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Renrui Human Resources Technology Holdings Limited

人瑞人才科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6919)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

SUMMARY OF ANNUAL RESULTS

	For the year ended		Change
	31 December		
RESULTS	2023	2022	
	RMB'000	RMB'000	
Revenue	4,472,172	3,638,203	22.9%
Gross profit	422,498	184,700	128.7%
Operating profit	82,793	11,445	623.4%
Profit for the year	67,786	6,856	888.7%
Profit/(loss) attributable to the equity holders of the Company	41,045	(7,303)	N/A
NON-HKFRS MEASURES			
Adjusted profit for the year	105,125	23,968	338.6%
Adjusted profit attributable to the equity holders of the Company ⁽¹⁾	68,249	5,711	1,095.0%
Adjusted net margin attributable to the equity holders of the Company (%) ⁽²⁾	1.5	0.2	N/A

Notes:

(1) Adjusted profit for the year and adjusted profit attributable to the equity holders of the Company refers to the profit for the year and profit attributable to the equity holders of the Company excluding items which do not relate to the ordinary course of business of the Group and are non-recurring in nature, including amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments and share-based payment expenses. Adjusted profit for the year and adjusted profit attributable to the equity holders of the Company are not measures required by or presented in accordance with HKFRS. The use of such non-HKFRS measures has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS. Please refer to the paragraph headed "Non-HKFRS Measures" under "MANAGEMENT DISCUSSION AND ANALYSIS - FINANCIAL REVIEW" in this announcement for more details.

(2) Adjusted net margin attributable to the equity holders of the Company is calculated as the adjusted profit attributable to the equity holders of the Company as a percentage of the revenue for the year.

DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.09 per Share for the year ended 31 December 2023 (for the year ended 31 December 2022: nil), representing a total payment of approximately HK\$14.1 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 15 July 2024 to the Shareholders whose names appear on the register of members of the Company on Thursday, 20 June 2024.

BUSINESS REVIEW AND OUTLOOK

In 2023, we resumed strong growth and achieved profit turnaround, driven by rapid expansion of digital talent business and improved operational efficiency and stringent cost control. The Group recorded a revenue of approximately RMB4,472.2 million, representing an increase of approximately 22.9% as compared to 2022, among which, revenue generated from digital technology and cloud services amounted to RMB1,752.5 million, representing a significant growth of 225.2% as compared to 2022. Net profit attributed to the equity holders of the Company amounted to approximately RMB41.0 million compared to a net loss of approximately RMB7.3 million in 2022. The number of comprehensive flexible staffing employees increased from around 30,800 as at 31 December 2022 to around 36,000 as at 31 December 2023, of which digital talents increased from around 6,300 in 2022 to around 9,500 in 2023, indicating a steady increase in service scale.

Throughout the year, while the economic environment has seen steady recovery, the overall employment market is still facing challenges. Enterprises' demand for comprehensive flexible staffing of skilled and digital talents has increased, as there has been ongoing talent scarcity due to the shifting skills requirements and the structural imbalance between supply and demand underpinned by technology adoption and digitalisation.

Growing staffing demands featured by lean scaling, IT roles' knowledge-specific and project-based nature has paved the way for great growth opportunities of digital talent business and further penetration of comprehensive flexible staffing services across industries and regions in China. Since the implementation of business strategic upgrade in the second half of 2021, we have achieved key milestones in expanding the business scale in the information and technology and digital talent services market, bringing high quality revenue stream contributing to the revenue increase at higher margins than other business segments. In 2023, revenue from the digital technology and cloud services business increased by 225.2% year-on-year to approximately RMB1,752.5 million as compared to 2022 and was contributing to 39.2% in total revenue and 57.0% in gross margin, driving the Company's gross margin to 9.4% in 2023 from 5.1% in 2022. High-value digital talent services recorded strong sales across new and existing clients, with over 300 new clients added, and obtained robust growth in smart manufacturing and automotive industry, telecommunications sector, and finance sector as well as technology and internet sector. As we further expand our scale, there is still untapped potential for improving our gross margins.

