criteria, focusing on auditing suppliers' qualifications, operational compliance and quality, professional competence, financial position and continuity of service, as well as conducting on-site inspection of the potential suppliers' operating sites. The suppliers with ISO management system certification including the ISO 14001 Environmental Management System will be preferred.
Assess	Conduct annual or regular assessment, selection and daily monitoring of the suppliers, as well as implement and enhance the online supplier management system to help monitoring the cooperation status, performance feedback on the quality of service and delivery of procurement contents from different departments
Audit	Audit the existing suppliers every six months or annually, and suppliers which have failed their performance and compliance capacity or have not operated in accordance with the agreements made including relevant ESG commitment will be delisted, thus establishing a safe and stable procurement system. Also conduct in-depth investigation and research on the procurement price in the industry, in order to realize cost reduction and efficiency improvement.

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For the year ended 31 December 2022, all of our suppliers are subject to the above supplier management procedure.

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 2022, the Purchasing Department has centralized the procurement process of the Group with a view to enhance the dynamic inspection and the suppliers, control the procurement risks and implement the cost efficiency and environmental friendly principle. There were 1031 suppliers including 546 new suppliers in 2022, most of which are based in mainland China while approximately 5% are based overseas.

All of our suppliers are Independent Third Parties. For the year ended 31 December 2022, our purchases from our five largest suppliers accounted for approximately 4.6% of our total cost of revenue.

4. STAFF CARE

We have always committed to providing employees with more competitive development channel and providing them with safe and healthy workplace. 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》) and other relevant laws and regulations, and has formulated an improved internal personnel management systems. In addition, we offer more competitive remuneration, performance-based bonuses, stock option programs, internal training, career development consulting services and other incentive measures to care for the health and job satisfaction of internal employees and to attract, retain and motivate outstanding talents.

As at 31 December 2022, we had a total of 31,910 employees based in various cities in the PRC, among which we had 1,077 internal employees. 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 2022:

Functions	Number of Employees	% of total Employees
Internal Employees		
– Management	4	0.0%
– R&D	48	0.2%
– Sales and marketing	122	0.4%
– Project management/execution	565	1.8%
– Others (Note 1)	110	0.3%
Subtotal	849	2.7%
Comprehensive flexible staffing employees	26,480	83.0%
Total	27,329	85.7%
Shanghai Sirui (Note 2)		
– Internal employees	228	0.7%
– Comprehensive flexible staffing employees (IT-related and digital)	4,353	13.6%
Total including Shanghai Sirui	31,910	100.0%

Notes:

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

2. Financial results of Shanghai Sirui have been consolidated into the Group's financial statements upon completion of the Acquisition in September 2022.

a) Employment Management for Internal Employees

Recruitment and dismissal

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

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

For the year ended 31 December 2022, the Group was not aware of and has not received any indication or complaint from employees or regulators that the Group was involved in using child labor or forced labor. In the event that child labor or forced labor is discovered, the Group will immediately terminate the employment contract and conduct follow-up actions including investigation and rectification.

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

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For the year ended 31 December 2022, the Group had a total of 1,077 employees, all of whom were full-time employees.

Category		Number of employees	Average monthly employee turnover[1]
By gender	Male	328	7.2%
	Female	749	5.8%
By age group	≤25 years old	135	6.8%
	26-35 years old	771	6.4%
	36-45 years old	154	5.0%
	>45 years old	17	2.4%
By region	Shanghai	340	5.3%
	Chengdu	135	5.1%
	Guangzhou	106	4.4%
	Beijing	105	6.3%
	Wuhan	78	4.9%
	Shenyang	53	6.1%
	Suzhou	50	10.2%
	Shenzhen	48	3.4%
	Nanjing	29	5.5%
	Dalian	26	4.5%
	Tianjin	16	2.4%
	Xi'an	16	16.8%
	Chongqing	12	8.0%
	Changzhou	11	2.4%
	Hangzhou	11	7.3%
	Others	41	8.5%

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, aiming to attract and retain talents and motivate employees to fully unleash their potential.

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. In order to further promote collaboration between teams, give full play to the market resources, and guarantee high-efficiency and high-standard to complete the performance appraisal goals, awards and incentives will be granted to the teams and individuals who meet the goals in accordance with relevant measures.

Working hours and Holidays

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

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

Equality and Diversity

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

In 2022, the Group continued to use the "distributed home seat system" to solve the problems of on-the-job training and work management of employees with disabilities, further provided a variety of jobs for the disabled, and created work opportunities for the disabled to work from home. As at 31 December 2022, the Company had employed a total of 27 disabled employees of whom 11 were male and 16 were female, and gave them the same remuneration in terms of salary standard, performance appraisal, working hours, leaves, training, development, etc. as other employees in the same position in the same city. By creating employment opportunities for people with disabilities, we help them build their self-confidence, integrate into society and realize their self-worth.

Environmental, Social and Governance Report

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 comprehensive 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.

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

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

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

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

The Group encourages our employees to work hard and improve their own capacity level. When a vacancy in a senior position arises or when an employee's personal capabilities are greatly enhanced, the Company will help him/her plan his/her personal development direction, with regarding to the development will of him/her and his/her own capacity characteristics and the demand of talents by the Company.

Environmental, Social and Governance Report

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

Considering that employees in different departments have different development will, we provide the cross-department platform and opportunity for extension, encourage and support employees to expand their occupation development path through competition and position adjustment. We will make development opportunities accessible to each of our employees and launch internal competitive selection, such as the program named "Seeking Leaders (尋將)". Employees can put forward their selected expectation and requirement based on their own personal characteristics and occupation requirement and subsequently, re-accept the selection and appointment of the Company.

In 2022, to enable our employees to understand the business more comprehensively and directly, we built "Ruixiang" platform and organized training named "Soldier Training Action(礪兵行動)", which was aimed at IT recruitment and senior talent recruitment consultants, and started professional empowerment training. For middle managers in different areas, we began effective communication empowerment training. For digital talents who newly joined KA, we organized training named "Pilot Program (領航計劃)". For all sales personnel, we introduced "Brilliant Cases(了不起的案例)" to disseminate excellent project experience for their learning.

The various trainings carried out by the Group in 2022 adopted a variety of courses, focused on improving the professional service capabilities of internal employees, helped young employees to grow rapidly, and prepared the Group for outstanding talents.

Training Time	Training Topic	Activity Content	Participant Type
May to December 2022	"Soldier Training Action (礪兵行動)"	Conduct IT fundamental knowledges, expertise, cases sharing course training, to improve consultant's comprehensive ability of recruitment	IT talent recruitment and senior talent recruitment consultants
24 to 25 November 2022	"Pilot Program (領航計劃)" in 2022	Cultivate outstanding sales elites	Several talented new sales staff
September to November 2022	Corporate culture live streaming activities	Share corporate culture, to understand the business mode in the reform period	All employees of the Company
Each month of 2022	Induction training for new staff	Facilitate new employees to understand the company's development strategy and culture in a faster and more comprehensive way and deeply learn the relevant management system, to better adapt to the jobs, recognise and rapidly integrate into the company	New employees
July to October 2022	Workplace communication courses "effective communication"	Carry out effective communication empowerment training for middle managers to improve the management and communication skills.	middle managers
January to September 2022	"Brilliant Cases (了不起的案例)"	Communicate and learn successful cases and experience by the sharing of excellent cases	Sales staff

Environmental, Social and Governance Report

TOPIC: "Soldier Training Action(礪兵行動)"

From May 2022, the Group began a professional empowerment training among IT recruitment and senior talent recruitment consultants, which lasted for 8 months with 17 training courses and improved their comprehensive recruitment ability through three parts of the course including basic IT knowledge, professional skills and case sharing. A total of 150 persons participated in the training.

The Onsite of "Soldier Training Action (礪兵行動)"

Environmental, Social and Governance Report

TOPIC: Corporate Culture Live Streaming Activities

In order to enable our employees to understand the business more comprehensively and directly and deeply participate in and complete the second growth curve breakthrough, we applied "Ruixiang" platform by online and offline combined manner where offline partners may participate on the spot and offsite partners may interact through live streaming, which can truly break through the geographical restriction. Guests from different business units were invited to the live and talked about topics which employees attached attention to. Through their in-depth analysis, our employees gained a deeper understanding of the restart-up spirit and a more sufficient appreciation of the business pattern of the Company during the reform period.

The Onsite Live Streaming of Corporate Culture

Environmental, Social and Governance Report

Based on the service philosophy of "technology-driven human resources services", in 2022, we gave full play to our advantages in system research and development to improve "Ruixiang", an online learning platform and an enterprise knowledge base, providing employees with a variety of online courses covering human resources professional service, sales, management and other knowledges to meet their multifarious learning needs. Through the "Ruixiang" platform developed on the WeCom, employees can more flexibly and conveniently participate in learning and consolidate learned knowledge and skills at any time. In 2022, we provided a total of 403 learning courses, 341 learning videos and 62 learning documents on "Ruixiang". The total number of learning times for all employees reaches 12,958, with 15 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" online learning platform

For the year ended 31 December 2022, 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	100%	27.5
	Female	100%	28.0
By position	General manager	100%	14.2
	Director	100%	18.7
	Manager	100%	25.6
	Supervisor	100%	28.8
	General staff	100%	31.0

Environmental, Social and Governance Report

b) Health and Safety

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

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

- All employees are entitled to paid sick leave as required by law.
- The Group promotes morning exercises in all offices in the PRC to alleviate pains in cervical vertebra, lumbar vertebra and fatigue and sore on the back as well as other problems for employees, thus enabling them to work with better vitality.
- We continue to conduct daily cleaning, ventilation and disinfection in the office, and insist on protecting the office environment.
- In high temperature season, we take measures in respect of high temperature prevention and control and prepare drugs for relieving heat.
- 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.

No work-related fatality has occurred in each of the years from 2020 to 2022. For the year ended 31 December 2022, there was 180 lost workdays for one internal employee due to work-related injuries.

In order to better respond to the pandemic prevention policy, the Group has provided employees with masks, disinfectant, gloves, alcohol cotton pads, alcohol hand sanitizer and other kinds of pandemic prevention materials, thus providing protection for employees and stopping the spread of the pandemic. The subsidiaries of the Group have strictly abided by the local requirements, measured temperatures of employees in the offices in the morning or made homeworking accessible to employees if necessary.

Environmental, Social and Governance Report

c) Care for employees

In 2022, the Group organized a rich variety of activities, including: Singing of the Company's song, birthday parties, festival activities, and "outdoor expansion, so as to enrich employees' spare-time life, let employees feel the care of the Company, and enhance the cohesiveness of the enterprise.

Annual meeting activities

Offering flowers on Women's Day

It is the practice of the Group for all employees to sing the Company's song together every morning. Before singing the song, we provide a stage for employees to show themselves and share their work experience, further enhancing mutual understanding among all employees and departments and helping the employees cultivate the good habit of sharing, so as to make the group more cohesive.

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

Environmental, Social and Governance Report

d) Combating corruption and upholding integrity

Relevant Systems

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.

Supervisory Mechanism

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

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

The HR department and Purchasing department organize personnel of relevant departments to investigate and implement reported cases, and responds to calls or emails within two weeks. Once a report is verified, warnings, fines and other punishments will be given to relevant personnel. If the case involves the Company's reputation or other serious circumstances, the relevant labor relationship will be terminated and the relevant personnel will be transferred to judicial organs for handling. During this period, we will keep the information, phone calls and email addresses of the informants confidential to protect their personal safety. For year ended 31 December 2022, there were no corruption lawsuits brought against the Group or any of our employees.

Methods of Advocacy

We provided anti-corruption trainings in the form of holding training seminars and distributing training materials to our Directors and our employees twice a year. 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.

5. GIVING BACK TO SOCIETY

Share of expertise

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

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

Speech on the GTLC
(Global Tech Leadership Conference)
by Mr. Zhang Jianguo

Speech on the Digital Transformation
Summit Forum of China Enterprises in 2022
(2022中國企業數字化轉型高峰論壇) by Mr. Zhang Jianguo

Environmental, Social and Governance Report

Care for community

In August 2022, the Group donated 60 computers and 60 sets of desks and chairs to the People's Government of Houshan Town, Luzhou to support rural revitalization and development. Moreover, in response to "Revitalizing Economy, Gathering Talents and Stabilizing Employment - Launching of New Platform for Future Development driven by Human Resources Service and Signing Activities of Key Projects of Human Resources Service Industry in Jing'an District (重振經濟,彙聚人才,穩定就業－人力資源服務驅動未來發展新平台啟動暨靜安區人力資源服務業重點專案簽約活動)", held in Jing'an District, Shanghai, the Group has taken positive measures to help the transformation of human resources service industry in the digital era, empower enterprises to improve quality and efficiency, and take the lead in the new course.

