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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

SUMMARY OF ANNUAL RESULTS

	For the year ended 31 December		
	2021	2020	**Change**
RESULTS	**RMB'000**	RMB'000	
Revenue	**4,739,146**	2,830,052	**67.5%**
Operating profit	**116,816**	198,541	**-41.2%**
Profit for the year	**102,348**	182,917	**-44.0%**
Net cash (used in)/generated from operating activities	**(89,962)**	155,613	**-157.8%**
NON-HKFRS MEASURES			
Adjusted net profit(1)	**108,290**	183,211	**-40.9%**
Adjusted net margin (%)(2)	**2.3**	6.5	**-4.2**

Notes:

(1) Adjusted net profit refers to the net profit for the year excluding share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Adjusted net profit for the year is not a measure required by or presented in accordance with HKFRS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

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

DIVIDENDS

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

BUSINESS REVIEW AND OUTLOOK

2021 was a year of challenges and changes. With the effective control of the COVID-19 pandemic by the PRC government and the implementation of economic recovery policies, China's economy grew steadily and the demand for comprehensive flexible staffing services of enterprises remained strong, as a result of which we recorded strong growth in revenue. However, in the second half of 2021, due to the adjustment of the agreement with a major customer and the regulatory changes in some of our clients' industries, our gross profit was negatively impacted. Despite financial headwinds, we are proactively seizing new market opportunities, repositioning ourselves for business strategic upgrade, optimizing client portfolio, and driving for sustainable long-term growth.

In light of the acceleration of digital transformation of China's economy, we saw strong demand for information technology and digital talents from corporate clients. In this context, we proactively embrace changes and reposition for strategic upgrade, committed to partnering with Chinese enterprises to seize digital transformation opportunities, easing their transition to digitalization and solving their problems in integration and connection with the reimagined digital-enabled talent management, leveraging our comprehensive human resources services. We believe that the above measures will lay a good foundation for stable business growth and gross profit margin improvement in 2022.

BUSINESS REVIEW

Amounts and percentage figures set out below 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.

Maintaining Leading Market Position

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

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

Keeping up a Strong Growth Momentum

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

Repositioning for Business Strategic Upgrade and Optimising Revenue Structure

We proactively embrace changes and reposition for strategic upgrade, committed to partnering with Chinese enterprises to seize the compelling opportunities of digital transformation. We focus on helping Chinese enterprises reimagine their talent management digitally to facilitate their transition to digitalization and solving the problems in integration and connection by leveraging our comprehensive human resources professional services. We believe this will reinforce the Company's long-term sustainability.

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

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

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

Service type	Description	For the year ended 31 December 2021 Revenue *(RMB in millions)*	 2020 Revenue *(RMB in millions)*	Change
Digital operation and customer services	• Providing high-quality and efficient digital content services and customer services related business process services through intelligent operations • Meeting clients' high requirements for reliable large-scale, low cost operation and business security • Well-established digital operation and delivery capabilities	261.1	150.6	73.4%

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

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

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

Focusing on R&D and Innovation to Increase Efficiency

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

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

	2021	2020	2019	**Industry level** [4]
Average revenue generated per employee [1] (RMB'000/person)	**4,680**	3,690	3,670	**2,990**
Average number of comprehensive flexible employees under management [2] (person)	**265**	232	216	**~ 150**
Turnover rate of comprehensive flexible employees [3]	**7.4%**	9.0%	9.9%	**> 15%**

Notes:

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

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

3. Turnover rate of comprehensive flexible employees = the average of the monthly turnover rate for the 12 months of the year. The above figures do not take into account data relating to digital operation and customer services.

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

Optimising Client Structure and Sustaining Close Client Relationship

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

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

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

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

OUTLOOK AND FUTURE STRATEGIES

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

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

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

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

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

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

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

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

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

- In September 2021, we entered into an investment agreement with Kumao Robot, an industry-education integrated technology service platform focusing on robotics, intelligent manufacturing and industrial internet, which operates three business segments, namely the industrial internet platform "robot online", the sales and integration of robot system, and the private school "Shanghai Kumao Training School". The investment was completed in January 2022 and will assist us in providing talent supply to our clients in the high-end manufacturing industry. In January 2022, Renrui Human Resources Group, a wholly-owned subsidiary of the Group, established a joint venture, Renrui New Career Technology Service (Shanghai) Co., Ltd., with Kumao Robot to explore the comprehensive flexible staffing market for robot operators.

- In December 2021, we entered into a strategic cooperation with Guangdong Baiyun University, a subsidiary of China Education Group Holdings Limited, to strengthen school-enterprise cooperation and achieve the "integration of industry and education". Under the agreement, Guangdong Baiyun University can select a certain number of students to receive practical training at the enterprises offered by us each year to enhance employment quality.

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, the total revenue of the Group amounted to approximately RMB4,739.1 million, representing an increase of approximately RMB1,909.0 million or approximately 67.5% as compared to approximately RMB2,830.1 million for the year ended 31 December 2020. This was due to the increase in the revenue generated from comprehensive flexible staffing services, which increased by approximately RMB1,894.8 million or 69.5%, when compared to that of 2020.

Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)" issued on 20 February 2020, "The Guidance Opinions of National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration about the Temporary Reduction of Basic Medical Insurance Premiums Payable by Employees (No. 6 [2020] National Healthcare Security Administration)" issued on 21 February 2020 and "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Extension of Implementation Period of Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises and Other Issues (No. 49 [2020] of the Ministry of Human Resources and Social Security)" issued on 22 June 2020, each of the subsidiaries of the Group was entitled to social insurance premium exemption amounted in aggregate to approximately RMB197.1 million in 2020. In line with the philosophy of overcoming difficulties together with our clients, we waived part of the flexible staffing service fees payable by our clients in 2020. If such commercial arrangement were not in place, the revenue of the Group in 2021 would have increased by approximately 56.6% year-on-year as compared to that in 2020.