In addition to technology and digitalisation, green transition has been a strong driver reshaping the employment market and creating new jobs, such as new energy and electric vehicle sectors. Significant transformations are underway in a number of the key industry sectors in China, which require us to adapt and support our clients with their dynamic comprehensive flexible staffing needs. For example, the automotive industry has experienced a paradigm shift due to the transition to electric vehicles, regulatory changes, and evolving consumer behaviour. While this transformation may lead to short-term adjustments, it presents us with exciting opportunities as we can address these challenges and assist companies with access to new talent pools in specialist areas, such as electric vehicle (EV) technology, autonomous driving, network communication development, and component design etc. Our extensive reach allows us to source skilled digital talents across industries and quickly adapt to talent needs. As the market evolves and automotive companies are expected to continue to grow, we are primed to support our clients through our comprehensive flexible staffing services. We offer bespoke end-to-end talent supply chain solutions for our clients, leveraging our digital capabilities to ensure standardisation and scalability. Contributed by our comprehensive services offerings, we can provide our clients with IT and digital talents, sales personnel and customer services across the EV sector talent value chain. As at 31 December 2023, we have around 9,500 IT and digital talents seconded to our clients, among which technology and internet, smart manufacturing and automotive, telecommunication and finance sectors accounting for 53%, 17%, 10% and 9%, respectively.

The demand for general service outsourcing businesses has been fluctuating during the last two years and showed a positive sign in the second half of 2023. Though revenue generated from general service outsourcing businesses declined by 12.9% to approximately RMB2,415.7 million in 2023 as compared to 2022, revenue generated in the second half of 2023 increased by 2.4% to approximately RMB1,221.9 million as compared to first half of 2023. We focus on large-scale client strategy, and achieved high client retention with client satisfaction rate improved. Revenue from top 10 clients of general service outsourcing business continued to grow as a percentage of total revenue generated from general service outsourcing business through our efforts in further expanding business cooperation and increasing income generated from such clients. We have expanded our customer base across various industries such as retail sector, new energy sector, logistic sector and automotive sectors. Extending to job positions with higher value and longer terms such as finance, legal, HR and administration brought us new opportunities with existing clients and new clients. In addition, we have successfully sourced overseas companies as our new clients thanks to our nation-wide service network in 150 cities and professional services capabilities. The diversification strategy has enabled us to capture opportunities with potential to grow. As at 31 December 2023, we have around 23,000 employees seconded to our clients for the general service outsourcing business, among which technology and internet, finance, and smart manufacturing and automotive sectors accounting for 62%, 24% and 5%, respectively.

Our revenue mix has shifted to “double-wheel” drivers – fast-growing digital technology and cloud services and general service outsourcing business with solid scale and steady growth, enabling a high quality revenue growth model. Leveraging our competitive advantages of strong client acquisition capabilities, rapid service delivery and quality of professional services, as an agile organization, we are prepared to quickly adapt and respond to the changes of enterprises’ needs of talents and capture the opportunities in the dynamic market.

We have continued to invest in innovation and technology. In 2023, with the CEO-led initiatives for digital transformation at group-level, including the development and advancement in our Ruizhi System, an integrated management platform specializing on digital talent business, the development of AR management system featuring the financial management and risk control for different business groups, enhancing our competitiveness in digital talent business, operational effectiveness and sustainability.

In addition, we have streamlined organization structure adapting to our strategy, centralized recruitment and shared delivery center, improved performance management mechanism with standardised operational KPIs and sales mindset, and refined delivery standards. We also optimized resources allocation by strategically allocate spending on key business areas and key accounts. Cost control measures such as thoughtful headcount allocation and tightened procurement policies are also underway to facilitate healthy, agile and sustainable development of the Group. This allows us to achieve better business performance and financial results.

Our strategic and fast-growing digital talent business made significant progress, and general service outsourcing business resumed to a growth trajectory in the second half of the year. Reflecting our business and financial results this year, we remain committed to achieving sustainable long-term growth and creating value for the Shareholders.