8 units including Renrui Human Resources jointly help the establishment of new platform for future development driven by human resources service in Jing'an Shanghai

Definition

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

"Acquisition"	purchase of 46.0% equity interests in Shanghai Sirui by Shanghai Ruiying from Neusoft Holdings at a consideration of RMB408,020,000, as detailed in the announcement of the Company dated 8 March 2022;
"AGM"	the annual general meeting of the Company to be held on Friday, 9 June 2023;
"Articles"	the memorandum and articles of association of the Company, as amended from time to time;
"Audit Committee"	the audit committee of the Board;
"Binhai Xunteng"	Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司);
"Board"	the board of directors of the Company;
"BPO"	business process outsourcing;
"CAGR"	compound annual growth rate;
"CIC"	China Insights Industry Consultancy Limited, an independent market research expert;
"CG Code"	Corporate Governance Code set out in Appendix 14 to the Listing Rules;
"Chengdu Tianfu"	Chengdu Tianfu Renrui Education Consulting Co., Ltd.* (成都天符人瑞教育諮詢有限公司), a wholly-owned subsidiary of the Company;
"Company"	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), an exempted company incorporated in the Cayman Islands on 14 October 2011 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6919);
"comprehensive flexible staffing"	the combined business segment of two previously disclosed business segments of the Company, namely, flexible staffing and BPO;
"comprehensive flexible staffing employees"	the employees under the business segment of comprehensive flexible staffing;
"controlling shareholder(s)"	as defined under the Listing Rules;
"Cooperation Agreement"	the cooperation agreement in relation to the information verification and client service representative flexible staffing services provided by the Group to a major customer, the term of which expired on 15 January 2022, as disclosed in the announcements of the Company dated 30 June 2021, 7 July 2021 and 31 October 2021;
"Director(s)"	the director(s) of the Company;
"ESG"	environmental, social and governance;
"FVOCI"	fair value through other comprehensive income;
"GDP"	gross domestic product;

Definition

"Greedy Technology"	Greedy Technology (Shenzhen) Co., Ltd.* (貪心科技(深圳)有限公司);
"Group" or "we"	the Company together with its subsidiaries;
"HKD" or "HK$"	Hong Kong Dollar, the lawful currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HR"	human resources;
"Independent Third Parties"	third party(ies) independent of, and not connected with, the Company and its connected persons;
"Investment and Compliance Committee"	the investment and compliance committee of the Board;
"Kumao Robot"	Shanghai Kumao Robot Co., Ltd.* (上海庫茂機器人有限公司);
"Lingshi Yuntian"	Lingshi Yuntian Information Technology (Changzhou) Co., Ltd.* (領時雲天信息科技(常州)有限公司), which was previously known as Jiangnan Finance Technology (Changzhou) Co., Ltd.* (江南金融科技(常州)有限公司);
"Listing Date"	13 December 2019, being the date on which the Shares were listed on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Net Proceeds"	net proceeds from the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019, amounting to approximately HK$992.2 million;
"Neusoft Education"	Neusoft Education Technology Co. Limited* (東軟教育科技有限公司), an exempted company incorporated under the laws of the Cayman Islands on 20 August 2018 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 9616), together with its subsidiaries, the "Neusoft Education Group";
"Neusoft Holdings"	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司);
"Nomination Committee"	the nomination committee of the Board;
"Post-IPO Share Award Scheme"	post-IPO share award scheme of the Company adopted on 26 November 2019 and subsequently amended on 26 June 2020;
"Post-IPO Share Option Scheme"	post-IPO share option scheme of the Company adopted on 26 November 2019;

Definition

"PRC" or "China"	the People's Republic of China and for the purpose of this report only, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Prospectus"	the prospectus of the Company dated 3 December 2019;
"Qihang"	Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司), together with its subsidiaries, the "Qihang Group";
"R&D"	research and development;
"Remuneration Committee"	the remuneration committee of the Board;
"Renrui Human Resources Group"	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a wholly-owned subsidiary of the Company;
"Renrui New Career"	Renrui New Career Technology Services (Shanghai) Co., Ltd.* (人瑞新職科技服務(上海)有限公司;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Shanghai Lingshi"	Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司);
"Shanghai Ruiying"	Shanghai Ruiying Human Resources Technology Group Co., Ltd.* (上海瑞應人才科技集團有限公司), an indirect wholly-owned subsidiary of the Company;
"Shanghai Sirui"	Shanghai Sirui Information Technology Co., Ltd.* (上海思芮信息科技有限公司);
"Shareholder(s)"	holder(s) of the Shares;
"Share(s)"	ordinary share(s) of the Company;
"substantial shareholder(s)"	as defined under the Listing Rules;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Trustee"	Trident Trust Company (HK) Limited;
"Wanma Technology"	Shanghai Wanmahui Network Technology Co., Ltd.* (上海萬馬匯網絡科技有限公司);
"Zhencheng Technology"	Shanghai Zhencheng Technology Co., Ltd.* (上海圳誠科技有限公司); and
"%"	per cent.

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

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

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Renrui Human Resources Technology Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 136 to 228, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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.

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
- Purchase price allocation for acquisition of 46% equity interest in Shanghai Sirui Information Technology Co., Ltd ("Shanghai Sirui") and impairment assessment of goodwill of Shanghai Sirui

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to Note 2.23 (Revenue recognition) and Note 5 (Segment information and revenue) to the consolidated financial statements. The Group recognised revenue of RMB 3,638.2 million for the year ended 31 December 2022, including comprehensive flexible staffing, professional recruitment and other human resources solutions. Revenue is recognised when or as the control of the services is transferred to customers. We considered this is a key audit matter as significant audit efforts were spent in auditing the revenue due to the large volume of transactions.	Our work in relation to revenue recognition included: • We understood, evaluated and validated the internal controls over revenue recognition. • We discussed with management and evaluated their judgements made in determining the method and timing of revenue recognition and calculation. • We tested revenue transactions, on a sample basis, covering different revenue types, locations and customers, by examining the relevant supporting documents, including sales contracts, customers' confirmation of rendering services, underlying invoices and evidence of cash receipts from customers. We found the Group's revenue being tested were supported by evidence we gathered.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment for trade receivables Refer to Note3.1(b)(ii) (Impairment of trade receivables) and Note 22 (Trade and notes receivables) to the consolidated financial statements. As at 31 December 2022, the Group's gross trade receivables amounted to RMB 959.7 million, against which an impairment provision of RMB 8.5 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 with the involvement of our internal valuation expert. • 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 2022, 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

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation for acquisition of 46% equity interest in Shanghai Sirui Information Technology Co., Ltd ("Shanghai Sirui") and impairment assessment of goodwill of Shanghai Sirui. Refer to Note 2.3 ("Business combinations"), Note 2.8(i) ("Goodwill"), Note 2.9 ("Impairment of non-financial assets"), Note 4(h) ("Fair value assessment of the customer relationships and the recognition of goodwill arising from business combinations"), Note 4(i) ("Goodwill impairment assessment"), Note 18 ("Intangible assets") and Note 34 ("Business combination") to the consolidated financial statements. The Group completed the acquisition of 46% equity interest in Shanghai Sirui at a consideration of RMB408,020,000 on 28 September 2022 (the "Date of Acquisition"). The Group determined the fair values of identified assets acquired and liabilities assumed of Shanghai Sirui at the Date of Acquisition with the assistance of the independent external valuer. The purchase price was allocated to the identified assets acquired and liabilities assumed. As a result, the Group recognised identifiable net assets of RMB309,695,000 and goodwill of RMB265,561,000 at the Date of Acquisition. The Group is required to, at least annually, test goodwill for impairment. To assess the impairment, the goodwill has been allocated to the relevant cash generating unit ("CGU") at the Date of Acquisition and management has assessed the recoverable amounts of the CGU by reference to valuation reports as issued by an independent valuer. The recoverable amounts of the CGU were determined by its value-in-use("VIU").	Our work in relation to the purchase price allocation for acquisition of 46% equity interest in Shanghai Sirui and impairment assessment of goodwill of Shanghai Sirui included: • We obtained an understanding of management's internal control and assessment process of the purchase price allocation for business combination and the impairment assessment performed by management on the goodwill; • We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity; • We evaluated the independent external valuer's objectivity, capability and competency to perform the valuation; • We obtained the valuation report and discussed with the independent external valuer on the methodologies and key assumptions used; • We evaluated management's identification of the CGU and allocation of goodwill based on the Group's accounting policy and our understanding of the Group's business; • We assessed the appropriateness of methodologies and the reasonableness of key assumptions used in valuation such as revenue growth rates, gross profit rates, terminal growth rates and discount rates based on our knowledge of the business and industry and market research with the involvement of our internal valuation expert; • We performed sensitivity analysis on the key assumptions to evaluate the potential impacts on the recoverable amount of the CGU, which include the revenue growth rates, gross profit rates, terminal growth rates and discount rates, as these are the key assumptions to which the valuation models are the most sensitive;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
The valuation of purchase price allocation and impairment assessment of goodwill involved significant management judgements and estimates in the determination of valuation methodologies and the application of assumptions in the models, including revenue growth rates, gross profit rates, terminal growth rates, and discount rates used. We focused on auditing the valuation of purchase price allocation of Shanghai Sirui and impairment assessment of goodwill because the valuation of purchase price allocation and estimation of the recoverable amount is subject to high degree of estimation uncertainty. The inherent risks in relation to the valuation of purchase price allocation of Shanghai Sirui and impairment assessment of goodwill are considered significant due to complexity of the model and subjectivity of significant assumptions used.	Based on the above procedures performed, we found that the key judgement and assumptions applied by management in relation to the valuation of purchase price allocation for acquisition of 46% equity interest in Shanghai Sirui and impairment assessment of goodwill of Shanghai Sirui were supportable by the evidence obtained.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

Independent Auditor's Report

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, 28 March 2023

Consolidated Income Statement

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	3,638,203	4,739,146
Cost of revenue	6	(3,453,503)	(4,487,357)
Gross profit		184,700	251,789
Selling and marketing expenses	6	(50,215)	(65,491)
Research and development expenses	6	(32,607)	(18,139)
Administrative expenses	6	(116,545)	(100,339)
Reversal of/(provision for) net impairment losses on financial assets	3.1(b)	896	(4,755)
Other income	9	38,367	48,228
Other (losses)/gains, net	10	(13,151)	5,523
Operating profit		11,445	116,816
Finance income	11	3,881	6,588
Finance costs	11	(5,108)	(4,865)
Finance (costs)/income, net	11	(1,227)	1,723
Share of results of joint ventures	13	3,680	1,889
Share of results of associates	13	(1,010)	—
Profit before income tax		12,888	120,428
Income tax expense	14	(6,032)	(18,080)
Profit for the year		6,856	102,348
(Loss)/profit is attributable to:			
– Equity holders of the Company		(7,303)	101,667
– Non-controlling interests		14,159	681
(Loss)/earnings per share(expressed in RMB per share)			
– Basic (loss)/earnings per share	15(a)	(0.05)	0.66
– Diluted (loss)/earnings per share	15(b)	(0.05)	0.61

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Profit for the year		**6,856**	102,348
Other comprehensive income/(losses)			
Items that may not be reclassified subsequently to profit or loss:			
– Currency translation differences of the Company	25	**89,426**	(24,365)
Items that may be reclassified subsequently to profit or loss:			
– Currency translation differences of subsidiaries	25	**(66,963)**	12,957
– Changes in the fair value of financial assets at fair value through other comprehensive income	19	**1,730**	(1,126)
Other comprehensive income/(losses) for the year, net of tax		**24,193**	(12,534)
Total comprehensive income for the year		**31,049**	89,814
Total comprehensive income for the year is attributable to			
– Equity holders of the Company		**16,890**	89,133
– Non-controlling interests		**14,159**	681

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

Consolidated Balance Sheet

As at 31 December 2022

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	65,116	113,213
Intangible assets	18	419,987	91,311
Investments in joint ventures accounted for using the equity method	13	25,252	21,572
Investments in associates accounted for using the equity method	13	5,890	—
Financial assets at fair value through profit or loss	19	34,300	19,946
Derivative financial instruments	19	1,526	2,085
Other non-current assets	19	63,382	73,925
Deferred income tax assets	20	16,215	12,237
Restricted cash	23	—	6,002
Total non-current assets		631,668	340,291
Current assets			
Trade and notes receivables	22	955,940	760,961
Prepayments, deposits and other receivables	21	40,435	38,778
Contract fulfilment cost		7,847	—
Financial assets at fair value through other comprehensive income	19	5,376	102,105
Financial assets at fair value through profit or loss	19	114,743	112,177
Derivative financial instruments	19	10,584	—
Restricted cash	23	6,858	241
Cash and cash equivalents	23	354,436	638,373
Total current assets		1,496,219	1,652,635
Total assets		2,127,887	1,992,926

Consolidated Balance Sheet

As at 31 December 2022

		As at 31 December	
	Note	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	53	53
Share premium	24	2,167,837	2,199,102
Shares held for share-based payment scheme	24	(87,887)	(87,887)
Other reserves	25	(38,563)	(68,394)
Accumulated losses		(795,348)	(788,045)
		1,246,092	1,254,829
Non-controlling interests	12	203,502	22,903
Total equity		1,449,594	1,277,732
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	18,057	6,789
Lease liabilities	28	19,112	50,762
Total non-current liabilities		37,169	57,551
Current liabilities			
Trade and other payables	27	497,988	588,928
Contract liabilities	5	14,028	14,611
Current income tax liabilities		10,503	17,734
Financial liabilities at fair value through profit or loss	19	—	4,245
Borrowings	26	95,164	5,017
Lease liabilities	28	23,441	27,108
Total current liabilities		641,124	657,643
Total liabilities		678,293	715,194
Total equity and liabilities		2,127,887	1,992,926

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

The consolidated financial statements on pages 136 to 228 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

Zhang Jianguo	**Zhang Feng**
Director	**Director**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Attributable to equity holders of the Company							
		Share capital	Share premium	Shares held for share-based payment scheme	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
Balance at 1 January 2022		53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732
Comprehensive income									
(Loss)/profit for the year		–	–	–	–	(7,303)	(7,303)	14,159	6,856
Other comprehensive loss									
– Currency translation differences	25	–	–	–	22,463	–	22,463	–	22,463
– Changes in the fair value of financial assets at fair value through other comprehensive income	25	–	–	–	1,730	–	1,730	–	1,730
Total comprehensive income		–	–	–	24,193	(7,303)	16,890	14,159	31,049
Transactions with equity holders in their capacity as equity holders									
Share-based compensation	25	–	–	–	5,638	–	5,638	–	5,638
Exercise of share options	24	–	111	–	–	–	111	–	111
Dividends paid	29	–	(31,376)	–	–	–	(31,376)	–	(31,376)
Acquisition of subsidiaries	34	–	–	–	–	–	–	167,236	167,236
Capital contribution from non-controlling interests		–	–	–	–	–	–	100	100
Capital reduction in respect of non-controlling interests		–	–	–	–	–	–	(800)	(800)
Dividends of subsidiaries		–	–	–	–	–	–	(96)	(96)
Total transactions with equity holders in their capacity as equity holders		–	(31,265)	–	5,638	–	(25,627)	166,440	140,813
Balance at 31 December 2022		53	2,167,837	(87,887)	(38,563)	(795,348)	1,246,092	203,502	1,449,594