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

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

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

Comprehensive Flexible Staffing

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

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

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

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

In 2021, we made strategic headway in our digital-enabled professional services business (comprising digital technology and cloud services, and digital operation and customer sevices) with its revenue contribution as a percentage of the total revenue amounted to approximately 7.6% for the year ended 31 December 2021, growing from approximately 5.8% for the year ended 31 December 2020.

The turnover rate of comprehensive flexible staffing employees decreased from approximately 9.0% in 2020 to approximately 7.4% in 2021. The continuous decrease in the turnover rate of comprehensive flexible staffing employees was mainly benefited from our continuous optimisation of the ecosystem platform, investment in data-driven analytics, and enhancement of standardisation of the project management process of comprehensive flexible staffing to achieve sophisticated online project management and online monitoring of key operating indicators. The control of the turnover rates of comprehensive flexible staffing projects has become a key performance indicator for the daily work of our senior consultation team and onsite teams since the second half of 2019. Based on the monthly turnover rate assessment indicators, the senior consultation team and onsite teams tailor made management and control plans on flexible staffing employee turnover rate for different projects, particularly key projects, and ensured the effective implementation of the plans through the management approach of Plan-Do-Check-Action (PDCA).

Professional Recruitment

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

Other HR Solutions

Corporate Training

We provide training and development courses which are tailored to the specific situations and needs of our clients. For the year ended 31 December 2021, the total revenue generated from corporate training amounted to approximately RMB1.0 million, which was generally consistent with that for the year 31 December 2020 of approximately RMB1.0 million.

Labour Dispatch Services

Unlike typical flexible staffing arrangement where the labour contract is entered into and the labour relation is established between us and contract employees, our labour dispatch services involve a tripartite legal relationship among the contract employees, our clients and us, in which the client has a legal relationship with the contract employees while we only charge a moderate service fee for administrative matters. Comparing to comprehensive flexible staffing services, labour dispatch services are of lower value and are not our principal business for future development. For the year ended 31 December 2021, the total revenue generated from labour dispatch services amounted to approximately RMB6.0 million, representing an increase of approximately RMB1.1 million as compared to approximately RMB4.9 million for the year ended 31 December 2020.

Other Miscellaneous Services

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Comprehensive flexible staffing	**207,077**	**4.5**	214,550	7.9
Professional recruitment	**25,464**	**28.3**	27,414	39.6
Other human resources solutions	**19,248**	**70.3**	28,900	85.4
Total	**251,789**	**5.3**	270,864	9.6

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

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

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

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

Selling and Marketing Expenses

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

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

R&D Expenses

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

The R&D expenses for the year ended 31 December 2021 amounted to approximately RMB18.1 million, representing an increase of approximately RMB4.2 million or approximately 30.1% as compared to approximately RMB13.9 million for the year ended 31 December 2020. This was mainly due to (i) the increase in the number of R&D personnel as at 31 December 2021 by 39 as compared to that as at 31 December 2020, which increased the employee benefit expenses by approximately RMB2.1 million; and (ii) the expansion of office space as a result of the increase in R&D personnel, and the office relocation of the R&D department in the second half of 2021 incurred a loss from the early termination of lease. As a result, the office rental in 2021 increased by approximately RMB1.9 million from 2020.

Administrative Expenses

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

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

Other Income

Other income for the year ended 31 December 2021 amounted to approximately RMB48.2 million, representing an increase of approximately RMB15.6 million or approximately 48.1% as compared to approximately RMB32.6 million for the year ended 31 December 2020. Other income primarily comprises income derived from government grants and tax reduction. The increase was primarily attributable to the followings: (i) the financial support funds from certain government authorities, which served as an incentive to human resources companies to provide services to local enterprises and to invest in R&D of company software and systems, increased along with our business expansion and increase in investment. Therefore, we received government grants of approximately RMB37.6 million for the year ended 31 December 2021, as compared to approximately RMB23.7 million for the year ended 31 December 2020, representing an increase of approximately RMB13.9 million; (ii) certain subsidiaries of the Group were qualified for an additional 10% deduction of input VAT from output VAT. For the year ended 31 December 2021, we obtained such tax deduction in the amount of approximately RMB6.6 million, representing an increase of approximately RMB1.9 million as compared to approximately RMB4.7 million for the year ended 31 December 2020. In addition, interest income of approximately RMB3.4 million was generated from investment in wealth management products from the bank financial assets at FVOCI such as corporate bonds and certificates of deposit purchased with the idle unutilised Net Proceeds during the year ended 31 December 2021, which was in similar amount as that for the year ended 31 December 2020.

Other Gains, Net

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

Provision for Net Impairment Losses on Financial Assets

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

Operating Profit

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

Finance Income

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

Finance Costs

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

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

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

Profit before Income Tax

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

Profit for the Year

Profit for the year ended 31 December 2021 amounted to approximately RMB102.3 million, while profit for the year ended 31 December 2020 was approximately RMB182.9 million. Such change was due to the same reasons as set out under the paragraph headed "Profit before Income Tax" above.