Looking ahead to 2024, a series of macro policies that aim to facilitate economic growth were introduced since the beginning of the year and the Chinese government has put emphasis on the employment market with incentive plans and regulations, which provides a positive and dynamic outlook for the comprehensive flexible staffing market. We will continue to focus on our long-term strategy and bring the business to its full potential by strengthening our core competitiveness in the digital talent market to capture the considerable market opportunities, and maintaining the leadership in the comprehensive flexible staffing market. We will continue to scale up our digital talent business to become a first-tier player with further penetration into key industries and enterprises, by listening carefully to the clients' needs and adapting quickly to the ever-changing technology talent world, aiming to provide industry-leading customer experiences. Against the backdrop that the talent scarcity and imbalance of demand and supply of talents will continue with ageing problem and other human resources market pain points will surge, we believe that our agility to changes, expertise in talent market, fast execution and delivery capability will provide solid foundation for our growth. We are well-positioned to seize the opportunities presented by the industry upgrade and digital transformation in China, remaining resilient and agile amidst an ongoing dynamic market landscape. We are harnessing technology to drive efficiencies and competitive edge, reinvigorating our winning culture and agile organization, and remain focused on creating further value for our stakeholders. The Directors are confident in the future prospects of our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the total revenue of the Group amounted to approximately RMB4,472.2 million, representing an increase of approximately 22.9% as compared to approximately RMB3,638.2 million for the year ended 31 December 2022. This was due to the rapid growth in revenue from digital technology and cloud services business under comprehensive flexible staffing segment.

The Group's revenue by respective business segments for the year ended 31 December 2023 are as follows:

	2023		2022	
	Revenue	% of total	Revenue	% of total
	RMB'000	revenue	RMB'000	revenue
Comprehensive flexible staffing	4,427,506	99.0	3,574,036	98.2
Professional recruitment and other HR solutions	44,666	1.0	64,167	1.8
Total	4,472,172	100.0	3,638,203	100.0

Adhering to our strategy of focusing on serving large-scale clients, we recorded a revenue of approximately RMB1,596.5 million from our top five clients for the year ended 31 December 2023, accounting for approximately 35.7% of the total revenue for the year, with the largest client accounting for approximately 10.8% of the total revenue for the year. We have been continuously optimizing our client structure and mitigating the high concentration risk of single large client.

Comprehensive Flexible Staffing

The revenue generated from comprehensive flexible staffing services for the year ended 31 December 2023 amounted to approximately RMB4,427.5 million, representing an increase of approximately 23.9% as compared to that of approximately RMB3,574.0 million for the year ended 31 December 2022. The number of the Group's comprehensive flexible staffing employees increased from around 30,800 as at 31 December 2022 to around 36,000 as at 31 December 2023, representing an increase of approximately 16.9%. We recruited over 25,200 comprehensive flexible staffing employees in 2023, among which over 5,000 are digital and IT talents.

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

	For the year ended 31 December			
	2023	% of total	2022	% of total
	Revenue	revenue	Revenue	revenue
	RMB'000		RMB'000	
General service outsourcing	2,415,680	54.6	2,774,405	77.6
Digital technology and cloud services	1,752,526	39.6	538,934	15.1
Digital operation and customer services	259,300	5.8	260,697	7.3
Total in comprehensive flexible staffing services	<u>4,427,506</u>	<u>100.0</u>	<u>3,574,036</u>	<u>100.0</u>

In 2023, by actively implementing and seamlessly executing our business upgrade strategy, we have made significant growth in business scale in the digital talent services through organic growth, with revenue contribution from digital technology and cloud services as a percentage of revenue of comprehensive flexible staffing services business amounted to approximately 39.6% for 2023, growing from approximately 15.1% for 2022. As at 31 December 2023, the number of the employees for the Group's IT and digital talent services reached approximately 9,500, increasing from approximately 6,300 as at 31 December 2022, and the revenue generated from digital technology and cloud services was approximately RMB1,752.5 million, representing an increase of approximately 225.2% as compared to that of 2022, including approximately RMB810.9 million from organic growth and approximately RMB941.6 million contributed by Shanghai Sirui. The revenue generated from general service outsourcing was approximately RMB2,415.7 million, representing a decrease of 12.9% as compared to that of 2022, mainly due to the fluctuation of the demand from the clients during the year. The revenue generated in the second half of year slightly increased by 2.4% as compared to the first half of the year, coupled with an increase in the number of comprehensive staffing employees. The revenue generated from digital operation and customer services was approximately RMB259.3 million, maintaining a relatively stable scale with improved efficiency and gross margin.