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 2022

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows generated from/(used in) operating activities			
Cash generated from/(used in) operations	30	139,883	(66,329)
Income tax paid		(20,978)	(23,633)
Net cash generated from/(used in) operating activities		118,905	(89,962)
Cash flows used in investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		(401,742)	(53,533)
Purchase of property, plant and equipment		(11,495)	(33,557)
Purchase of intangible assets		(2,123)	(3,237)
Purchase of financial assets at fair value through profit or loss		(230,000)	(586,328)
Purchase of financial assets at fair value through other comprehensive income		—	(350,154)
Proceeds from disposal of property, plant and equipment		3,802	912
Proceeds from disposal of financial assets at fair value through profit or loss		210,000	452,762
Investment income from financial assets at fair value through profit or loss		4,441	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	19	102,027	436,488
Cash paid for investing in associates		(6,900)	—
Interest received		3,881	10,491
Net cash used in investing activities		(328,109)	(126,156)
Cash flows used in financing activities			
Proceeds from exercise of share options	24	111	57
Proceeds from bank borrowings		13,460	—
Repayments of bank borrowings		(43,477)	—
Capital contribution from non-controlling shareholders of subsidiaries		100	—
Acquisition of shares held for share-based payment scheme		—	(21,278)
Payment of lease liabilities	31	(27,879)	(34,226)
Interest paid		(1,379)	(52)
Capital reduction in respect of non-controlling		(800)	—
Dividends of subsidiaries		(96)	—
Dividends paid to company's shareholders		(31,376)	(53,433)
Net cash used in financing activities		(91,336)	(108,932)
Net decrease in cash and cash equivalents		(300,540)	(325,050)
Cash and cash equivalents at beginning of the year		638,373	967,225
Effects of exchange rate changes on cash and cash equivalents		16,603	(3,802)
Cash and cash equivalents at end of the year	23	354,436	638,373

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37
- Annual Improvements to HKFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to HKFRS 3
- Amendments to AG 5 Merger Accounting for Common Control Combinations
- Covid-19-Related Rent Concessions beyond 2021 – Amendments to HKFRS 16

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

	Effective for accounting year beginning on or after
HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies (amendments)	Accounting periods beginning on or after 1 January 2023
HKAS 8- Definition of Accounting Estimates (amendments)	Accounting periods beginning on or after 1 January 2023
HKAS 12- Deferred tax related to assets and liabilities arising from a single transaction (amendments)	Accounting periods beginning on or after 1 January 2023
HKFRS 17- Insurance Contracts (new standard)	Accounting periods beginning on or after 1 January 2023
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current (amendments)	Accounting periods beginning on or after 1 January 2024
HK Int 5 (Revised)- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	HK Int 5 (Revised) has incorporated the references to Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Noncurrent Liabilities with Covenants. Both amendments are to be applied as a package and are effective for annual reporting periods beginning on or after 1 January 2024
Amendments to HKFRS 10 and HKAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	A date to be determined by the IASB

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

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

(a) Subsidiaries controlled through Contractual Arrangements

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

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

As a result of the aforesaid contractual arrangements, the Group has rights to exercise power over Chengdu Tianfu and the relevant PRC subsidiaries, receive variable returns from its involvement with these entities, has the ability to affect those returns through its power over the entities and is considered to control the entities. Consequently, the Company regarded Chengdu Tianfu and the relevant PRC subsidiaries as controlled structured entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Company throughout the years ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

(a) Subsidiaries controlled through Contractual Arrangements (Continued)

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.

(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 and associates

The Group's interests in joint ventures in the form of ordinary shares with joint control and in associates in the form of ordinary shares with significant influence but not control or joint control are generally accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet. The Group's investments in joint ventures in the form of ordinary shares with substantive preferential rights are financial assets designated at fair value through profit or loss.

(iii) Equity method

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

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

2.6 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains or losses are presented in the consolidated income statement within "Other (losses)/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 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences may be reclassified to profit and loss.

2.7 Property, plant and equipment

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

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

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

• right-of-use assets	the term of lease
• computer equipment (including servers)	1~3 years
• electrical appliances	1~3 years
• vehicles	5 years
• furniture	5 years
• leasehold improvements	shorter of the lease term or the estimated useful lives of the assets

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in "Other (losses)/gains – net" in the consolidated income statement.

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

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

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

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 5 years for the customer relationships. The useful life of 5 years for customer relationships is determined with reference to the directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers based on the historical renewal pattern and the industry practice.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(iii) Software

Software, purchased from third parties, are initially recognised and measured at cost or fair value if they are acquired in business combinations. The intangible assets are amortised over their estimated useful lives using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

The Group amortises intangible assets with a limited useful life using the straight-line method over 5 years.

2.9 Impairment of non-financial assets

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

2.10 Financial assets

(i) Classification

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(ii) Recognition and derecognition

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

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Debt instruments

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

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

Equity instruments

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

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

(iv) Impairment

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

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

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

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

2.11 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Contract fulfilment cost

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

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

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

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

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

2.13 Derivative financial instruments

Derivative financial instruments mainly include certain embedded derivatives in relation to the investment in a joint venture (Note 13).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivative financial instruments held by the Group are accounted for at fair value through profit or loss. The fair values of derivative financial instruments are disclosed in Note 3.3.

The derivatives are classified as non-current assets or liabilities unless the remaining maturity of the derivatives is within 12 months after the reporting period.

Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in “Other (losses)/gains, net”.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 22 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.15 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.

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

Ordinary shares are classified as equity.

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

Certain share-base payment scheme is satisfied by shares acquired by the trustee from the market. Where the Company's shares are acquired from the market by the trustee, the total consideration of shares acquired from the market (including any directly attributable incremental costs) is presented as "Shares held for share-based payment scheme" and deducted from total equity.

2.17 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

2.20 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

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

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

There were no forefeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

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

2.22 Share-based payments

The Group has granted tranches of share options and share award scheme. The Group receives services from employees as consideration for share options and share award scheme.

(i) Share options

The fair value of the share options granted is recognised as employee benefits expenses with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the share options granted by using option-pricing models:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions

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

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to "Share capital" and "Share premium".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share-based payments (Continued)

(ii) Share award scheme

Under the Group's post-IPO share award scheme, only if the grantee is a connected person, the share award will be settled in the form of transfer of the shares, and the fair value of the share award on grant date is recognised as employee benefits expenses over the vesting period with a corresponding increase in equity.

While only if the grantee is not a connected person, the share award will be settled in the form of payment of the actual selling price, netting of the benchmarked price, in cash upon the vesting of such share award. Liabilities for such share award are recognised as employee benefits expenses over the relevant vesting period. The liabilities are remeasured to fair value at each reporting date and are presented as accrued payroll and welfare in the consolidated balance sheet.

(iii) Modifications and cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting period.

A grant of share incentive awards, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

(iv) Share-based payments transactions among Group entities

The grant by the Company of share-based payments to the employees of the subsidiaries are treated as a capital contribution to the subsidiaries 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.

2.23 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

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

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

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

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

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

Comprehensive flexible staffing

Comprehensive flexible staffing mainly comprise general services outsourcing, digital technology and cloud services and digital operation and customer services.

For general services outsourcing and digital technology and cloud services, the Group provides professional services to meet the customers' needs with the Group's employees performing duties under the customers' direct instructions, and the Group is primarily responsible for ensuring the quality and stability of the available staffing resources. The Group generally enters into contracts with the customers to provide sufficient staffing resources for a contract term of one to two years. The customers are usually billed on a monthly basis for the service fee calculated based on a pre-agreed amount or unit rate per employee. The Group controls services before transferring to the customers and is primarily responsible for fulfilling the contracts to ensure the quality and stability of the available staffing resources, which all together forms a single performance obligation. The Group is subject to the risks associated with employment of the employees. Revenue for general services outsourcing and digital technology and cloud services are recognised on a gross basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance, while the labour costs paid to the Group's employees are recognised as cost of revenue. For settlement based on project, the Group is responsible for providing IT solutions to customers, and the deliverables of the IT solutions need to be accepted by customers. Revenue is recognised at the point in time when the customers accepted the deliverables, while the cost incurred before the acceptance of the deliverables is recognised as contract fulfilment cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

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

Comprehensive flexible staffing (Continued)

For digital operation and customer services, the Group provides services to maintain sufficient number of employees to perform the digital operation and customer services to the Group under the Group's direct supervision. The Group generally enters into contracts with the customers for a contract term of one year, which include only a single performance obligation. The customers are usually billed on a monthly basis for the service fee calculated based on number of employees required times unit rate per employee or a pre-agreed lump sum amount. Since the Group controls digital operation and customer services before transferring to the customers, is primarily responsible for fulfilling the contracts to ensure the quality and performance of the services, is subject to the risks associated with employment of the employees, and has discretion in establishing prices, which all together forms a single performance obligation, the digital operation and customer services revenue is recognised on a gross basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance, while the labour costs paid to the Group's employees or the Group's subcontractors are recognised as cost of revenue.

Professional recruitment

The Group provides recruitment services of junior or middle-to-senior level positions of different functions across various industries. The service fee is calculated based on either a fixed fee per placement or as a percentage of the salary of the successfully placed candidates.

The recruitment contracts generally include only a single performance obligation, while for certain contracts, the Group will also guarantee the replacement of the candidate within a short period of time, normally one month. In such case, contract price will be allocated between the recruitment and replacement service based on stand-alone selling price. The Group normally receives part of the recruitment fees upfront, which are recognised as contract liabilities. The revenue related to recruitment service is recognised at the point in time when the Group successfully places the candidates, and this is the timing when the customers have accepted the Group's services of providing selected candidates. The revenue related to replacement service will be recognised at the point in time when the service is provided.

Certain customers also pay membership fees to the Group to request a package of services, including arranging interviews or advertising job openings on the Group's platform for a contract term of one year or less. The Group normally receives all of the membership fees upfront, such amount is non-refundable and recognised as contract liabilities. Under the membership fees model, the services can be divided into two categories: i) consumption-based services such as arranging interviews, top display of job postings, etc.; and ii) time based services such as unlimited normal job postings and access to the Group's platform, etc. Each service is a performance obligation, and the transaction price is generally allocated to each performance obligation on the basis of relative stand-alone selling price. The revenue from the consumption-based services is recognised upon the consumption of the individual service. The revenue from the time-based service is recognised on a straight-line basis over the contract period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition (Continued)

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

Other HR solutions

Other HR solutions mainly comprise labour dispatch services and corporate training services.

For labour dispatch services, the Group acts as a dispatching agent. Labour dispatch services involve a tripartite legal relationship among the employees, the customers and the Group in which the customers have a legal relationship with the employees and assume the risks associated with employment of the employees; the Group is mainly responsible for administrative work, including onboarding and existing procedures, salary payment, etc. which is considered as one performance obligation performed on monthly basis. Although the Group is associated with certain risk of the employee as the Group helps the administration work, the Group does not control employee's labour services, is not responsible for the employee's fulfilment of the labour contract, has no discretion of the price paid to the employee, therefore the labour dispatch revenue is recorded on a net basis over time as the customers simultaneously receive and consume the benefits provided by the Group's performance of the monthly administration work, while the labour costs paid to the employees are recorded to net off revenue.

For corporate training services, the Group provides the training and development courses which are tailored for the customers. The training services revenue is recognised at the point in time when the training courses have been delivered.

2.24 Leases

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Dividends distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders.

2.26 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.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains 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).

2.28 Research and development

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

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

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

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

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

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

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

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

There were no development costs meeting these criteria and capitalised as intangible assets as of 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT

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

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 2022, 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. 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 RMB452,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents 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 2021, the majority of the Group's assets and liabilities are denominated in RMB. Due to functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated bank deposits and financial assets at FVOCI it held. If RMB had strengthened/weakened by 10% against the USD with all other variables held constant, the net profit for the year would have been approximately RMB21,751,000 higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents and financial assets at FVOCI held by the Company. Apart from this, the management considers that the business is not subject to any other significant foreign exchange risk.

(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.

The Group's exposure to changes in interest rates is attributable to its lease liabilities, details of which has been disclosed in Note 28. Lease liabilities carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group's exposure to changes in interest rates is also attributable to its borrowings from banks. Borrowings at variable rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk, details of which has been disclosed in Note 26. The Group has not hedged its cash flow or fair value interest rate 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 (Continued)

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

At 31 December 2022 and 2021, the Group does not anticipate significant impact to bank borrowings resulted from the changes in interest rates, because the interest rates are not expected to change significantly.

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

(ii) Trade and notes receivables

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the management performs ongoing credit evaluations of its customers. The credit period granted to the customers is typically of 10 to 180 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and notes receivables (Continued)

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

31 December 2022	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%	1.21%	2.02%	11.00%	74.19%	100.00%	
Gross carrying amount	854,608	65,904	24,822	7,943	3,778	2,595	959,650
Loss allowance	884	799	501	874	2,803	2,595	8,456

31 December 2021	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due over 12 months	Total
Expected loss rate	0.48%	5.07%	48.19%	71.68%	95.09%	100.00%	
Gross carrying amount	724,811	39,581	1,274	1,324	1,059	4,887	772,936
Loss allowance	3,454	2,007	614	949	1,007	4,887	12,918

For the notes receivables at amortised cost, the Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance. As at 31 December 2022, the loss allowance of notes receivables at amortised cost were RMB29,000 (31 December 2021: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables and other non-current assets

For other receivables and other non-current assets, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 31 December 2022 and 2021, the loss allowance of other receivables and other non-current assets were RMB962,000 and RMB1,100,000, respectively.