Non-HKFRS Measures

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**102,348**	182,917
Add: Share-based payment expenses under the Post-IPO Share Option Scheme	**5,942**	294
Adjusted net profit (unaudited)	**108,290**	183,211

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

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

Net Current Assets

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

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

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

Trade and Notes Receivables

Our trade and notes receivables as at 31 December 2021 increased by approximately RMB283.1 million or approximately 59.2% as compared to approximately RMB477.9 million as at 31 December 2020. This was mainly attributable to (i) increase in revenue; and (ii) credit periods of approximately 10 to 90 days granted to certain new strategic clients for comprehensive flexible staffing services, who generated an increasing revenue as compared to the year ended 31 December 2021. As at 31 December 2021, the provision for losses on trade receivables was approximately RMB12.9 million, representing an increase of approximately RMB3.9 million as compared to approximately RMB9.0 million as at 31 December 2020. The reasons for such change are consistent with those set out in the paragraph "Provision for Net Impairment Losses on Financial Assets" above.

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

	As at 31 December	
	2021	2020
Trade and notes receivables turnover days(1)	**44**	54
Adjusted trade and notes receivables turnover days(2)	**49**	48

Notes:

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

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

For the year ended 31 December 2021, our trade and notes receivables turnover days was 44 days, and the adjusted trade and notes receivables turnover days was 49 days, mainly because we have strengthened our efforts in the collection of trade receivables in addition to the growth in revenue. Our credit period granted to clients is generally within 10 to 70 days.

Prepayments, Deposits and Other Receivables

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

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

Financial Assets at FVOCI

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

Financial assets at fair value through profit or loss

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

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

Trade and Other Payables

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

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

Current Income Tax Liabilities

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

Financial liabilities at fair value through profit or loss

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

Property, Plant and Equipment

As at 31 December 2021, the carrying value of our property, plant and equipment amounted to approximately RMB113.2 million, representing an increase of approximately RMB39.3 million or approximately 53.1% as compared to approximately RMB73.9 million as at 31 December 2020, which was mainly due to the following factors: (i) to expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above), resulting in an increase of approximately RMB89.5 million in the original value of right-of-use assets, such as leases, improvements, electrical equipment and furniture, in relation to our new offices; and (ii) an increase of approximately RMB13.6 million in computer equipment for our new digital operation and customer service centres, service locations and recruitment and delivery centre in Suzhou; which was partially offset by depreciation expenses of approximately RMB48.0 million and depletion and asset retirement due to relocation of approximately RMB15.9 million.

Intangible Assets

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

Other Non-current Assets

Other non-current assets are deposits for employee housing borrowings and housing leases with recovery periods of more than one year. As at 31 December 2021, our other non-current assets amounted to approximately RMB73.9 million, representing an increase of approximately RMB66.9 million or approximately 949.6% as compared to the amount as at 31 December 2020, which was mainly due to the implementation of an employee borrowing plan in June 2021 upon approval by the remuneration committee of the Board and the Board, for the purpose of enhancing employee benefits and hence increasing the stability of employees, and the accumulated amount of borrowings granted to employees for housing amounted to approximately RMB67.7 million as at 31 December, of which the long-term loan portion is RMB65.1 million.

Deferred Income Tax Assets

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

KEY FINANCIAL RATIOS

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

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

Notes:

(1) Adjusted net profit (non-HKFRS) is defined as the net profit for the year excluding share-based payment expenses under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme.

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

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

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

Adjusted Net Profit

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

Adjusted Net Margin

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

Adjusted Current Ratio

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

Liquidity and Capital Resources

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

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

Treasury Policies

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

CASH FLOWS

Net Cash (Used in)/Generated from Operating Activities

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

Net Cash Used in Investing Activities

For the year ended 31 December 2021, net cash used in investing activities was approximately RMB126.2 million, representing a decrease of approximately RMB74.0 million as compared to approximately RMB200.2 million for the year ended 31 December 2020. The decrease was mainly due to the decrease of approximately RMB151.1 million in the net investment expenses for the purchase of bank certificates of deposit and wealth management products of corporate bond in 2021 as compared with 2020, which was partially offset by the increase in investment as follows: (i) the increase of approximately RMB25.8 million in the total expenses for renovation of newly leased office premises and procurement of computer equipment for future business expansion and expansion of service coverage area as compared with 2020; (ii) a significant increase in investments, mergers and acquisitions expenses as compared with 2020. In order to accelerate the development of our comprehensive flexible staffing business in the field of financial institutions, we acquired 51% of the shares of Shanghai Lingshi and Jiangnan Finance Technology, and paid the first and part of the second installments of the purchase price, with a total cash payment of approximately RMB60.9 million.

Net Cash Used in Financing Activities

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

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2021, the sum of outstanding principal and interest of borrowings was approximately RMB5.0 million, which was borrowed from Bank of Communications and OCBC Bank by Shanghai Lingshi, a subsidiary acquired in the second half of 2021 to replenish working capital for daily operations. After the acquisition, we plan to repay these two borrowings in the first half of 2022. As at 31 December 2020, we had no outstanding borrowings.

Our bank facility is subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions. If we breach any covenants, the remaining unutilised amount may be reduced and the drawn down facilities and interest may become payable on demand. During 2021, all these covenants had been complied with by the Group.

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

As at 31 December 2021, our lease liabilities in respect of our leased properties amounted to approximately RMB76.6 million, representing an increase of approximately RMB17.9 million as compared to approximately RMB58.7 million as at 31 December 2020. To expand our business and expand our service coverage in the future, we leased new office premises and relocated our office in 2021 (with more details set out in the paragraph headed "Financial Review – Cost of Revenue" above). As the office areas expanded, the lease liabilities of such leased properties increased accordingly.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2021 and 2020, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

CAPITAL EXPENDITURE

For the year ended 31 December 2021, our capital expenditure amounted to approximately RMB35.9 million, among which, (i) approximately RMB13.3 million was used for the construction of new digital operation and customer service centres and service locations, the establishment of the recruitment and delivery centre in Suzhou, and the renovation of new office premises in Shanghai and other places; (ii) approximately RMB19.4 million was used for the procurement of furniture and computer equipment for the abovementioned newly leased offices; and (iii) approximately RMB3.2 million was used for the upgrade of Xiang Recruitment Platform and the purchase of SAP software licenses and implementation expenses.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. However, due to the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents and financial assets at FVOCI it held as at 31 December 2021. For the year ended 31 December 2021, the Group recorded a net exchange gain of approximately RMB5.4 million in the consolidated income statement.