The turnover rate of comprehensive flexible staffing employees was approximately 8.3% in 2023, representing a decrease from approximately 9.8% in 2022. We will strengthen our efforts in continuous optimisation of the ecosystem platform, investment in data-driven analytics, and enhancement of standardisation of the project management process of comprehensive flexible staffing to achieve comprehensive online project management and online monitoring of key operating indicators.

Professional Recruitment and Other HR Solutions

For the year ended 31 December 2023, revenue from professional recruitment and other HR solutions amounted to approximately RMB44.7 million, as compared to approximately RMB64.2 million for the year ended 31 December 2022. The decrease was mainly due to the reduced demand of professional recruitment from our clients who are more cautious in staff expansion under uncertain economic environment. Recruitment demand of digital and IT talents, which enjoy higher services premium, has increased. This leads to an increase in our average professional recruitment fee per placement from approximately RMB4,200.0 in 2022 to approximately RMB6,000.0 in 2023. In addition, the revenue generated from professional recruitment services in the second half of the year increased by 25.1% as compared to the first half of the year, reflecting gradual recovery of recruitment demand.

Cost

Our cost primarily comprises employee benefit expenses, traveling expenses, subcontracting costs, other taxes and surcharges and others, of which the majority was the labour cost paid to comprehensive flexible staffing employees.

For the year ended 31 December 2023, the Group's total cost amounted to approximately RMB4,049.7 million, representing an increase of approximately 17.3% as compared to that of approximately RMB3,453.5 million for the year ended 31 December 2022. The increase in costs was in line with our increase in revenue during the same period as we continued to attract and serve more clients and scale up our operations.

The average labour cost of each comprehensive flexible staffing employee managed by us for our clients was approximately RMB11,000 per month in 2023, representing an increase from approximately RMB9,067 per month in 2022. This was mainly due to the increase in the number of IT and digital talents in 2023, whose compensation and benefits were relatively higher than those from general position.

Gross Profit and Gross Profit Margin

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

	For the year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Comprehensive flexible staffing	399,986	9.0	159,425	4.5
Professional recruitment and other HR solutions	22,512	50.4	25,275	39.4
Total	422,498	9.4	184,700	5.1

Our gross profit margin for the year ended 31 December 2023 was approximately 9.4%, as compared to approximately 5.1% for the year ended 31 December 2022, which was mainly due to the substantial increase in revenue contribution from the digital technology and cloud services business that features higher gross profit margin, contributing to the increase in the gross profit.

The gross profit margin of comprehensive flexible staffing services was approximately 9.0% in 2023 as compared to 4.5% in 2022, which was mainly attributable to the increased proportion of projects of high-value digital and IT positions as well as positions such as finance, legal, procurement and human resources. Meanwhile, the application of Ruizhi System has substantially improved the efficiency of our operation for the digital and IT talent services. The gross profit margin for general service outsourcing, digital technology and cloud services, and digital operation and customer services was approximately 5.1%, 13.7% and 14.0%, respectively in 2023.

The gross profit margin for professional recruitment and other HR solutions was approximately 50.4% in 2023 as compared to 39.4% in 2022, among which the gross profit margin of the professional recruitment improved from 28.1% in 2022 to 34.2% in 2023 due to the increased proportion of placement for IT and digital talents.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise employee benefit expenses, marketing and promotion expenses, travelling and entertainment expenses, amortisation of intangible assets resulting from acquisition and others.