(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 2022, the Group assessed the credit risk of notes receivable which either discounted or held for maturity 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, and the loss allowance of notes receivables were RMB5,000 (2021:Nil).

Movement on the Group's loss allowance for impairment of trade receivables, notes receivables at amortised cost, other receivables and financial assets at fair value through other comprehensive income was as follows:

	2022 RMB'000	2021 RMB'000
Opening loss allowance at 1 January	**14,018**	9,051
Addition arising from acquisition of subsidiaries	**—**	257
(Decrease)/increase in loan loss allowance recognised in profit or loss during the year	**(896)**	4,755
Receivables written off during the year as uncollectible	**(3,670)**	(45)
Closing loss allowance at 31 December	**9,452**	14,018

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 2022					
Borrowings	96,317	—	—	—	96,317
Trade and other payables*	64,644	—	—	—	64,644
Lease liabilities	25,400	15,516	4,164	—	45,080
	186,361	15,516	4,164	—	206,041
At 31 December 2021					
Borrowings	5,175	—	—	—	5,175
Trade and other payables*	63,856	—	—	—	63,856
Financial liabilities at fair value through profit or loss	4,245	—	—	—	4,245
Lease liabilities	30,940	30,806	23,139	—	84,885
	104,216	30,806	23,139	—	158,161

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

As at 31 December 2022 and 2021, 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.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2022 and 2021 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 2022, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVPL, investment in joint ventures at FVPL, derivative financial instruments associated with a joint venture, Contingent consideration receivable and financial liabilities at FVPL, and notes receivables as financial assets at FVOCI.

As at 31 December 2021, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVOCI or FVPL, investment in joint venture at FVPL, derivative financial instruments associated with one joint venture and financial liabilities at FVPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2022				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 19)	—	—	5,376	5,376
Financial assets at fair value through profit or loss (Note 19)	—	110,491	38,552	149,043
Derivative financial instruments (Note 19)	—	—	12,110	12,110
	—	110,491	56,038	166,529
As at 31 December 2021				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 19)	—	102,105	—	102,105
Financial assets at fair value through profit or loss (Note 19)	—	112,177	19,946	132,123
Derivative financial instruments (Note 19)	—	—	2,085	2,085
	—	214,282	22,031	236,313
Financial liabilities				
Financial liabilities at fair value through profit or loss (Note 19)	—	—	4,245	4,245
	—	—	4,245	4,245

There were no transfers among levels of the fair value hierarchy during the periods.

The following table presents the changes in level 3 items including derivative financial instruments and financial assets at fair value through profit or loss for the year ended 31 December 2022 and 2021.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Derivative financial instruments RMB'000	Financial liabilities at fair value through profit or loss RMB'000
At 1 January 2022	19,946	—	2,085	4,245
Acquisitions of a subsidiary	—	56,107	—	—
Addition	20,000	—	—	—
Fair value change (Note 10)	(1,394)	—	10,025	(4,245)
Maturity	—	(50,731)	—	—
At 31 December 2022	38,552	5,376	12,110	—

	Financial assets at fair value through profit or loss RMB'000	Derivative financial instruments RMB'000	Financial liabilities at fair value through profit or loss RMB'000
At 1 January 2021	—	2,580	—
Addition	19,914	86	4,223
Fair value change (Note 10)	32	(581)	22
At 31 December 2021	19,946	2,085	4,245

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

As at 31 December 2022, the balance of investment in joint ventures in the form of ordinary shares with certain substantive preferential rights amounting to RMB34,300,000 was included in financial assets at fair value through profit or loss included in Level 3. The fair value was determined by market approach, which was estimated based on trading prices of comparable companies to the investee in the similar industries, and incorporated other unobservable inputs, such as liquidity discount. The higher the liquidity discount, the lower the fair value.

As at 31 December 2022, the balance of contingent consideration receivable amounting RMB4,252,000 was included in financial assets at fair value through profit or loss included in Level 3, which is related to acquisition of certain subsidiaries. The fair value of the contingent consideration receivables was determined by expected cash inflows which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the discount rate. The higher the discount rate, the lower the fair value.

As at 31 December 2022, the balance of notes receivables amounting to RMB5,376,000 was included in financial assets at fair value through profit or loss included in Level 3. The fair value was based on the discounted cash flows. The significant assumption are the adjusted discount rate of the cash flows. The higher the discount rate or the lower the cash flows, the lower the fair value.

As at 31 December 2022, the balance of derivative financial instruments mainly included a call option related to acquisition of certain subsidiaries (Note 19 (iv)) amounting to RMB10,584,000 in Level 3. The fair value of the call option was determined by Black-Scholes model which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the risk-free interest rate, expected volatility and the estimated equity value. The higher the risk-free interest rate, expected volatility and estimated equity value, the higher the fair value.

Financial liabilities at fair value through profit or loss included in Level 3 as at 31 December 2021 was the contingent consideration payable related to acquisition of certain subsidiaries (Note 19) amounting to RMB4,245,000. The fair value of the contingent consideration payable was determined by expected cash outflows which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the discount rate. The higher the discount rate, the lower the fair value.

As at 31 December 2022, the balance of wealth management products purchased amounting to RMB110,491,000 was included in financial assets through profit or loss included in Level 2. The fair value was determined by the present values and the discount rates used were adjusted for counterparty or own credit risk.

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 2022 and 2021, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB30,103,000 and RMB632,000 respectively. The outcome of their actual utilisation may be different from management's estimation.

(b) Contractual arrangements

The Group conducts part of its 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.

(c) Fair value of share-based compensation expenses

The Group awarded share options and share award scheme to eligible senior management and employees. The fair value of the share options are determined by Binomial model at the grant date, and is expected to be expensed over the respective vesting period. The liabilities for share award scheme granted to non-connected person are remeasured to fair value by Binomial model at each reporting date, and is expected to be expensed over the respective vesting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Fair value of share-based compensation expenses (Continued)

Significant estimate on assumptions, including risk-free interest rate, expected volatility, dividend yield and terms, are made by the directors and third-party valuer. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of share-based compensation and the amount of such share-based compensation expected to become vested, which may in turn significantly impact the determination of share-based compensation expenses.

(d) Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified service before it is transferred to the customer, is primarily responsible for meeting customer specifications, is subject to the risk associated with employment, and has discretion in establishing prices.

(e) Impairment of trade receivables

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

(f) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment annually, or more frequently if events or changes in circumstances predict that goodwill may be impaired, in accordance with the accounting policy stated in Note 2.9, where the recoverable amounts of the acquired businesses as a whole is determined based on value-in-use ("VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

(g) Presentation and measurement of investments in joint ventures

The Group made certain investments in joint ventures in the form of ordinary shares with preferential rights over investees. As the Group has joint control over these investees, judgement is required in determining whether the features of these preferential rights are substantive and the risks and rewards are different from ordinary shares. If yes, they are measured as financial assets at fair value through profit or loss. Different conclusions around these judgements may affect how these investments in joint ventures presented and measured in the consolidated balance sheet of the Group.

(h) Fair value assessment of the customer relationships and the recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of the identified customer relationships and the recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly annual revenue growth rate, gross profit rates, terminal revenue growth rate and discount rates). See Notes 18 and 34 for more details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Goodwill impairment assessment

For the purposes of goodwill impairment assessment, management considered each of the acquired group a separate group of cash-generated-units ("CGU") and goodwill has been allocated to each of the acquired group. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on the higher of value-in-use calculation and fair value less cost of disposals. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include annual revenue growth rate, terminal revenue growth rates, gross profit rates and discount rate. See Note 18 for more details.

(j) Consolidation of the entity in which the Group holds less than a majority of equity interests

Management concluded that the Group possessed the power over Shanghai Sirui to direct its relevant activities, which are determined by simple majority of the board, having considered that the Group was entitled to appoint majority of the board of directors of Shanghai Sirui. As a result, Shanghai Sirui was fully consolidated and was accounted for as a non-wholly owned subsidiary of the Group. See Note 2.2 and Note 34 for more details.

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.

Comprehensive flexible staffing

The comprehensive flexible staffing segment mainly comprise general services outsourcing, digital technology and cloud services and digital operation and customer services, which offers personnel upon customers' needs or performing certain business function outsourced by customers to the Group. The Group is responsible for recruiting and managing personnel contracted with the Group to satisfy customers' related service needs at various business development stages.

Professional recruitment

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

Other HR solutions

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

The 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.

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 2022 was as follows:

	Year ended 31 December 2022			
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	3,574,036	45,430	18,737	3,638,203
Segment gross profit	159,425	12,773	12,502	184,700
Unallocated:				
Selling and marketing expenses				(50,215)
Research and development expenses				(32,607)
Administrative expenses				(116,545)
Other income (Note 9)				38,367
Other losses, net (Note 10)				(13,151)
Reversal of net impairment losses on financial assets (Note 3.1)				896
Finance costs, net (Note 11)				(1,227)
Share of results of joint ventures accounted for using the equity method (Note 13)				3,680
Share of results of associates accounted for using the equity method (Note 13)				(1,010)
Profit before income tax				12,888
Income tax expense (Note 14)				(6,032)
Profit for the year				6,856

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 2021 was as follows:

	Year ended 31 December 2021			
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	4,621,714	90,040	27,392	4,739,146
Segment gross profit	207,077	25,464	19,248	251,789
Unallocated:				
Selling and marketing expenses				(65,491)
Research and development expenses				(18,139)
Administrative expenses				(100,339)
Other income (Note 9)				48,228
Other gains, net (Note 10)				5,523
Provision for net impairment losses on financial assets (Note 3.1)				(4,755)
Finance income, net (Note 11)				1,723
Share of results of joint ventures accounted for using the equity method (Note 13)				1,889
Profit before income tax				120,428
Income tax expense (Note 14)				(18,080)
Profit for the year				102,348

(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.

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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	
	2022 RMB'000	2021 RMB'000
Comprehensive flexible staffing		
– General services outsourcing	2,774,405	4,263,142
– Digital technology and cloud services	538,934	97,423
– Digital operation and customer services	260,697	261,149
Professional recruitment		
– Recruitment	42,849	89,131
– Paid membership	2,581	909
Other HR solutions		
– Corporate training	138	1,048
– Labour dispatch	4,174	5,955
– Other miscellaneous services*	14,425	20,389
	3,638,203	4,739,146

* For the year ended 31 December 2022 and 2021, other miscellaneous services mainly included tailored employee management solutions to the customers, which was recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance.

5 SEGMENT INFORMATION AND REVENUE (Continued)

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

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

2022	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Timing of revenue recognition				
At a point in time	19,578	42,849	2,631	65,058
Over time	3,554,458	2,581	16,106	3,573,145
	3,574,036	45,430	18,737	3,638,203

2021	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Timing of revenue recognition				
At a point in time	—	89,131	4,998	94,129
Over time	4,621,714	909	22,394	4,645,017
	4,621,714	90,040	27,392	4,739,146

(iii) Information about major customers

The major customer group from whom the individual customer group's revenue for the year ended 2022 amounted to 10% or more of the Group's total revenue for the year ended 2022 was as below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Customer group A	451,173	276,887

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5 SEGMENT INFORMATION AND REVENUE (Continued)

(e) Liabilities related to contracts with customers

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities - professional recruitment	**7,443**	9,618
Contract liabilities - comprehensive flexible staffing	**6,433**	2,013
Contract liabilities - other HR solutions	**152**	2,980
	14,028	14,611

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

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

During the years ended 31 December 2022 and 2021, all brought-forward contract liabilities at the beginning of the financial year were fully recognised as revenue.

6 EXPENSES BY NATURE

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Employee benefit expenses (Note 7)	3,422,671	4,392,600
Depreciation and amortisation (Note 17, 18)	55,597	49,697
Subcontracting costs	31,235	17,919
Travelling and entertainment expenses	41,923	80,371
Professional service fee	23,033	14,511
Marketing and promotion expenses	21,233	43,066
Other taxes and surcharges	20,780	31,407
Utilities and office expenses	17,246	21,069
Lease and property management expenses	11,705	12,360
Recruitment related communication expenses	665	1,728
Auditor's remuneration		
– Audit services	2,650	2,000
– Non-audit services	850	950
Others	3,282	3,648
Total	3,652,870	4,671,326

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries and bonus	2,877,637	3,728,347
Social insurance and housing fund	494,661	610,581
Other employee welfares	44,735	47,484
Share-based payments (Note 16)	5,638	6,188
	3,422,671	4,392,600

Employees of the Group's PRC subsidiaries are required to participate in the defined contribution retirement schemes administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds to the schemes to fund the retirement benefits of the employees, which are calculated on certain percentage of the employee salaries. During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Nil).

The Group has no other material obligations for the payment of retirement benefits associated with the schemes beyond the annual contributions described above.