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

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2021, none of the Group's assets was pledged (31 December 2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

SIGNIFICANT INVESTMENTS

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

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

EVENTS OCCURRED AFTER THE REPORTING PERIOD

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

Save as disclosed in this announcement, there was no material event affecting the Group which has occurred after the year ended 31 December 2021.

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as a leading comprehensive human resources solutions provider, we plan to use the Net Proceeds for certain expansion projects. Details of such expansion projects are set out in the paragraph headed "Use of Net Proceeds from the Listing" in this announcement and the section headed "Future Plans and Use of Proceeds" in the Prospectus.

USE OF NET PROCEEDS FROM THE LISTING

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.

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

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

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

	Intended use of Net Proceeds	Original allocation of Net Proceeds *(HK$ million)*	Amount of Net Proceeds utilised as at 31 January 2022 *(HK$ million)*	Amount of Net Proceeds unutilised as at 31 January 2022 *(HK$ million)*	Balance of the unutilised Net Proceeds after the re-allocation *(HK$ million)*	Intended timetable for the use of unutilised Net Proceeds
(i)	Expand our geographic coverage to better support our clients and new opportunities	198.4	129.8	68.6	30.8	By/ before 31 December 2022
(ii)	Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, information technology industry and new retail clientele	168.7	81.6	87.1	466.0	By/ before 31 December 2022
(iii)	Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	129.0	31.1	97.9	48.3	By/ before 31 December 2022
(iv)	Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	31.1	187.2	95.8	By/ before 31 December 2024
(v)	Further promote our brand and launch marketing and promotion activities	99.2	32.9	66.3	11.3	By/ before 31 December 2022
(vi)	Support our global expansion strategy in the next four years	79.4	0.0	79.4	23.0	By/ before 31 December 2023
(vii)	Working capital and general corporate purposes	99.2	10.5	88.7	0.0	By/ before 31 December 2022
	Total	**992.2**	**317.0**	**675.2**	**675.2**	

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

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Note	**2021**	2020
		RMB'000	RMB'000
Revenue	3	**4,739,146**	2,830,052
Cost of revenue		**(4,487,357)**	(2,559,188)
Gross profit		**251,789**	270,864
Selling and marketing expenses		**(65,491)**	(53,404)
Research and development expenses		**(18,139)**	(13,938)
Administrative expenses		**(100,339)**	(74,196)
Provision for net impairment losses on financial assets		**(4,755)**	(2,941)
Other income	4	**48,228**	32,569
Other gains, net	5	**5,523**	39,587
Operating profit		**116,816**	198,541
Finance income	6	**6,588**	12,820
Finance costs	6	**(4,865)**	(2,950)
Finance income, net	6	**1,723**	9,870
Share of results of joint ventures accounted for using the equity method		**1,889**	(17)
Profit before income tax		**120,428**	208,394
Income tax expense	7	**(18,080)**	(25,477)
Profit for the year		**102,348**	182,917
Profit is attributable to:			
– Equity holders of the Company		**101,667**	182,616
– Non-controlling interests		**681**	301
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	8	**0.66**	1.19
– Diluted earnings per share	8	**0.61**	1.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**113,213**	73,936
Intangible assets	9	**91,311**	3,144
Investments in joint ventures accounted for using the equity method		**21,572**	19,683
Financial assets at fair value through profit or loss	10	**19,946**	—
Derivative financial instruments		**2,085**	2,580
Other non-current assets	10	**73,925**	7,043
Deferred income tax assets		**12,237**	12,678
Restricted cash		**6,002**	6,050
Total non-current assets		**340,291**	125,114
Current assets			
Trade and notes receivables	11	**760,961**	477,895
Prepayments, deposits and other receivables		**38,778**	12,046
Financial assets at fair value through other comprehensive income	10	**102,105**	185,827
Financial assets at fair value through profit or loss	10	**112,177**	—
Restricted cash		**241**	1,815
Cash and cash equivalents		**638,373**	967,225
Total current assets		**1,652,635**	1,644,808
Total assets		**1,992,926**	1,769,922

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2021

	Note	2021	2020
		RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**53**	53
Share premium		**2,199,102**	2,252,478
Shares held for share-based payment scheme		**(87,887)**	(66,609)
Other reserves		**(68,394)**	(62,048)
Accumulated losses		**(788,045)**	(889,712)
		1,254,829	1,234,162
Non-controlling interests		**22,903**	1,901
Total equity		**1,277,732**	1,236,063
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**6,789**	—
Lease liabilities		**50,762**	40,785
Total non-current liabilities		**57,551**	40,785
Current liabilities			
Trade and other payables	12	**588,928**	433,212
Contract liabilities		**14,611**	18,848
Current income tax liabilities		**17,734**	23,235
Financial liabilities at fair value through profit or loss	10	**4,245**	—
Borrowings		**5,017**	—
Lease liabilities		**27,108**	17,779
Total current liabilities		**657,643**	493,074
Total liabilities		**715,194**	533,859
Total equity and liabilities		**1,992,926**	1,769,922