Our selling and marketing expenses increased from approximately RMB50.2 million for the year ended 31 December 2022 to RMB176.6 million for the year ended 31 December 2023. This was mainly due to (i) the inclusion of such expenses of Shanghai Sirui for the full year of 2023 while such expenses was only consolidated into the Group's accounts since the end of September in 2022 upon completion of the Acquisition; (ii) the increase in the amortisation of intangible assets resulting from acquisition; and (iii) the increase in the spending on selling and marketing activities in fast-growing digital talents business while such expenses were at a relatively low level in 2022 given the impact of COVID-19 pandemic. In 2023, we devoted ourselves to client development and obtained strong sales performance among new clients and existing clients. We added more than 300 new clients for digital technology and cloud services business and obtained strong growth in automotive industry, telecommunication industry and financial industry. Our selling and marketing expenses as a percentage of revenue increased from approximately 1.4% in 2022 to approximately 3.9% in 2023.

R&D Expenses

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

In response to the enterprise digitalisation trend and to solidify our position as a leader in technology-driven HR services, more spending was made on the development of our integrated HR ecosystem. The R&D expenses for the year ended 31 December 2023 amounted to approximately RMB58.2 million, representing an increase of approximately 78.4% as compared to approximately RMB32.6 million for the year ended 31 December 2022. This was mainly due to the further development of the Ruizhi System, the human HR solutions for recruiting of digital and IT talents and the inclusion of the R&D expenses of Shanghai Sirui for the full year of 2023 while such expenses was only consolidated into the Group's accounts since the end of September in 2022 upon completion of the Acquisition. Our R&D expenses as a percentage of revenue increased from approximately 0.9% in 2022 to approximately 1.3% in 2023.

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 2023 amounted to approximately RMB160.2 million, representing an increase of approximately 37.5% as compared to approximately RMB116.5 million for the year ended 31 December 2022, which was mainly due to the inclusion of such expenses of Shanghai Sirui for the full year of 2023 while such expenses was only consolidated into the Group's accounts since the end of September in 2022 upon completion of the Acquisition. Our administrative expenses as a percentage of revenue increased from approximately 3.2% for the year ended 31 December 2022 to approximately 3.6% for the year ended 31 December 2023.

HR

As at 31 December 2023, we had a total of 36,915 employees including 1,007 internal employees and 35,908 comprehensive flexible staffing employees.

Other Income

Our other income for the year ended 31 December 2023 amounted to approximately RMB68.1 million, representing an increase of approximately 77.3% as compared to approximately RMB38.4 million for the year ended 31 December 2022. Other income primarily comprises government grants and income from investment and wealth management. The increase in other income in 2023 was primarily attributable to the increase in financial support funds from government authorities of approximately RMB58.8 million.

Other (Losses), Net

For the year ended 31 December 2023, other losses, net amounted to approximately RMB7.4 million, while other losses, net for the year ended 31 December 2022 amounted to approximately RMB13.2 million. The recorded other net losses were mainly due to the losses from changes in fair value of equity investments and losses from changes in exchange rates, net of gains from wealth management products which recorded losses last year.

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

For the year ended 31 December 2023, the provisions for net impairment losses on financial assets amounted to approximately RMB5.4 million, as compared to the reversal of the net impairment gains on financial assets of RMB0.9 million for the year ended 31 December 2022. The Group provided provisions for impairment according to the ageing and collection of trade and notes receivables. The provision of impairment in 2023 was mainly due to the increase of balance of trade and notes receivables.

Operating Profit

Operating profit of the Group amounted to approximately RMB82.8 million for the year ended 31 December 2023, representing an increase of approximately 623.4% as compared to approximately RMB11.4 million for the year ended 31 December 2022.

Finance Income

Our finance income for the year ended 31 December 2023 amounted to approximately RMB3.6 million, basically flat with approximately RMB3.9 million for the year ended 31 December 2022. Finance income mainly includes the income from monetary investments acquired by the Group with idle funds and the interest income generated from bank deposits.

Finance Costs

Our finance costs for the year ended 31 December 2023 amounted to approximately RMB9.6 million, representing an increase of approximately RMB4.5 million as compared to approximately RMB5.1 million for the year ended 31 December 2022. This increase was mainly due to the interest expenses generated from the increased bank borrowings as the Group further expanded digital technology and cloud services business.

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

The net loss attributable to the results of joint ventures and associates for the year ended 31 December 2023 was approximately RMB2.3 million as compared to the net gain attributable to the results of joint ventures and associates of RMB2.7 million for the year ended 31 December 2022.