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 2022 included two (2021: one) director whose emoluments were reflected in the analysis shown in Note 8. The emoluments payable to the remaining three (2021: four) individuals during the year ended 31 December 2022 were as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	4,297	5,585
Contribution to pension scheme	57	37
Discretionary bonuses	1,102	1,729
	5,456	7,351

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	—	—
HK$1,000,001 – HK$2,000,000	1	3
HK$2,000,001 – HK$3,000,000	2	1
	3	4

During the years ended 31 December 2022 and 2021, 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 2022:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Allowances and benefits in kind RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman							
Mr. Zhang Jianguo	–	1,180	400	11	24	–	1,615
Executive directors							
Mr. Zhang Feng	–	1,056	198	12	24	–	1,290
Ms. Zhang Jianmei	–	949	228	12	21	–	1,210
Non-executive directors							
Mr. Chen Rui	–	–	–	–	–	–	–
Mr. Chow Siu Lui	–	–	–	–	–	81	81
Independent non-executive directors							
Mr. Shen Hao	309	–	–	–	–	81	390
Ms. Chan Mei Bo Mabel	309	–	–	–	–	81	390
Mr. Leung Ming Shu	309	–	–	–	–	81	390
Total	927	3,185	826	35	69	324	5,366

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

For the year ended 31 December 2021:

Name of Director	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension scheme RMB'000	Allowances and benefits in kind RMB'000	Share-based payments RMB'000	Total RMB'000
Chairman							
Mr. Zhang Jianguo	–	720	411	9	16	–	1,156
Executive directors							
Mr. Zhang Feng	–	600	341	24	20	–	985
Ms. Zhang Jianmei	–	600	174	12	9	–	795
Non-executive directors							
Mr. Chen Rui	–	–	–	–	–	–	–
Mr. Chow Siu Lui	–	–	–	–	–	371	371
Independent non-executive directors							
Mr. Shen Hao	249	–	–	–	–	371	620
Ms. Chan Mei Bo Mabel	249	–	–	–	–	371	620
Mr. Leung Ming Shu	249	–	–	–	–	371	620
Total	747	1,920	926	45	45	1,484	5,167

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company or its subsidiaries undertaking. The emoluments of non-executive directors and independent non-executive directors shown above were for their services as directors of the Company.

The discretionary bonuses were discretionary and were determined with reference to the Company's operating results, individual performance of the directors and comparable market practices.

None of the directors of the Company received or were paid any emoluments in respect of accepting office, and none of the directors of the Company waived or agreed to waive any emolument for the years ended 31 December 2022 and 2021.

(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 2022 and 2021.

(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 2022 and 2021.

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

(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 2022 and 2021.

(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 2022 and 2021.

(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 2022 and 2021.

9 OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants (i)	26,083	37,557
Additional deduction of input value-added tax ("VAT") (ii)	9,843	6,611
Interest income from financial assets at FVOCI (Note 19)	659	3,420
Others	1,782	640
	38,367	48,228

(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. Pursuant to the "Announcement on Relevant VAT Policies for Promoting the Relief and Development of Difficult Industries in the Service Industry" (Cai Shui [2022] No.11) (「關於促進服務業領域困難行業紓困發展有關增值稅政策的公告」(財稅 [2022]第11號)) jointly issued by the Ministry of Finance, the State Administration of Taxation, the execution has been extended to 31 December 2022.

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10 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Impairment of goodwill	**(16,372)**	—
Exchange gains - net	**3,888**	5,394
Net losses on disposal of wealth management products at FVOCI	**(2,496)**	(879)
Net fair value losses on wealth management products purchased from bank at FVPL	**(11,538)**	(665)
Net fair value gains/(losses) on derivative financial instruments	**10,025**	(581)
Fair value gains/(losses) on contingent consideration payable at FVPL	**4,245**	(22)
Fair value gains on contingent consideration receivable at FVPL	**4,252**	—
Fair value (losses)/gains from equity investment at FVPL	**(5,646)**	32
Gains on early termination of lease contracts	**312**	2,428
Net losses on disposal of property, plant and equipment, and intangible assets	**(4,562)**	(91)
Investment income on wealth management products at FVPL	**4,826**	—
Others	**(85)**	(93)
	(13,151)	5,523

11 FINANCE INCOME AND COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents	**3,881**	6,588
Finance income	**3,881**	6,588
Finance costs		
Interest expense		
– lease liabilities	**(3,565)**	(4,812)
– borrowings	**(1,543)**	(53)
Finance costs expensed	**(5,108)**	(4,865)
Finance (costs)/income, net	**(1,227)**	1,723

12 SUBSIDIARIES

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

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
					2022	2021	2022	2021
Renrui Education (Hong Kong) Limited	Investment Holding	Hong Kong, limited liability company	HKD1	HKD1	100	100	–	–
Beijing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Beijing, China, limited liability company	RMB40,000,000	RMB40,000,000	100	100	–	–
Beijing Ruilian Network Technology Co., Ltd.	Human Resources Services	Beijing, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Tianjin Renrui Human Resources Service Co., Ltd.	Human Resources Services	Tianjin, China, limited liability company	RMB3,000,000	RMB3,000,000	100	100	–	–
Xian Renrui Human Resources Service Co., Ltd.	Human Resources Services	Xian, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Hefei Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hefei, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Qingdao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Qingdao, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Chengdu Qicheng WFOE	Investment Holding	Chengdu, China, limited liability company	USD13,250,000	USD11,650,000	100	100	–	–
Chengdu Tianfu	Human Resources Services and Investment Holding	Chengdu, China, limited liability company	RMB5,000,000	RMB5,000,000	100	100	–	–
Wuhan Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China, limited liability company	RMB63,000,000	RMB63,000,000	100	100	–	–
Chongqing Renrui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China, limited liability company	RMB4,000,000	RMB2,000,000	100	100	–	–
Guangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Guangzhou, China, limited liability company	RMB100,000,000	RMB100,000,000	100	100	–	–
Shenzhen Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China, limited liability company	RMB40,000,000	RMB40,000,000	100	100	–	–
Shanghai Renrui Network Technology Co., Ltd.	Human Resources Services and R&D	Shanghai, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–

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12 SUBSIDIARIES (Continued)

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
					2022	2021	2022	2021
Shanghai Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shanghai, China, limited liability company	RMB100,000,000	RMB100,000,000	100	100	–	–
Nanjing Renrui Human Resources Co., Ltd.	Human Resources Services	Nanjing, China, limited liability company	RMB23,000,000	RMB23,000,000	100	100	–	–
Hangzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Hangzhou, China, limited liability company	RMB21,000,000	RMB21,000,000	100	100	–	–
Suzhou Renrui Puhui Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Suzhou Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Changshu, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Renrui HR Group	Human Resources Services	Chengdu, China, limited liability company	RMB460,526,300	RMB460,526,300	100	100	–	–
Liaoning Renrui Service Outsourcing Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–
Ningbo Renrui Human Resources Service Co., Ltd.	Human Resources Services	Ningbo, China, limited liability company	RMB8,000,000	RMB8,000,000	100	100	–	–
Liaoning Renrui Puhui Human Resources Service Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–
Liaoning Renrui Yongdao Human Resources Service Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB20,000,000	RMB20,000,000	100	100	–	–
Wuhan Huazhong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Wuhan, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shangrao Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shangrao, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Sunflower Human Resources Limited	Investment Holding	The British Virgin Islands, limited liability company	USD50,000	USD1	100	100	–	–
Tournesol Human Resources Limited	Human Resources Services	Hong Kong, limited liability company	HKD1	HKD1	100	100	–	–
Shandong Renrui Human Resources Service Co., Ltd.	Human Resources Services	Jinan, China, limited liability company	RMB3,000,000	RMB3,000,000	100	100	–	–
Liaoning Corporate	Human Resources Services	Yingkou, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Luzhou Renrui Enterprise Service Outsourcing Co., Ltd.	Human Resources Services	Luzhou, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Sichuan Renrui Network Technology Co., Ltd.	Human Resources Services and R&D	Chengdu, China, limited liability company	RMB10,000,000	RMB2,400,000	100	100	–	–
Chengdu Renrui United Human Resources Service Co., Ltd.	Human Resources Services	Chengdu, China, limited liability company	RMB2,000,000	RMB2,000,000	60	60	40	40
Shijiazhuang Renrui Human Resources Service Co., Ltd.	Human Resources Services	Shijiazhuang, China, limited liability company	RMB18,000,000	RMB18,000,000	100	100	–	–
Zhengzhou Renrui Human Resources Service Co., Ltd.	Human Resources Services	Zhengzhou, China, limited liability company	RMB20,000,000	RMB15,000,000	100	100	–	–
Liaoning RenRui Senpu Network Service Outsourcing Co., Ltd.	Human Resources Services	Yingkou, China, limited liability company	RMB10,000,000	RMB6,000,000	60	60	40	40
Xinjiang Renrui Xinjian Human Resources Service Co., Ltd.	Human Resources Services	Shihezi, China, limited liability company	RMB5,000,000	RMB3,000,000	60	60	40	40

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12 SUBSIDIARIES (Continued)

Name of the subsidiaries	Principal activities	Place of incorporation and kind of legal entity	Registered capital	Paid-in capital	Ownership interest held by the Group (%)		Ownership interest held by non-controlling interests (%)	
					2022	2021	2022	2021
Changsha Renrui Human Resources Service Co., Ltd.	Human Resources Services	Changsha, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Chongqing Renrui Renhui Human Resources Service Co., Ltd.	Human Resources Services	Chongqing, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shenzhen Southern District Renhui Human Resources Service Co., Ltd.	Human Resources Services	Shenzhen, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Shandong Renrui Youming Service Outsourcing Co., Ltd.	Human Resources Services	Tai'an, China, limited liability company	RMB10,000,000	RMB6,000,000	60	60	40	40
Changzhou Ruihui Human Resource Service Co., Ltd.	Human Resources Services	Changzhou, China, limited liability company	RMB9,500,000	RMB9,500,000	100	100	–	–
Chengdu Renrui Xiaoqi Education Technology Co., Ltd.	Human Resources Services	Chendu, China, limited liability company	RMB10,000,000	–	100	100	–	–
Xi'an Renrui Network Technology Co., Ltd.	BPO Services	Xi'an, China, limited liability company	RMB10,000,000	–	100	100	–	–
Hainan Renrui Network Technology Co., Ltd.	Human Resources Services	Hainan, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Panjin Renrui Service Outsourcing Co., Ltd.	BPO Services	Panjin, China, limited liability company	RMB10,000,000	RMB10,000,000	100	100	–	–
Haikou Tonghe Technology Co., Ltd.	Human Resources Services	Haikou, China, limited liability company	RMB1,000,000	RMB700,000	60	60	40	40
Jinhu Ruihui Human Resources Service Co., Ltd.	Human Resources Services	Huaian, China, limited liability company	RMB2,000,000	RMB2,000,000	100	100	–	–
Lingshi Yuntian	Human Resources Services	Changzhou, China, limited liability company	RMB10,000,000	RMB10,000,000	51	51	49	49
Shanghai Lingshi	Human Resources Services	Shanghai, China, limited liability company	RMB11,000,000	RMB11,000,000	51	51	49	49
Shandong Lingshi Human Resource Services Ltd.	Human Resources Services	Shandong, China, limited liability company	RMB3,000,000	RMB3,000,000	51	51	49	49
Guangzhou Tonghe Network Technology Co., Ltd.	Human Resources Services	Guangzhou, China, limited liability company	RMB10,000,000	RMB500,000	60	60	40	40
Yantai Renrui Service Outsourcing Co., Ltd.	BPO Services	Yangtai, China, limited liability company	RMB2,000,000	–	100	100	–	–
Shanghai Sirui information Technology Limited (Shanghai Sirui)(a)	Human Resources Service	Shanghai, China, limited liability company	RMB55,000,000	RMB55,000,000	46	–	54	–

(a) Summarised financial information on subsidiaries with non-controlling interests material to the Group

The non-controlling interests of the Group are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-controlling interests for		
Shanghai Sirui (Note 34)	178,248	–
Others	25,254	22,903
	203,502	22,903

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12 SUBSIDIARIES (Continued)

Summarised statement of comprehensive income

Set out below are the summarised financial information for Shanghai Sirui that has non-controlling interests that is material to the Group, and the information below is the amount before inter-company elimination:

Summarised balance sheet

	Shanghai Sirui As at 31 December 2022 RMB'000
Current	
Assets	476,486
Liabilities	(226,024)
Total current net assets	250,462
Non-current	
Assets	94,015
Liabilities	(14,389)
Total non-current net assets	79,626
Net assets	330,088

	Shanghai Sirui Period from 28 September 2022 to 31 December 2022 RMB'000
Revenue	250,813
Profit before income tax	20,982
Income tax expense	(587)
Profit and comprehensive income for the period	20,395
Profit allocated to non-controlling interests	11,013

12 SUBSIDIARIES (Continued)

Summarised statement of comprehensive income (Continued)

Summarised cash flow statement

	Shanghai Sirui Period from 28 September 2022 to 31 December 2022 RMB'000
Net cash generated from operating activities	77,697
Net cash used in investing activities	—
Net cash used in financing activities	(26,490)
Net increase in cash and cash equivalents	51,207
Cash and cash equivalents at beginning of the period	20,980
Cash and cash equivalents at end of the period	72,187

There were no transactions with non-controlling interests in 2022 and 2021

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(a) Investments in joint ventures accounted for using the equity method

The movements in investments in joint ventures were as follows:

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
As at 1 January	21,572	19,683
Share of results of joint ventures accounted for using the equity method	3,680	1,889
As at 31 December	25,252	21,572

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13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

(a) Investments in joint ventures accounted for using the equity method (Continued)

Set out below are the joint ventures of the Group as at 31 December 2022 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		Nature of relationship	Measurement method	Carrying amount	
		2022 %	2021 %			2022 RMB'000	2021 RMB'000
Tianjin Binhai Xunteng Technology Group Limited ("Xunteng Group")	China	15	15	Joint venture [(1)]	Equity method	23,410	20,660
Shanghai Zhencheng Technology Company Limited ("Zhencheng")	China	45	45	Joint venture	Equity method	1,842	912
						25,252	21,572

(1) In October 2020, Renrui HR Group, a wholly-owned subsidiary of the Company, entered into an investment agreement with certain third parties, which previously owned 100% equity interest in Xunteng Group collectively. Renrui HR Group would contribute RMB20,000,000 cash into Xunteng Group, whereby Renrui HR Group obtained 15% equity interest in Xunteng Group. The acquisition was completed on 1 December 2020. According to the investment agreement, the Group has the veto power over the strategic financial and operating decisions relating to the activities of Xunteng Group and the Group accounted for the investment in Xunteng Group as a joint venture in this respect.