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	51	2,170,559	—	(30,911)	(1,072,328)	1,067,371	—	1,067,371
Comprehensive income								
Profit for the year	—	—	—	—	182,616	182,616	301	182,917
Other comprehensive loss								
– Currency translation differences	—	—	—	(32,419)	—	(32,419)	—	(32,419)
– Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	—	(604)	—	(604)	—	(604)
Total comprehensive income	—	—	—	(33,023)	182,616	149,593	301	149,894
Transactions with equity holders in their capacity as equity holders								
Share-based compensation	—	—	—	1,886	—	1,886	—	1,886
Exercise of share options	1	10,224	—	—	—	10,225	—	10,225
Acquisitions of shares held for share-based payment scheme	—	—	(66,609)	—	—	(66,609)	—	(66,609)
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	1,600	1,600
Issue of ordinary shares in connection with the over-allotment option of the listing, net of listing expenses	1	71,695	—	—	—	71,696	—	71,696
Total transactions with equity holders in their capacity as equity holders	2	81,919	(66,609)	1,886	—	17,198	1,600	18,798
Balance at 31 December 2020	53	2,252,478	(66,609)	(62,048)	(889,712)	1,234,162	1,901	1,236,063
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	—	—	—	(11,408)	—	(11,408)	—	(11,408)
– Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	—	(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	—	—	—	6,188	—	6,188	—	6,188
Exercise of share options	—	57	—	—	—	57	—	57
Dividends paid	—	(53,433)	—	—	—	(53,433)	—	(53,433)
Acquisitions of shares held for share-based payment scheme	—	—	(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 CASH FLOWS

For the year ended 31 December 2021

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

Notes

1 General information

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

The Group is 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.

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

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

2 Summary of significant accounting policies

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

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the Group

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

Amendments to HKFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 - Interest Rate Benchmark Reform - Phase 2

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

(iv) New standards and interpretations not yet adopted

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

	Effective for accounting year beginning on or after
Annual Improvements to HKFRS Standards 2018 –2020	1 January 2022
Amendments to HKAS 16 – Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
Revised Accounting Guideline 5 – Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 – Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 Segment information and revenue

(a) Description of segments and principal activities

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

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

In 2021, the Group integrated the flexible staffing segment and the BPO segment into the comprehensive flexible staffing segment, as a result of change in the structure of the Group's internal organisation to align with the development of its business strategy. The executive Directors consider it more informative and reflective of underlying business realities to examine the business performance of the Group according to the following operating segments:

Comprehensive flexible staffing

The comprehensive flexible staffing segment offers workers upon customers' needs or performing certain business function outsourced by customers to the Group. The Group is responsible for recruiting and managing workers contracted with the Group to satisfy customers' related service needs at various business development stages.

Professional recruitment

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

Other HR solutions

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

The comparative information for the year ended 31 December 2020 was restated.

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

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

(b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2021 was as follows:

	Year ended 31 December 2021			
	Comprehensive flexible staffing RMB'000	**Professional recruitment RMB'000**	**Other HR solutions RMB'000**	**Total RMB'000**
Segment revenue	**4,621,714**	**90,040**	**27,392**	**4,739,146**
Segment gross profit	**207,077**	**25,464**	**19,248**	**251,789**
Unallocated:				
Selling and marketing expenses				**(65,491)**
Research and development expenses				**(18,139)**
Administrative expenses				**(100,339)**
Other income *(Note 4)*				**48,228**
Other gains, net *(Note 5)*				**5,523**
Provision for net impairment losses on financial assets				**(4,755)**
Finance income, net *(Note 6)*				**1,723**
Share of results of joint ventures accounted for using the equity method				**1,889**
Profit before income tax				**120,428**
Income tax expense *(Note 7)*				**(18,080)**
Profit for the year				**102,348**

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

	Year ended 31 December 2020			
	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Segment revenue	2,726,917	69,292	33,843	2,830,052
Segment gross profit	214,550	27,414	28,900	270,864
Unallocated:				
Selling and marketing expenses				(53,404)
Research and development expenses				(13,938)
Administrative expenses				(74,196)
Other income *(Note 4)*				32,569
Other gains, net *(Note 5)*				39,587
Provision for net impairment losses on financial assets				(2,941)
Finance income, net *(Note 6)*				9,870
Share of results of joint ventures accounted for using the equity method				(17)
Profit before income tax				208,394
Income tax expense *(Note 7)*				(25,477)
Profit for the year				182,917

(c) Segment assets and segment liabilities

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

(d) Disaggregation of revenue from contracts with customers

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Comprehensive flexible staffing		
– General services outsourcing	**4,263,142**	2,563,592
– Digital technology and cloud services	**97,423**	12,760
– Digital operation and customer services	**261,149**	150,565
Professional recruitment		
– Recruitment	**89,131**	67,857
– Paid membership	**909**	1,435
Other HR solutions		
– Corporate training	**1,048**	1,026
– Labour dispatch	**5,955**	4,946
– Other miscellaneous services*	**20,389**	27,871
	4,739,146	2,830,052

* For the year ended 31 December 2021, other miscellaneous services mainly included tailored employee management solutions to the customers, which was recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance.