Profit before Income Tax

Due to the changes in the aforementioned items, our profit before income tax for the year ended 31 December 2023 amounted to approximately RMB74.6 million, representing an increase of approximately 478.7% as compared to that of approximately RMB12.9 million for the year ended 31 December 2022.

Profit for the Year

Profit for the year ended 31 December 2023 amounted to approximately RMB67.8 million, representing an increase of approximately 888.7% as compared to that of approximately RMB6.9 million for the year ended 31 December 2022.

Profit/(loss) attributable to the equity holders of the Company

The profit attributable to the equity holders of the Company for the year ended 31 December 2023 was approximately RMB41.0 million, as compared to the loss attributable to the equity holders of the Company of approximately RMB7.3 million for the year ended 31 December 2022.

Non-HKFRS Measures

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

	2023	2022
Profit for the year	67,786	6,856
Share-based payment expenses	7,652	5,638
Amortisation of intangible assets resulting from acquisition	23,380	10,045
Impairment of goodwill	—	16,372
Net fair value gains or loss in relation to equity investments	10,374	(12,876)
Less: income tax effect on above adjustments	<u>(4,067)</u>	<u>(2,067)</u>
Adjusted net profit	<u>105,125</u>	<u>23,968</u>
Profit/(loss) attributable to equity holders of the Company	41,045	(7,303)
Share-based payment expenses	7,652	5,638
Amortisation of intangible assets resulting from acquisition	23,380	10,045
Impairment of goodwill	—	16,372
Net fair value gains or loss in relation to equity investments	10,374	(12,876)
Less: income tax effect on above adjustments	(4,067)	(2,067)
Less: adjustments attributable to non-controlling interests	<u>(10,135)</u>	<u>(4,098)</u>
Adjusted profit attributable to the equity holders of the Company	<u>68,249</u>	<u>5,711</u>

In evaluating the business, the Board considers and uses non-HKFRS financial measures, such as adjusted net profit and adjusted profit attributable to the equity holders of the Company as supplemental measures to review and assess the Company's operating performance. We believe that the non-HKFRS financial measures may facilitate the comparison of our financial performance by eliminating the impact of items that we do not consider indicative of the actual performance of our business upon assessment and judgment of the Board. We also believe that such non-HKFRS measures provide more useful information to investors of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across periods. However, our presentation of non-HKFRS financial measures may not be comparable to other measures presented by other companies with similar labels. The use of non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results 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	
	2023	2022
	RMB'000	RMB'000
Total current assets	1,753,778	1,496,219
Total current liabilities	768,215	641,124
Net current assets	985,563	855,095

Our net current assets as at 31 December 2023 amounted to approximately RMB985.6 million, representing an increase of approximately 15.3% as compared to approximately RMB855.1 million as at 31 December 2022. This was mainly due to the increase in the Group's trade and notes receivables due to the business growth.

Trade and Notes Receivables

Our trade and notes receivables as at 31 December 2023 increased by approximately 36.2% to approximately RMB1,301.9 million as compared to approximately RMB955.9 million as at 31 December 2022. This was mainly because (i) the Group's revenue increased by 22.9% in 2023 as compared to 2022; and (ii) the Group has been actively further developing digital technology and cloud services business, revenue contribution of which as a percentage of total revenue increased from 14.8% in 2022 to 39.2% in 2023. The credit period of such business was longer than that of the general service outsourcing.

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

	For the year ended	
	31 December	
	2023	2022
Trade and notes receivables turnover days ⁽¹⁾	93	87
Adjusted trade and notes receivables turnover days ⁽²⁾	86	80

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 2023, our trade and notes receivables turnover days was 93 days, and the adjusted trade and notes receivables turnover days was 86 days, representing an increase as compared to 2022, mainly because (i) the credit period granted to clients of digital technology and cloud services business is generally within 90 days, longer than the previous maximum credit period of 70 days for the general service outsourcing business; (ii) the proportion of digital technology and cloud services business was further increased; and (iii) the credit period for Shanghai Sirui is generally within 155 days which has resulted in a longer credit term of overall trade and notes receivable. The actual collection period for most clients is within the credit period of 10 days to 155 days.