Based on the terms of the investment agreement, the Group was also entitled to a contingent consideration receivable related to Xunteng Group's future performance in next three years (the "Contingent Consideration Receivable"), as well as a liquidation preference right, both of which were measured as derivative financial instruments. The Group engaged a third-party valuer to determine the fair value of the derivative financial instruments. As at 1 December 2020, the date of initial recognition, the fair value of the contingent consideration receivable and liquidation preference right was approximately RMB717,000 and RMB1,833,000 respectively, while the investment in the joint venture was initially recognised at approximately RMB17,450,000.

(2) There are no commitments or contingent liabilities relating to the Group's interest in the joint ventures.

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13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

(a) Investments in joint ventures accounted for using the equity method (Continued)

(3) Summarised financial information for Xunteng Group

The tables below provided summarised financial information for Xunteng Group which is material to the Group. The information disclosed reflected the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. It had been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Xunteng Group	
Summarised balance sheet	**2022 RMB'000**	2021 RMB'000
Total assets	**134,604**	114,125
Total liabilities	**(38,660)**	(36,514)
Net assets	**95,944**	77,611
Reconciliation to carrying amounts:		
Opening net assets 1 January	**77,611**	56,879
Profit for the period	**18,333**	20,732
Closing net assets	**95,944**	77,611
Group's share in %	**15%**	15%
Group's share in RMB	**14,392**	11,642
Goodwill	**9,018**	9,018
Carrying amount	**23,410**	20,660
Revenue	**76,321**	74,919
Net profit and total comprehensive income	**18,333**	20,732

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13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

(a) Investments in joint ventures accounted for using the equity method (Continued)

(4) Individually immaterial joint venture

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

	Zhencheng	
	2022 **RMB'000**	2021 RMB'000
Carrying amount of individually immaterial joint venture	**1,842**	912
Amount of the Group's share of gain/(loss) and total comprehensive income/(loss)	**930**	(1,221)

(b) Investment in a joint venture as financial assets at fair value through profit or loss

In January 2022, the Group entered into an investment agreement to contribute RMB20,000,000 into Shanghai Kumao Robot Co., Ltd ("Shanghai Kumao"). Upon completion of the transaction in January 2022, the Group owned 10% equity interests in Shanghai Kumao. According to the investment agreement, the Group had the veto power over the strategic financial and operating decisions relating to the activities of Shanghai Kumao, and therefore the Group had joint control over Shanghai Kumao. The Group was also entitled to certain substantive preferential rights over Shanghai Kumao, including redemption right. The Group accounted for the investment in Shanghai Kumao as financial assets at fair value through profit or loss in this respect, and the fair value was approximately RMB22,903,000 (note 3.3) as at 31 December 2022.

In September 2021, the Group entered into an investment agreement to contribute RMB20,000,000 into Greedy Technology (Shenzhen) Co., Ltd ("Greedy Technology"). Upon completion of the transaction on 26 September 2021, the Group owned 20% equity interests in Greedy Technology. According to the investment agreement, the Group had the veto power over the strategic financial and operating decisions relating to the activities of Greedy Technology, and therefore the Group had joint control over Greedy Technology. The Group was also entitled to certain substantive preferential rights over Greedy Technology, including redemption right. The Group accounted for the investment in Greedy Technology as financial assets at fair value through profit or loss in this respect, and the fair value was approximately RMB11,397,000 (note 3.3) as at 31 December 2022 (31 December 2021: RMB19,946,000).

13 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (Continued)

(c) Investments in associates accounted for using the equity method

The movements in investments in associates were as follows:

	Year ended 31 December 2022 RMB'000
As at 1 January	—
Additions	6,900
Share of results of associates accounted for using the equity method	(1,010)
As at 31 December	5,890

Set out below are the joint ventures of the Group as at 31 December 2022 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		Nature of relationship	Measurement method	Carrying amount
		2022 %	2021 %			2022 RMB'000
Renrui New Technology Service (Shanghai) Co., Ltd (Renrui New Technology)	China	49	N/A	Associate (1)	Equity method	5,113
Shanghai Wanmahui Network Technology Co., Ltd. ("Wanmahui")	China	35	N/A	Associate (1)	Equity method	777
						5,890

(1) During 2022, certain subsidiaries of the Group invested in two associates, including Renrui New Technology and Wanmahui. The total addition of investments in associates amounted to approximately RMB6,900,000

(2) The commitment relating to the Group's interests in associates is presented in Note 33(c)

(3) Individually immaterial associates

the Group has interests in Renrui New Technology and Wanmahui that was accounted for using the equity method.

	2022 RMB'000
Carrying amount of Renrui New Technology and Wanmahui	5,890
Amount of the Group's share of loss and total comprehensive loss	(1,010)

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14 INCOME TAX EXPENSE

Cayman Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

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 2022 and 2021 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 "Announcement on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households"「關於實施小微企業和個體工商戶所得稅優惠政策的公告」 (財政部稅務總局公告[2021]第12號) jointly issued by the Ministry of Finance and the State Administration of Taxation on 2 April 2021, During the period from 1 January 2021 to 31 December 2022, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 12.5% as taxable income amount for CIT calculation purpose, and shall be subject to CIT at 20% tax rate; for the portion of the annual taxable income exceeding RMB 1,000,000 but not exceeding RMB 3,000,000, it was still in accordance with the "Notice on Implementation of Income Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No.13)" (「關於實施小微企業普惠性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, 50% of the taxable income shall be included in the calculation of corporate income tax, and the corporate income tax shall be paid at the rate of 20%. Certain subsidiaries of the Group established during the year ended 31 December 2022 comply with this policy and are entitled to the above-mentioned preferential tax rate of 20%.

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14 INCOME TAX EXPENSE (Continued)

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. The Group had confirmed that retained earnings of the Group's PRC subsidiaries as at 31 December 2022 will not be distributed in the foreseeable future.

(a) Income tax expense

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax	**(11,464)**	(17,730)
Deferred income tax	**5,432**	(350)
	(6,032)	(18,080)

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax expense	**12,888**	120,428
Tax calculated at PRC CIT rate of 25% income tax rate	**(3,222)**	(30,107)
Tax effects of:		
– Expenses not deductible for tax purposes	**(6,545)**	(2,805)
– Income not subject to tax	**7,110**	—
– Tax losses and temporary differences not recognised as deferred tax assets	**(3,465)**	(104)
– Recognition of tax losses for which no deferred income tax asset was previously recognised	**1,469**	8
– Recognise previously unrecognised deductible temporary differences	**853**	—
– Additional deduction of 100% of the wages paid to disabled employees	**1,017**	1,067
– Research and development tax credit	**5,356**	3,376
– Cayman Islands incorporated company's (losses)/profits not subject to income tax	**(11,643)**	2,930
– Tax exemption and preferential income tax rates applicable to subsidiaries	**3,038**	7,684
– PRC withholding income tax from intercompany interest income	**—**	(129)
	(6,032)	(18,080)

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15 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to the equity holders of the Company (RMB'000)	**(7,303)**	101,667
Weighted average number of ordinary shares in issue (thousands)	**153,033**	152,884
Basic (loss)/earnings per share attributable to the equity holders of the Company (RMB per share)	**(0.05)**	0.66

(b) Diluted earnings per share

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

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

As the Group incurred losses for the year ended 31 December 2022, 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 2022 was the same as basic loss per share.

For the year ended 31 December 2021, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 1,325,000 share options granted on 30 June 2019, 490,000 share options granted on 31 July 2019, 718,000 share options granted on 22 January 2021 and 1,810,000 share options granted on 16 July 2021 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2021. These share options could potentially dilute basic earnings per share in the future.

15 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

The diluted earnings per share for the year ended 31 December 2022 and 2021 was as following:

	Year ended 31 December	
	2022	2021
(Loss)/profit attributable to the equity holders of the Company (RMB'000)	(7,303)	101,667
Weighted average number of ordinary shares in issue (thousands)	153,033	152,884
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	—	12,795
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	153,033	165,679
Diluted (loss)/earnings per share attributable to the equity holders of the Company (RMB per share)	(0.05)	0.61

16 SHARE-BASED PAYMENTS

The total share-based compensation expenses recognised in the consolidated income statement were approximately RMB5,638,000 and RMB6,188,000 for the years ended 31 December 2022 and 2021, respectively. The following table set forth a breakdown of the share-based compensation expenses:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Pre-IPO share option schemes (a)	—	246
Post-IPO share option scheme (b)	6,486	4,862
Post-IPO share award scheme (c)	(848)	1,080
	5,638	6,188

(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.

16 SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO share option schemes (Continued)

Movements in the number of pre-IPO share options granted and their related weighted average exercise prices were as follows:

	Number of share options	Weighted average exercise price per share option (USD)
Outstanding as of 1 January 2021	19,794,500	0.84
Exercised during the year	(78,200)	0.11
Lapsed/forfeited during the year	(92,900)	2.50
Outstanding as of 31 December 2021	19,623,400	0.84
Exercised during the year	(156,600)	0.11
Lapsed/forfeited during the year	(1,792,700)	2.80
Outstanding as of 31 December 2022	**17,674,100**	**0.65**

(b) Post-IPO share option scheme

Since 2020, the Group has granted share options to eligible senior management and employees under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on condition that the employees remain in service with or without certain performance requirements.

On 29 October 2020, the Group granted share options to three executive directors which entitled the grantees to subscribe for a maximum of 390,000 shares under the post-IPO share option scheme adopted on 26 November 2019. The share options have a vesting period of 18 months, and will vest upon the fulfilment of certain non - market performance conditions.

On 22 January 2021, the Group granted share options to twenty eligible grantees (four non-executive directors and sixteen employees) which entitled the grantees to subscribe for a maximum of 2,560,000 shares under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on the condition that the grantees remain in service and upon fulfilment of certain non-market performance conditions.

On 16 July 2021, the Group granted share options to fourty-two eligible grantees which entitled the grantees to subscribe for a maximum of 1,830,000 shares. These share options will vest in tranches on the condition that the grantees remain in service without any performance requirements.

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For the year ended 31 December 2022

16 SHARE-BASED PAYMENTS (Continued)

(b) Post-IPO share option scheme (Continued)

On 17 June 2022, the Company granted share options to two hundred and four eligible grantees (five nonexecutive directors and one hundred ninety-nine employees) which entitled the grantees to subscribe for a maximum of 11,350,000 shares under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on the condition that the grantees remain in service and upon fulfilment of certain non-market performance conditions.

Movements in the number of post-IPO share options granted and their related weighted average exercise prices were as follows:

	Number of share options	Weighted average exercise price per share option (HKD)
Outstanding as of 1 January 2021	390,000	30.00
Granted during the year	4,390,000	20.37
Lapsed/forfeited during the year	(2,252,000)	27.62
Outstanding as of 1 January 2022	**2,528,000**	**15.39**
Granted during the year	**11,350,000**	**5.99**
Lapsed/forfeited during the year	**(7,112,600)**	**6.83**
Outstanding as of 31 December 2022	**6,765,400**	**8.62**

The Group adopted Binomial option-pricing model to determine the fair value of share options. The aggregate fair value of share options granted during the year end 31 December 2022 as at grant date was approximately RMB 22,333,000. Significant assumptions of share options granted during the years ended 31 December 2022 were set as below:

	Share options granted under the Post-IPO Share Option Scheme in June 2022
Risk-free interest rates	**3.24%**
Expected volatility	**40.00%**
Ordinary share price on grant date (HKD)	**HKD 5.99**
Exercise price (HKD)	**HKD 5.99**
Dividend yield	**1.50%**

16 SHARE-BASED PAYMENTS (Continued)

(c) Post-IPO share award scheme

On 22 January 2021, the Group granted 2,300,000 award shares to 29 eligible employees, none of who is connected person, under the post-IPO share award scheme adopted on 26 November 2019 and amended on 26 June 2020. These award shares will vest in tranches on the condition that the grantees remain in service without any performance requirements. Upon vesting of the award shares, the Company will immediately direct the trust to sell the award shares and pay the grantees in cash the net proceeds from such sales, netting of the benchmarked price of HKD25.00 per share as stipulated in the agreements with the grantees.