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

2021	**Comprehensive flexible staffing RMB'000**	**Professional recruitment RMB'000**	**Other HR solutions RMB'000**	**Total RMB'000**
Timing of revenue recognition				
At a point in time	**—**	**89,131**	**4,998**	**90,179**
Over time	**4,621,714**	**909**	**22,394**	**4,648,967**
	4,621,714	**90,040**	**27,392**	**4,739,146**

2020	Comprehensive flexible staffing RMB'000	Professional recruitment RMB'000	Other HR solutions RMB'000	Total RMB'000
Timing of revenue recognition				
At a point in time	—	68,262	1,026	69,288
Over time	2,726,917	1,030	32,817	2,760,764
	2,726,917	69,292	33,843	2,830,052

(iii) Information about major customers

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer group A	**1,975,036**	1,092,563

4 Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants (i)	**37,557**	23,677
Additional deduction of input value-added tax ("VAT") (ii)	**6,611**	4,735
Interest income from financial assets at FVOCI (Note 10)	**3,420**	3,136
Others	**640**	1,021
	48,228	32,569

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

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

5 Other gains, net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Exchange gains - net	**5,394**	30,741
Net losses on disposal of financial products at FVOCI	**(879)**	—
Net fair value (losses)/gains on financial products at FVPL	**(665)**	9,968
Net fair value (losses)/gains on derivative financial instruments	**(581)**	30
Fair value losses on financial liabilities at FVPL (Note 14)	**(22)**	—
Gains on early termination of lease contracts	**2,428**	77
Donation expenditure	**—**	(1,051)
Net losses on disposal of property, plant and equipment	**(91)**	(4)
Fair value gains on remeasurement of equity investment at FVPL	**32**	—
Others	**(93)**	(174)
	5,523	39,587

6 Finance income and costs

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income on cash and cash equivalents	**6,588**	12,820
Finance income	**6,588**	12,820
Finance costs		
Interest expense		
– lease liabilities	**(4,812)**	(2,950)
– borrowings	**(53)**	—
Finance costs expensed	**(4,865)**	(2,950)
Finance income, net	**1,723**	9,870

7 Income tax expense

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	**(17,730)**	(23,220)
Deferred income tax	**(350)**	(2,257)
	(18,080)	(25,477)

Cayman Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the years ended 31 December 2021 and 2020.

PRC corporate income tax ("CIT")

CIT provision is made on the estimated assessable profits of entities within the Group incorporated in the PRC and is calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended 31 December 2021 and 2020 except for those as discussed below:

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

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 2021 comply with this policy and are entitled to the above-mentioned preferential tax rate of 20%.

Withholding tax on undistributed dividends

According to CIT law, distribution of profits earned by PRC companies since February 2015 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During years ended 31 December 2021 and 2020, the PRC companies within the Group did not have any profit distribution plan.

8 Earnings per share

(a) Basic earnings per share

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

	Year ended 31 December	
	2021	2020
Profit attributable to the equity holders of the Company (RMB'000)	**101,667**	182,616
Weighted average number of ordinary shares in issue (thousands)	**152,884**	152,998
Basic earnings per share attributable to the equity holders of the Company (RMB per share)	**0.66**	1.19

(b) Diluted earnings per share

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

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

For the year ended 31 December 2021 and 2020, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 1,325,000 share options granted on 30 June 2019, 490,000 share options granted on 31 July 2019, 718,000 share options granted on 22 January 2021 and 1,810,000 share options granted on 16 July 2021 (2020: 390,000 share options granted on 29 October 2020) were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2021. These share options could potentially dilute basic earnings per share in the future.

The diluted earnings per share for the year ended 31 December 2021 and 2020 was as following:

	Year ended 31 December	
	2021	2020
Profit attributable to the equity holders of the Company (RMB'000)	**101,667**	182,616
Weighted average number of ordinary shares in issue (thousands)	**152,884**	152,998
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	**12,795**	18,043
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	**165,679**	171,041
Diluted earnings per share attributable to the equity holders of the Company (RMB per share)	**0.61**	1.07

9 Intangible assets

	Software RMB'000	Goodwill RMB'000	Customer relationship RMB'000	Total RMB'000
At 1 January 2020				
Cost	1,804	—	—	1,804
Accumulated amortisation	(1,036)	—	—	(1,036)
Net book amount	768	—	—	768
Year ended 31 December 2020				
Opening net book amount	768	—	—	768
Additions	2,692	—	—	2,692
Amortisation charge	(316)	—	—	(316)
Closing net book amount	3,144	—	—	3,144
At 31 December 2020				
Cost	4,496	—	—	4,496
Accumulated amortisation	(1,352)	—	—	(1,352)
Net book amount	3,144	—	—	3,144

	Software RMB'000	Goodwill RMB'000	Customer relationship RMB'000	Total RMB'000
Year ended 31 December 2021				
Opening net book amount	**3,144**	**—**	**—**	**3,144**
Additions	**3,237**	**—**	**—**	**3,237**
Additions from acquisition of subsidiaries (Note 14)	**—**	**58,673**	**28,000**	**86,673**
Amortisation charge	**(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**

(i) Amortisation of intangible assets was charged to the consolidated income statement as follows:

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Cost of revenue	**844**	—
Administrative expenses	**2,251**	316
	3,095	316

(ii) Customer relationship

The customer relationship was acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(iii) Goodwill

Goodwill of RMB58,673,000 (2020: Nil) has been allocated to the CGUs of the subsidiaries acquired for impairment testing. Management performed an impairment assessment on the goodwill as at 31 December 2021. The recoverable amounts of these subsidiaries are determined based on value-in use calculation. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Annual revenue growth rate for the 5-year period (%)	7%-20%
Gross profit rate (%)	11%-12%
Terminal revenue growth rate (%)	2.5%
Pre-tax discount rate (%)	23.17%

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2021, the directors of the Company determined that no impairment provision on goodwill for the year ended 31 December 2021.