Prepayments, Deposits and Other Receivables

As at 31 December 2023, our prepayments, deposits and other receivables amounted to approximately RMB86.7 million, primarily consisting of rental deposits and prepayments to third-party suppliers, insurance and utilities expenses.

Financial Assets at FVOCI

As at 31 December 2023, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB3.7 million, which mainly represented notes receivables from bank.

Financial Assets at Fair Value through Profit or Loss

As at 31 December 2023, the balance of financial assets at fair value through profit or loss in current assets amounted to approximately RMB57.6 million, which represented our holding of investment-grade bond funds with idle funds.

As at 31 December 2023, the balance of financial assets at fair value through profit or loss in non-current assets amounted to approximately RMB22.2 million, which was mainly related to minority investment.

Trade and Other Payables

As at 31 December 2023, our trade and other payables amounted to approximately RMB541.0 million, representing an increase of approximately RMB43.0 million as compared to RMB498.0 million as at 31 December 2022. The increase was mainly attributable to the increase in the balance of accrued salaries and benefits in the comprehensive flexible staffing business.

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

Current Income Tax Liabilities

As at 31 December 2023, our current income tax liabilities amounted to approximately RMB11.9 million, representing an increase of approximately 13.6% as compared to approximately RMB10.5 million as at 31 December 2022.

Borrowings

The borrowings of the Group have increased by approximately RMB89.3 million from approximately RMB95.2 million as at 31 December 2022 to approximately RMB184.5 million as at 31 December 2023, which was mainly due to the increased bank borrowings for further expansion of digital technology and cloud services business.

Property, Plant and Equipment

As at 31 December 2023, the carrying value of our property, plant and equipment was approximately RMB31.9 million, representing a decrease of approximately 51.1% from approximately RMB65.1 million as at 31 December 2022. Such change was mainly due to depreciation.

Intangible Assets

As at 31 December 2023, the carrying amount of our intangible assets was approximately RMB400.8 million, which was mainly goodwill and customer relationships arising from the acquisition of Shanghai Sirui, Shanghai Lingshi and Lingshi Yuntian.

Investments in Joint Ventures Accounted for Using the Equity Method

As at 31 December 2023, the balance of investment in joint ventures accounted for using the equity method was approximately RMB28.5 million, representing an increase of approximately 12.7% from approximately RMB25.3 million as at 31 December 2022, which was mainly due to the profit recorded by some joint ventures in 2023.

Investment in Associates Accounted for Using the Equity Method

As at 31 December 2023, the balance of investment in associates accounted for using the equity method amounted to RMB20.4 million, representing the Group's investments in Renrui New Career and Wanyoumali.

Deferred Income Tax Assets

As at 31 December 2023, the carrying amount of our deferred income tax assets was approximately RMB17.1 million, which was mainly allowance for receivables, lease liabilities, as well as the deferred income tax provided for loss and other matters in the previous year.

KEY FINANCIAL RATIOS

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

	For the year ended	
	31 December	
	2023	2022
Revenue growth	22.9%	-23.2%
Gross margin	9.4%	5.1%
Adjusted net margin (Non-HKFRS) ⁽¹⁾	2.4%	0.7%
Adjusted net margin attributable to the equity holders of the Company (Non-HKFRS) ⁽¹⁾	1.5%	0.2%
	2023	2022
	31 December	31 December
Adjusted current ratio (times) ⁽²⁾	2.2	2.0

Notes:

- (1) Adjusted net margin and adjusted net margin attributable to equity holders of the Company (non-HKFRS) are calculated as the adjusted profit and adjusted profit attributable to the equity holders of the Company as a percentage of the revenue for the same year.
- (2) 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 are defined as the current assets excluding the Net Proceeds received and unutilised, where applicable.

Adjusted Current Ratio

As at 31 December 2023, the adjusted current ratio increased to approximately 2.2 from approximately 2.0 as at 31 December 2022. The Group's short-term solvency remains steady.