Movements in the number of award shares granted and their related weighted average benchmark prices were as follows:

	Number of award shares	Benchmark price per award share (HKD)
Outstanding as of 1 January 2022	2,120,000	25.00
Granted during the year	—	25.00
Lapsed/forfeited during the year	(277,000)	25.00
Outstanding as of 31 December 2022	1,843,000	25.00

The fair value of the award shares was determined using the Binomial option-pricing model as at 31 December 2022. Significant assumptions were set as below:

	Share options granted under the Post-IPO Share Award Scheme	
	as at 31 December 2022	as at 31 December 2021
Risk-free interest rates	3.68%	1.32%
Expected volatility	40.00%	40.00%
Ordinary share price on 31 December (HKD)	4.55	8.10
Exercise price (HKD)	25.00	25.00
Dividend yield	1.50%	1.50%

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17 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets property RMB'000	Computer equipment RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Vehicle RMB'000	Total RMB'000
At 1 January 2021							
Cost	92,067	10,418	199	4,316	16,211	—	123,211
Accumulated depreciation	(33,408)	(6,941)	(149)	(1,867)	(6,910)	—	(49,275)
Net book amount	58,659	3,477	50	2,449	9,301	—	73,936
Year ended 31 December 2021							
Opening net book amount	58,659	3,477	50	2,449	9,301	—	73,936
Additions	70,439	13,606	1,256	4,512	14,183	—	103,996
Disposals	(16,614)	(54)	(13)	(84)	—	—	(16,765)
Depreciation charge (Note 6)	(35,887)	(3,872)	(389)	(1,049)	(6,757)	—	(47,954)
Closing net book amount	76,597	13,157	904	5,828	16,727	—	113,213
At 31 December 2021							
Cost	113,202	22,574	1,419	8,443	26,091	—	171,729
Accumulated depreciation	(36,605)	(9,417)	(515)	(2,615)	(9,364)	—	(58,516)
Net book amount	76,597	13,157	904	5,828	16,727	—	113,213
Year ended 31 December 2022							
Opening net book amount	76,597	13,157	904	5,828	16,727	—	113,213
Additions from acquisition of a subsidiary (Note 34)	2,065	2,586	—	—	1,512	—	6,163
Other additions	9,300	2,695	127	829	7,325	519	20,795
Lease change	(2,329)	—	—	—	—	—	(2,329)
Disposals	(21,256)	(2,939)	(20)	(967)	(3,029)	—	(28,211)
Depreciation charge (Note 6)	(26,097)	(6,672)	(460)	(1,586)	(9,673)	(27)	(44,515)
Closing net book amount	38,280	8,827	551	4,104	12,862	492	65,116
At 31 December 2022							
Cost	68,548	26,309	1,735	7,190	30,649	519	134,950
Accumulated depreciation	(30,268)	(17,482)	(1,184)	(3,086)	(17,787)	(27)	(69,834)
Net book amount	38,280	8,827	551	4,104	12,862	492	65,116

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Non-current assets pledged as security

As at 31 December 2022 and 2021, 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	
	2022 RMB'000	2021 RMB'000
Cost of revenue	31,992	29,462
Administrative expenses	9,766	13,296
Selling and marketing expenses	1,665	2,826
Research and development expenses	1,092	2,370
	44,515	47,954

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18 INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
At 1 January 2021				
Cost	4,496	—	—	4,496
Accumulated amortisation	(1,352)	—	—	(1,352)
Net book amount	3,144	—	—	3,144
Year ended 31 December 2021				
Opening net book amount	3,144	—	—	3,144
Additions from acquisition of a subsidiary (Note 34)	—	58,673	28,000	86,673
Other additions	3,237	—	—	3,237
Amortisation charge (Note 6)	(899)	—	(844)	(1,743)
Closing net book amount	5,482	58,673	27,156	91,311
At 31 December 2021				
Cost	7,733	58,673	28,000	94,406
Accumulated amortisation	(2,251)	—	(844)	(3,095)
Net book amount	5,482	58,673	27,156	91,311
Year ended 31 December 2022				
Opening net book amount	5,482	58,673	27,156	91,311
Additions from acquisition of a subsidiary (Note 34)	956	265,561	88,899	355,416
Other additions	2,123	—	—	2,123
Impairment of goodwill	—	(16,372)	—	(16,372)
Amortisation charge (Note 6)	(1,037)	—	(10,045)	(11,082)
Disposal	(1,409)	—	—	(1,409)
Closing net book amount	6,115	307,862	106,010	419,987
At 31 December 2022				
Cost	9,403	324,234	116,899	450,536
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(3,288)	—	(10,889)	(14,177)
Net book amount	6,115	307,862	106,010	419,987

18 INTANGIBLE ASSETS (Continued)

(i) Amortisation of intangible assets was charged to the consolidated income statement as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of revenue	10,272	844
Administrative expenses	810	899
	11,082	1,743

(ii) Customer relationships

Customer relationships were acquired as part of a business combination (Note 34). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers. The useful life of 5 years for customer relationships is determined based on the historical renewal pattern and the industry practice. An independent valuation was performed by an independent valuer to determine the amount of the customer relationships recognised by the Group during year end 31 December 2022. The following table sets forth each key assumption on which management has based its cash flow projections to determine the fair value of the customer relationships as at the acquisition date:

Shanghai Sirui Information Technology Limited ("Shanghai Sirui")

Discount rate (%)	15%
Expected life of the intangible assets	5 years

(iii) Goodwill

Goodwill of RMB 307,862,000 (2021: RMB58,673,000) has been allocated to the subsidiaries acquired as a whole for impairment testing as follow:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Lingshi Yuntian and Shanghai Lingshi	42,301	58,673
Shanghai Sirui (Note 34)	265,561	—

18 INTANGIBLE ASSETS (Continued)

(iii) Goodwill (Continued)

Management performed an impairment assessment on the goodwill as at balance sheet date. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

The management conducted a comprehensive review of the operation of the Cash-Generating Unit ("CGU") due to the changing market environment and higher operating costs in 2022, adjusted the profit forecast and recalculated the recoverable amount of the CGU as at 31 December 2022. The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 31 December 2022:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	6%-33%	8%-9%	2.5%	23%
Shanghai sirui	15%-20%	14%-16%	2.5%	17%

The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 31 December 2021:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	7%-20%	11%-12%	2.5%	23%

According to the management's estimation of the recoverable amount of the Lingshi Yuntian and Shanghai Lingshi with the assistance of independent valuers, which was calculated based on its value in use that was assessed to be higher than its fair value less costs to sell, an impairment loss of RMB16,372,000 for the goodwill allocated to Lingshi Yuntian and Shanghai Lingshi was recognised for the year ended 2022 (2021: Nil), resulted in a reduction in the carrying amount of the goodwill from RMB58,673,000 to RMB42,301,000 as at 31 December 2022.

According to management's estimation of the recoverable amount of Shanghai Sirui with the assistance of independent valuers as at 31 December 2022, the directors of the Company determined that no impairment provision on goodwill allocated to Shanghai Sirui for the year ended 31 December 2022.

Management has undertaken sensitivity analysis on the impairment tests of goodwill allocated to Shanghai Sirui. The directors of the Group considered there is no reasonably possible change in key parameters, which would cause the carrying amount of the CGU to exceed its recoverable amount.

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19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

Financial assets

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Financial assets at amortised cost			
Trade and notes receivables	22	955,940	760,961
Deposits and other receivables	21	11,502	9,433
Other non-current assets (i)		63,382	73,925
Restricted cash	23	6,858	6,243
Cash and cash equivalents	23	354,436	638,373
Financial assets at fair value through other comprehensive income			
Wealth management products purchased from banks (ii)		—	102,105
Notes receivables (iii)		5,376	—
Financial assets at fair value through profit or loss			
Wealth management products purchased from banks (ii)		110,491	112,177
Investment in a joint venture at fair value through profit or loss (v)		34,300	19,946
Contingent consideration receivable (iv)		4,252	—
Derivative financial instruments	3.3	12,110	2,085
		1,558,647	1,725,248

Financial liabilities

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	27	64,644	63,856
Borrowings	26	95,164	5,017
Lease liabilities	28	42,553	77,870
Financial liabilities at fair value though profit or loss			
Contingent consideration payable (iv)		—	4,245
		202,361	150,988

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19 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(i) Other non-current assets mainly included long-term loans to employees of approximately RMB 54,303,000 (31 December 2021: RMB 64,808,000) and deposits paid for lease contracts of approximately RMB 8,628,000 (31 December 2021: RMB 8,360,000) that would be repaid at the end of the relevant leasing periods.

The long-term loans to employees were repayable in the year ended 31 December 2024 and 2025. The interest rate on the loans during the year was 2%.

(ii) As at 31 December 2022, the Group held certain wealth management products purchased from banks of approximately RMB 110,491,000 (31 December 2021: RMB 214,282,000), which will be due or sold within one year. The balance of wealth management products purchased from banks in Financial assets at fair value through other comprehensive income amounting to RMB102,105,000 as at 31 December 2021 was fully disposed during the year ended 2022

(iii) As at 31 December 2022, the Group held total notes receivables from bank of approximately RMB10,151,000, which will be due within one year, of which RMB 5,376,000 are measured at FVOCI, as the notes receivables are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principle and interest.

(iv) As at 31 December 2022, derivative financial instruments mainly included a call option of approximately RMB10,584,000 (31 December 2021: Nil).

In September 2021, the Group entered into sale and purchase agreements ("SPA") with certain third parties, which previously owned 100% equity interest in Lingshi Yuntian and Shanghai Lingshi respectively. According to the SPA, the Group would acquire 51% equity interest in Lingshi Yuntian and Shanghai Lingshi respectively. The acquisition was completed on 6 November 2021.

Based on the terms of the SPA, the Group was entitled to a call option to acquire additional shares of Lingshi Yuntian and Shanghai Lingshi based on the financial performance for the 24 months ending 30 June 2023. As at 6 November 2021, the date of acquisition, and 31 December 2021, the fair values of the call option amounted to Nil respectively. As at 31 December 2022, the fair value of the call option was approximately RMB10,584,000.

Based on the terms of the SPA, the Group was obliged to pay or receive a contingent consideration based on Lingshi Yuntian and Shanghai Lingshi's financial performance for the 24 months ending 30 June 2023. As at 31 December 2021, the fair value of the contingent consideration payable was approximately RMB 4,245,000 which was booked as financial liabilities at fair value through profit or loss. As at 31 December 2022, the fair value of the contingent consideration receivable was approximately RMB4,252,000 which was booked as financial assets at fair value through profit or loss.

19 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(v) As at 31 December 2022, the Group held certain investment in ordinary shares with preferential rights issued by two investee companies. The Group maintained joint control in the companies (Note 13).

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit/(loss) recognised in other comprehensive income (Note 25)	1,730	(1,126)
Interest income from financial assets at FVOCI recognised in profit or loss in other income		
Related to investments derecognised during the period	659	2,446
Related to investments held at the end of the reporting period	—	974
	659	3,420
Fair value (losses)/gains on financial assets and financial liabilities at FVPL recognised in profit or loss in other gains		
Fair value (losses)/gains equity investments at FVPL recognised in other gains	(5,646)	32
Fair value losses on wealth management products purchased from banks at FVPL recognised in other gains	(11,538)	(665)
Fair value gains/(losses) on derivative financial instruments	10,025	(581)
Fair value gains/(losses) on contingent consideration payable at FVPL	4,245	(22)
Fair value gains on contingent consideration receivable at FVPL	4,252	—
	1,338	(1,236)

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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For the year ended 31 December 2022

20 DEFERRED INCOME TAXES

(a) Deferred tax assets

The balance comprises temporary differences attributable to:	As at 31 December 2022 RMB'000	2021 RMB'000
Tax losses	**10,172**	5,110
Loss allowances for financial assets	**2,612**	3,208
Lease liabilities	**2,017**	1,969
Accrued expenses	**1**	1
Government grants	**—**	—
Unrealised profit	**1,413**	1,949
Total deferred tax assets	**16,215**	12,237

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 2021	8,227	2,156	595	221	150	1,329	12,678
(Charged)/credited to the consolidated income statement	(3,117)	1,052	1,374	(220)	(150)	620	(441)
At 31 December 2021	5,110	3,208	1,969	1	—	1,949	12,237
At 1 January 2022	5,110	3,208	1,969	1	—	1,949	12,237
Addition of acquisition (Note 34)	—	613	—	—	—	—	613
(Charged)/credited to the consolidated income statement	5,062	(1,209)	48	—	—	(536)	3,365
At 31 December 2022	10,172	2,612	2,017	1	—	1,413	16,215

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 RMB30,103,000(2021: RMB632,000) 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.

20 DEFERRED INCOME TAXES (Continued)

(a) Deferred tax assets (Continued)

	As at 31 December	
Expiry date	2022 RMB'000	2021 RMB'000
2023	5,073	—
2024	1,269	—
2025	5,064	—
2026	9,437	—
2027 and above	9,260	—
Indefinite	—	632
	30,103	632

(b) Deferred tax liabilities

	As at 31 December	
The balance comprises temporary differences attributable to:	2022 RMB'000	2021 RMB'000
Customer relationships arising from business combinations	(18,057)	(6,789)
Total deferred tax liabilities	(18,057)	(6,789)

Movements	Intangible assets arising from business combinations RMB'000
At 1 January 2022	(6,789)
Additions from acquisition of subsidiaries (Note 34)	(13,335)
Credited to the consolidated income statement	2,067
At 31 December 2022	(18,057)

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21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments	15,157	24,286
Deposits	7,186	5,617
Input VAT deductible	13,776	5,059
Other receivables	4,263	4,121
Less: provision for impairment	(339)	(312)
Interest receivable	392	7
	40,435	38,778

As at 31 December 2022 and 2021, 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 2022 and 2021, the carrying amounts of deposits and other receivables were primarily denominated in RMB.

22 TRADE AND NOTES RECEIVABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables	959,650	772,936
Less: provision for impairment of trade receivables	(8,456)	(12,918)
Trade receivables - net	951,194	760,018
Notes receivables at amortised cost	4,775	943
Less: provision for impairment of notes receivables	(29)	—
Notes receivables at amortised cost- net	4,746	943
	955,940	760,961

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 2022 and 2021.

22 TRADE AND NOTES RECEIVABLES (Continued)

The Group generally allows a credit period of 10 to 180 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables		
– Within 3 months	786,257	757,349
– 4 months to 6 months	113,125	7,930
– 7 months to 9 months	23,993	1,170
– 10 months to 12 months	22,145	535
– Over 12 months	14,130	5,952
	959,650	772,936

Impairment and risk exposure

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

23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash on hand	20	19
Cash at banks	361,274	644,597
Less: restricted cash - current (i)	(6,858)	(241)
restricted cash - non-current (i)	—	(6,002)
Cash and cash equivalents	354,436	638,373

(i) As at 31 December 2022, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificates.