10 Financial instruments by category

The Group held the following financial instruments:

Financial assets

	Note	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Financial assets at amortised cost			
Trade and notes receivables	11	**760,961**	477,895
Deposits and other receivables		**9,433**	1,731
Other non-current assets (i)		**73,925**	7,043
Restricted cash		**6,243**	7,865
Cash and cash equivalents		**638,373**	967,225
Financial assets at fair value through other comprehensive income			
Wealth management products purchased from banks (ii)		**102,105**	185,827
Financial assets at fair value through profit or loss			
Wealth management products purchased from banks (ii)		**112,177**	—
Investment in a joint venture at fair value through profit or loss (iii)		**19,946**	—
Derivative financial instruments		**2,085**	2,580
		1,725,248	1,650,166

Financial liabilities

	Note	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	12	**63,856**	50,632
Borrowings		**5,017**	—
Lease liabilities		**77,870**	58,564
Financial liabilities at fair value though profit or loss			
Contingent consideration payable		**4,245**	—
		150,988	109,196

(i) Other non-current assets mainly included long-term loans to employees of approximately RMB64,808,000 (31 December 2020: nil) and deposits paid for lease contracts of approximately RMB8,360,000 (31 December 2020: RMB7,043,000) that would be repaid at the end of the relevant leasing periods.

The long-term loans to employees were repayable in the year ended 31 December 2024. The interest rate on the loans during the year was 2%.

(ii) As at 31 December 2021, the Group held certain wealth management products purchased from banks of approximately RMB214,282,000 (31 December 2020: RMB185,827,000), which will be due or sold within one year.

(iii) As at 31 December 2021, the Group held certain investment in ordinary shares with preferential rights issued by a private investee company. The Group maintained joint control in the company.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Losses recognised in other comprehensive income	**(1,126)**	(604)
Interest income from financial assets at FVOCI recognised in profit or loss in other income		
Related to investments derecognised during the period	**2,446**	1,375
Related to investments held at the end of the reporting period	**974**	1,761
	3,420	3,136
Fair value gains/(losses) on financial assets at FVPL recognised in profit or loss in other gains		
Fair value gains on equity investments at FVPL recognised in other gains	**32**	—
Fair value (losses)/gains on wealth management products purchased from banks at FVPL recognised in other (losses)/gains	**(665)**	9,968
	(633)	9,968

11 Trade and notes receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables	**772,936**	477,829
Less: provision for impairment of trade receivables	**(12,918)**	(8,952)
Trade receivables - net	**760,018**	468,877
Notes receivables	**943**	9,018
	760,961	477,895

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 31 December 2021 and 2020.

The Group generally allows a credit period of 10 to 90 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Within 3 months	**757,349**	471,980
– 4 months to 6 months	**7,930**	1,359
– 7 months to 9 months	**1,170**	318
– 10 months to 12 months	**535**	115
– Over 12 months	**5,952**	4,057
	772,936	477,829

Impairment and risk exposure

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

12 Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables due to third parties	**21,374**	18,350
Trade payables due to a joint venture	**1,359**	1,913
Accrued payroll and welfare	**454,813**	341,621
VAT and surcharges	**70,259**	40,959
Risk deposit due to customers	**10,068**	12,687
Payables for acquisition of subsidiaries (Note 14)	**14,702**	—
Others	**16,353**	17,682
	588,928	433,212

As at 31 December 2021 and 2020, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare and VAT and surcharges, which were not financial liabilities, approximated their carrying amounts due to short maturities.

As at 31 December 2021 and 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables		
– Within 6 months	**22,697**	18,040
– 7 months to 12 months	**36**	433
– Over 12 months	**—**	1,790
	22,733	20,263

13 Dividends

The final dividends paid in 2021 amounted to HKD64,213,000 (equivalent to RMB53,433,000) (2020: nil), representing HK$0.42 (equivalent to RMB0.35) (2020:nil) per ordinary share of the Company.

At a Board meeting held on 30 March 2022, the Directors of the Company proposed a final dividend for the year ended 31 December 2021 of HK$0.24 (2020: HK$0.42) per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of reserves for the year ending 31 December 2022 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

14 Business combination

(a) Summary of acquisition

In September 2021, the Group entered into sale and purchase agreements ("**SPA**") with certain third parties, which previously owned 100% equity interest in Jiangnan Finance Technology (Changzhou) Company Limited ("**Jiangnan Finance Technology**") and Shanghai Lingshi Human Resources Services Limited ("**Shanghai Lingshi**"), respectively. According to the SPA, the Group would acquire 51% equity interest in Jiangnan Finance Technology and Shanghai Lingshi respectively at a total consideration of approximately RMB79,824,000, including a contingent consideration of approximately RMB4,223,000. The acquisition was completed on 6 November 2021. Total identifiable net assets of Jiangnan Finance Technology and Shanghai Lingshi amounted to RMB41,472,000. The excess of the consideration transferred and the amount of non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 9).

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
– Cash paid	60,899
– Payable	14,702
– Contingent consideration (i)	4,223
Total purchase consideration	**79,824**

The assets and liabilities recognised as a result of the acquisition are as follows:

	RMB'000
Cash and cash equivalents	7,366
Trade receivables	26,145
Prepayments, deposits and other receivables	19,000
Deferred income tax asset	121
Customer relationship (Note 9)	28,000
Borrowings	(5,022)
Trade and other payables	(27,138)
Deferred income tax liabilities	(7,000)
Net identifiable assets acquired	41,472
Less: non-controlling interests	(20,321)
Add: goodwill (Note 9)	58,673
Net assets acquired	**79,824**

The goodwill is attributable to the business prospects of the acquired business. It will not be deductible for tax purposes. Intangible assets including identified customer relationships of RMB28,000,000 in relation to the acquisitions have been recognised by the Group (Note 9).