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23 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

Cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	337,431	486,016
HKD	14,755	112,743
USD	2,250	39,614
	354,436	638,373

24 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME

Authorised:	Number of ordinary shares	Nominal value of ordinary shares USD	Number of preferred shares	Nominal value of preferred shares USD
At 31 December 2021	2,000,000,000	100,000	—	—
At 31 December 2022	2,000,000,000	100,000	—	—

24 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME (Continued)

Issued:	Number of ordinary shares	Nominal value of ordinary shares USD	Nominal value of ordinary shares RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Number of preferred shares	Nominal value of preferred shares USD
At 1 January 2021	156,465,079	7,824	53	2,252,478	(66,609)	–	–
Exercise of share options (ii)	78,200	4	–	57	–	–	–
Acquisitions of shares held for share-based payment scheme (iii)	–	–	–	–	(21,278)	–	–
Dividends paid (Note 29)	–	–	–	(53,433)	–	–	–
At 31 December 2021	156,543,279	7,828	53	2,199,102	(87,887)	–	–
At 1 January 2022	156,543,279	7,828	53	2,199,102	(87,887)	–	–
Exercise of share options (ii)	156,600	8	–	111	–	–	–
Purchases of shares under share award scheme	–	–	–	–	–	–	–
Dividends paid (Note 29)	–	–	–	(31,376)	–	–	–
At 31 December 2022	156,699,879	7,836	53	2,167,837	(87,887)	–	–

(i) On 3 January 2020, the over-allotment option in connection with the Company's global offering was partially exercised, and the Company issued 3,130,100 new ordinary shares of USD0.00005 each at HKD26.60 per share. Gross proceeds of approximately HKD83,261,000 (equivalent to approximately RMB74,482,000) were raised and the excess over the par value of approximately RMB1,000 for the 3,130,100 shares issued net of the transaction costs of approximately RMB2,786,000 was credited to share premium account subsequently with an amount of approximately RMB71,695,000.

(ii) On 17 November 2020, part of the share options granted under the pre-IPO share option scheme of 2,795,500 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.56 per share. Proceeds of approximately HKD12,055,000 (equivalent to approximately RMB10,225,000) were raised and the excess over the par value of approximately RMB1,000 for the 2,795,500 shares exercised was credited to share premium account subsequently with an amount of approximately RMB10,224,000.

On April 2021, part of the share options granted under the pre-IPO share option scheme of 78,200 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.1111 per share. Proceeds of approximately USD9,000 (equivalent to approximately RMB57,000) were raised and the excess over the par value of approximately RMB0 for the 78,200 shares exercised was credited to share premium account subsequently with an amount of approximately RMB57,000.

On January 2022, part of the share options granted under the pre-IPO share option scheme of 156,600 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.11 per share. Proceeds of approximately USD17,000 (equivalent to approximately RMB111,000) were raised and the excess over the par value of approximately RMB0 for the 156,600 shares exercised was credited to share premium account subsequently with an amount of approximately RMB111,000.

(iii) Shares held for share-based payment scheme represented shares of the Company that were held by the trustee, which was consolidated in accordance with the principles in Note 2.2(i), for the purpose of granting award shares under the post-IPO share award scheme.

During the year ended 31 December 2021, the trustee acquired 1,024,000 shares from the market at a total consideration of approximately HKD25,488,000 (equivalent to approximately RMB21,278,000.

Notes to the Consolidated Financial Statements

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25 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 2021	(604)	8,801	(70,245)	(62,048)
Currency translation differences	—	—	(11,408)	(11,408)
Share-based compensation (Note 7)	—	6,188	—	6,188
Changes in the fair value of financial assets at fair value through other comprehensive income(Note 19)	(1,126)	—	—	(1,126)
At 31 December 2021	(1,730)	14,989	(81,653)	(68,394)
At 1 January 2022	(1,730)	14,989	(81,653)	(68,394)
Currency translation differences	—	—	22,463	22,463
Share-based compensation (Note 7)	—	5,638	—	5,638
Changes in the fair value of financial assets at fair value through other comprehensive income(Note 19)	1,730	—	—	1,730
At 31 December 2022	—	20,627	(59,190)	(38,563)

26 BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank borrowings	95,164	5,017

As at 31 December 2022, the balance of bank borrowings were unsecured and matured within one year with annual interest rates of 3.4% to 4.74% (As at 31 December 2021: 5.5%).

As at 31 December 2022 and 2021, the carrying amounts of borrowings were denominated in RMB.

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables due to third parties	37,476	21,374
Trade payables due to a joint venture (Note 32(d))	645	1,359
Accrued payroll and welfare	376,615	454,813
VAT and surcharges	56,729	70,259
Risk deposit due to customers	9,902	10,068
Payables for acquisitions of subsidiaries	—	14,702
Others	16,621	16,353
	497,988	588,928

As at 31 December 2022 and 2021, 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 2022 and 2021, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables		
– Within 6 months	38,121	22,697
– 7 months to 12 months	—	36
	38,121	22,733

28 LEASE LIABILITIES

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Minimum lease payments due:		
Within 1 year	25,400	30,940
Between 1 and 2 years	15,516	30,806
Between 2 and 5 years	4,164	23,139
	45,080	84,885
Less: future finance charges	(2,527)	(7,015)
	42,553	77,870
Present value of lease liabilities		
Within 1 year	23,441	27,108
Between 1 and 2 years	15,149	28,684
Between 2 and 5 years	3,963	22,078
	42,553	77,870

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

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets (Note 17)	26,097	35,887
Interest expense (Note 11)	3,565	4,812
Expense relating to short-term leases (Note 6)	11,705	12,360

29 DIVIDENDS

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2022.

The final dividend for the year ended 31 December 2021 amounted to HKD37,570,000 (equivalent to RMB32,130,000), representing HK$0.24 per ordinary share of the Company, out of which HKD36,688,000 (equivalent to RMB 31,376,000) paid in August 2022.

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30 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	12,888	120,428
Adjustments for:		
– Depreciation of property, plant and equipment (Note 17)	44,515	47,954
– Amortisation of intangible assets (Note 18)	11,082	1,743
– Net losses on disposal of property, plant and equipment (Note 10)	3,153	91
– Net losses on disposal of intangible assets	1,409	—
– Share-based payments (Note 7)	5,638	6,188
– (Reversal of)/provision for net impairment losses on financial assets (Note 3.1(b))	(896)	4,755
– Share of results of joint ventures accounted for using the equity method	(3,680)	(1,889)
– Share of results of associates accounted for using the equity method	1,010	—
– Interest income (Note 11)	(3,881)	(6,588)
– Interest expenses (Note 11)	5,108	4,865
– Exchange gains - net	(3,888)	(11,059)
– Net losses on financial assets at FVPL (Note 10)	12,932	665
– Fair value (gains)/losses on financial liabilities at FVPL (Note 10)	(4,245)	22
– Interest from financial assets at FVPL	(4,826)	—
– Interest from financial assets at FVOCI (Note 9)	(659)	(3,420)
– Losses on contingent consideration	—	581
– Net fair value gains on derivative financial instruments (Note 10)	(10,025)	—
– Impairment of goodwill	16,372	—
– Gains on early termination of lease contracts (Note 10)	(312)	(2,428)
Operating profit before working capital changes	81,695	161,908
Change in working capital:		
– Trade and notes receivables	178,657	(260,674)
– Prepayments, deposits and other receivables and other non-current assets	15,690	(79,223)
– Restricted cash	(310)	1,622
– Trade and other payables	(187,420)	114,275
– Notes receivables in FVOCI	50,726	—
– Contract fullfilment cost	1,463	—
– Contract liabilities	(618)	(4,237)
Cash generated from operations	139,883	(66,329)

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

- acquisition of right-of-use assets property – Note 17; and
- options and shares issued to employees under the share-based payment scheme for no cash consideration – Note 16.

Notes to the Consolidated Financial Statements

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31 RECONCILIATION FROM OPENING TO CLOSING BALANCES OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

This section sets out an analysis of net debt and the movements in net debt for the years ended 31 December 2022 and 2021:

	Liabilities from financing activities		
	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
Liabilities from financing activities as at 1 January 2021	—	58,564	58,564
Acquired through business combination	5,022	—	5,022
Cash flows	(52)	(34,226)	(34,278)
Other changes (i)	47	53,532	53,579
Liabilities from financing activities as at 31 December 2021	5,017	77,870	82,887
Liabilities from financing activities as at 1 January 2022	**5,017**	**77,870**	**82,887**
Acquired through business combination	**120,000**	**1,947**	**121,947**
Cash flows	**(31,396)**	**(27,879)**	**(59,275)**
Other changes (i)	**1,543**	**(9,385)**	**(7,842)**
Liabilities from financing activities as at 31 December 2022	**95,164**	**42,553**	**137,717**

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

32 RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management includes directors (executive and non-executive), chief financial officer, vice president and secretary of the board of directors, the compensation paid or payable to key management for employee services was shown below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**4,889**	2,636
Contribution to pension scheme	**46**	55
Discretionary bonuses	**1,169**	1,191
	6,104	3,882

32 RELATED PARTY TRANSACTIONS (Continued)

(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	
	2022 RMB'000	2021 RMB'000
Purchase of subcontracting services from a joint venture		
ZhenCheng Group	3,485	—
Xunteng Group	1,627	5,226
	5,112	5,226
Provide consulting services to an associate		
Shanghai Wanmahui	319	—

(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	
	2022 RMB'000	2021 RMB'000
Trade payables to a joint venture		
Xunteng Group	645	1,359
Trade receivables from an associate		
Shanghai Wanmahui	24	—

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33 COMMITMENTS

(a) Non-cancellable operating leases

The Group leased IT-equipment and other small items of office furniture during the years. The total commitment amount was not material.

(b) Capital commitments

Significant capital expenditure contracted for, but not recognised as liabilities was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Purchase of property, plant and equipment	423	1,034

(c) Investment commitments

Significant capital expenditure contracted for, but not recognised as liabilities was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Committed investments	6,000	—

34 BUSINESS COMBINATION

Acquisitions during 2022

(i) Summary of acquisition

In March 2022, the Group entered into sale and purchase agreements ("SPA") with a third parties to acquire 46% equity interest in Shanghai Sirui at a total consideration of approximately RMB408,020,000. The acquisition was completed on 28 September 2022. Total identifiable net assets of Shanghai Sirui amounted to RMB309,695,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 18). The remaining 43% and 11% were held by two third parties separately. Upon the completion of the acquisition, the Group was entitled to appoint majority of the board of directors of Shanghai Sirui. As a result, the Group possessed the power over Shanghai Sirui to direct its relevant activities and Shanghai Sirui became a non-wholly owned subsidiary of the Group.

34 BUSINESS COMBINATION (Continued)

Acquisitions during 2022 (Continued)

(i) Summary of acquisition (Continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
– Amount paid	408,020

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Cash and cash equivalents	20,980
Restricted cash	304
Trade and notes receivables	372,872
Prepayments, deposits and other receivables	6,284
Financial assets at fair value through other comprehensive income	56,107
Contract fulfilment cost	9,310
Property, plant and equipment (Note 17)	6,163
Deferred income tax asset (Note 20)	613
Intangible assets (Note 18)	89,855
Borrowings	(120,000)
Trade and other payables	(115,193)
Contract Liabilities	(35)
Lease liabilities	(1,947)
Deferred income tax liability (Note 20)	(13,335)
Current income tax liabilities	(2,283)
Net identifiable assets	309,695
Less: non-controlling interests	(167,236)
Add: goodwill (Note 18)	265,561
Net assets acquired	408,020

34 BUSINESS COMBINATION (Continued)

Acquisitions during 2022 (Continued)

(i) Summary of acquisition (Continued)

The acquired business contributed revenue of RMB250,813,000 and net profit of RMB9,382,000 to the Group for the period from 28 September 2022 to 31 December 2022. Had Shanghai Sirui been consolidated on 1 January 2022, pro-forma revenue included in the consolidated income statement contributed by Shanghai Sirui would be RMB904,698,000. Shanghai Sirui also would contribute pro-forma net profit of RMB10,964,000, and the consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been RMB4,292,088,000 and RMB8,438,000 respectively.

The goodwill of approximately RMB265,561,000 arising from the acquisition is mainly attributable to the anticipated profitability and net cash inflows of the acquired business.

The fair value of acquired trade and notes receivables is RMB372,872,000.

(ii) Purchase consideration – cash outflow

	RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	(408,020)
Less: Balances acquired – cash and cash equivalents	20,980
Net cash outflow on acquisitions	(387,040)

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There was no significant event of the Group occurred after the balance sheet date.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		107,023	92,648
Amount due from a subsidiaries		802,558	458,359
Total non-current assets		909,581	551,007
Current assets			
Financial assets at fair value through other comprehensive income		—	102,105
Financial assets at fair value through profit or loss		110,491	112,177
Prepayments, deposits and other receivables		969	62
Cash and cash equivalents		6,227	242,875
Total current assets		117,687	457,219
Total assets		1,027,268	1,008,226
EQUITY			
Share capital	24	53	53
Share premium	24	2,165,808	2,197,827
Other reserves	36(a)	(22,936)	(119,730)
Accumulated losses		(1,120,602)	(1,074,030)
Total equity		1,022,323	1,004,120
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		2,958	2,958
Other payables		1,987	1,148
Total current liabilities		4,945	4,106
Total liabilities		4,945	4,106
Total equity and liabilities		1,027,268	1,008,226

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

Other reserves of the Company	Changes in the fair value of financial assets at fair value through other comprehensive income RMB'000	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
At 1 January 2021	(604)	8,801	(108,624)	(100,427)
Currency translation differences	—	—	(24,365)	(24,365)
Share-based compensation (Note 7)	—	6,188	—	6,188
Changes in the fair value of financial assets at fair value through other comprehensive income	(1,126)	—	—	(1,126)
At 31 December 2021	(1,730)	14,989	(132,989)	(119,730)
At 1 January 2022	**(1,730)**	**14,989**	**(132,989)**	**(119,730)**
Currency translation differences	**—**	**—**	**89,426**	**89,426**
Share-based compensation (Note 7)	**—**	**5,638**	**—**	**5,638**
Changes in the fair value of financial assets at fair value through other comprehensive income	**1,730**	**—**	**—**	**1,730**
At 31 December 2022	**—**	**20,627**	**(43,563)**	**(22,936)**