There were no acquisitions in the year ended 31 December 2020.

(i) Contingent consideration

Based on the terms of the SPA, the Group was obliged to pay a contingent consideration based on Jiangnan Finance Technology and Shanghai Lingshi's financial performance for the 12 months ending 30 June 2022 ("**contingent consideration payable**"). As at 6 November 2021, the date of acquisition, the fair value of the contingent consideration payable amounted to approximately RMB4,223,000. As at 31 December 2021, the fair value of the contingent consideration payable was approximately RMB4,245,000, which resulted in a fair value loss on contingent consideration payable for the year ended 31 December 2021 amounted to approximately RMB22,000 (Note 5).

(ii) Revenue and profit contribution

The acquired business contributed revenues of RMB35,203,000 and net profit of RMB1,868,000 to the Group for the period from 6 November 2021 to 31 December 2021.

(b) Purchase consideration – cash outflow

	RMB'000
Outflow of cash to acquire subsidiaries, net of cash acquired	
Cash consideration paid	(60,899)
Less: Balances acquired – cash and cash equivalents	7,366
Net cash outflow on acquisitions	**(53,533)**

15 Events occurring after the reporting period

(i) In March 2022, the Group entered into an acquisition agreement with certain third party to acquire 46% of the equity interests in a target company at a total consideration of RMB408,020,000 (equivalent to approximately HKD502,934,000). Upon the completion of the acquisition, the target company will become a non-wholly owned subsidiary of the Group.

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company will be held on Friday, 10 June 2022. For the purpose of determining the Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of the Shares may be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 6 June 2022.

The register of members of the Company will also be closed from Thursday, 16 June 2022 to Monday, 20 June 2022, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no transfer of the Shares may be registered. The record date for determining the entitlements of the Shareholders to the proposed final dividend is Monday, 20 June 2022. To qualify for the final dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 15 June 2022.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles as set out in the CG Code. The Board is of the view that during the year ended 31 December 2021, the Company has complied with all code provisions applicable for companies with a financial year commencing before 1 January 2022 as set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2021.

The Company's relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the year ended 31 December 2021.

OTHER IMPORTANT EVENTS

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

On 16 July 2021, the Company granted options to 42 employees of the Group pursuant to the Post-IPO Share Option Scheme which entitle them to subscribe for a maximum of 1,830,000 Shares. All the options were granted to the employees of the Group. The exercise price of the options is HK$10.668 per Share. For further details, please refer to the announcement of the Company dated 16 July 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated financial statements for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.renruihr.com). The annual report of the Company for the year ended 31 December 2021 containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the same websites in due course.

DEFINITION

In this announcement, 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;
"Annual General Meeting"	the annual general meeting of the Company to be held on Friday, 10 June 2022;
"Audit Committee"	the audit committee of the Board;
"Board"	the board of directors of the Company;
"BPO"	business process outsourcing;
"CAGR"	compound annual growth rate;
"CIC Report"	the industry report issued on 24 February 2022 prepared by China Insights Industry Consultancy Limited, an independent market research expert, as commissioned by the Company;
"CG Code"	Corporate Governance Code set out in Appendix 14 to the Listing Rules;
"Chengdu Tianfu Renrui"	Chengdu Tianfu Renrui Education Consulting Co., Ltd.* (成都天符人瑞教育諮詢有限公司), a wholly-owned subsidiary of the Company;

“Company”	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), an exempted company incorporated in the Cayman Islands on 14 October 2011 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6919);
“comprehensive flexible staffing”	the combined business segment of two previously disclosed business segments of the Company, namely, flexible staffing and BPO . Please refer to the paragraph headed “MANAGEMENT DISCUSSION AND ANALYSIS - Business Review - Business Integration and Upgrade” in the Company’s announcement of interim results for the six months ended 30 June 2021 dated 31 August 2021 for more details;
“comprehensive flexible staffing employees”	the employees under the business segment of comprehensive flexible staffing;
“Director(s)”	the director(s) of the Company;
“FVOCI”	fair value through other comprehensive income;
“GDP”	gross domestic product;
“Greedy Technology”	Greedy Technology (Shenzhen) Co., Ltd.* (貪心科技(深圳)有限公司);
“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 (as defined under the Listing Rules);

"Jiangnan Finance Technology"	Jiangnan Finance Technology (Changzhou) Company limited* (江南金融科技(常州)有限公司);
"Kumao Robot"	Shanghai Kumao Robot Co., Ltd.* (上海庫茂機器人有限公司);
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"New Service Centres"	the two new comprehensive flexible staffing service centres established by the Company in Xi'an and Jinniu District, Chengdu during 2020 to 2021;
"New Service Points"	the five new secondary service points established by the Company in Zhengzhou, Ningbo, Hefei, Changsha and Jinan;
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Net Proceeds"	net proceeds from the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019, amounting to approximately HK$992.2 million;
"Neusoft Holdings"	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司);
"Post-IPO Share Award Scheme"	post-IPO share award scheme of the Company adopted on 26 November 2019 and subsequently amended on 20 June 2020;
"Post-IPO Share Option Scheme"	post-IPO share option scheme of the Company adopted on 26 November 2019;
"PRC"	The People's Republic of China;
"Prospectus"	the prospectus of the Company dated 3 December 2019;
"R&D"	research and development;

"Renrui Human Resources Group"	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"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;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Xunteng Group"	Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司);
"Zhituo Technology"	Zhituo Technology (Tianjin) Partnership (Limited Partnership)* (智拓科技(天津)合夥企業(有限合夥));
"%"	per cent.

* *For identification purpose only.*

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

The PRC, 30 March 2022

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