Liquidity and Capital Resources

As at 31 December 2023, we had cash and cash equivalents of approximately RMB284.9 million, representing a decrease as compared to that of approximately RMB354.4 million as at 31 December 2022. Such change was mainly due to the fact that the Group continued to expand digital technology and cloud services business resulting in net cash used in operating activities of approximately RMB151.9 million.

Treasury Policies

The treasury and funding policies of the Group primarily focus on liquidity management and maintaining an optimum level of liquidity and risk balance. 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 low-risk 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 with a relatively low and controllable risk level.

CASH FLOWS

Net Cash (Used in)/Generated from Operating Activities

Net cash used in operating activities for the year ended 31 December 2023 was approximately RMB151.9 million, as compared to net cash generated from operating activities of approximately RMB118.9 million the year ended 31 December 2022. This was mainly due to the following reasons: (i) in 2023, the Group actively expanded digital technology and cloud services business, resulting in revenue from relevant business increased by approximately RMB1,213.6 million year-on-year, and the credit period of such services was longer than that of the general service outsourcing. Therefore, the working capital invested in relevant business by the Group increased; and (ii) in 2023, the selling and marketing expenses incurred by the Group to explore business increased, while related expenses were reduced in 2022 due to the impact of the Covid-19 pandemic.

Net Cash Generated from/Used in Investing Activities

For the year ended 31 December 2023, net cash generated from investing activities was approximately RMB38.8 million, as compared to net cash used in investing activities of approximately RMB328.1 million for the year ended 31 December 2022. This was mainly due to the redemption of certain investment funds in 2023, while payments have been made in 2022 for investment and acquisitions.

Net Cash Generated from/Used in Financing Activities

For the year ended 31 December 2023, net cash generated from financing activities was approximately RMB43.2 million, while the net cash used in financing activities for the year ended 31 December 2022 was approximately RMB91.3 million. Such change was mainly due to the increase in the Group's bank borrowings to deepen the expansion of the digital technology and cloud services business.

CAPITAL STRUCTURE

Indebtedness

As at 31 December 2023, we had outstanding borrowings of approximately RMB184.5 million.

As at 31 December 2023, we had unutilised banking facilities of approximately RMB451.9 million.

Our bank facility is subject to the fulfilment of certain covenants, as are commonly found in lending arrangements with financial institutions. If we breach any covenants, the remaining unutilised amount may be reduced and the drawn down facilities and interest may become payable on demand. During 2023, all these covenants had been complied with by the Group.

As at 31 December 2023, our lease liabilities in respect of our leased properties amounted to approximately RMB19.0 million, representing a decrease as compared to approximately RMB42.6 million as at 31 December 2022, which was mainly due to reduced rental area.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 31 December 2023 and 2022, 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 2023, our capital expenditure amounted to approximately RMB6.6 million, which was mainly used for development of computer systems.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 31 December 2023, 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, given the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents it held as at 31 December 2023. For the year ended 31 December 2023, the Group recorded a net exchange loss of approximately RMB2.2 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 2023, none of the Group’s assets was pledged to secure banking facilities granted to the Group (31 December 2022: nil).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

Reference is made to the discloseable transactions announcement of the Company dated 15 September 2021 in relation to the acquisitions by Renrui Human Resources Group (the “**Purchaser**”) of 51% equity interests in each of Lingshi Yuntian and Shanghai Lingshi from Mr. Cai Yulong and Qihang Yuntian (an entity controlled by Mr. Cai Yulong, and together with Mr. Cai Yulong, the “**Vendors**”), respectively. Pursuant to the relevant sales and purchase agreements (the “**SPAs**”), the Vendors have undertaken certain performance targets, including, *inter alia*, that the total service premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Lingshi Yuntian from 1 July 2021 to 30 June 2023 shall amount to not less than RMB60,290,570 (the “**Target**”). In the event that the Target is not met, the Purchaser shall have the option to acquire from the Vendors up to 8% of their equity interests in each of Shanghai Lingshi and Lingshi Yuntian at a price based on the paid-up capital of Shanghai Lingshi and Lingshi Yuntian, respectively, within 60 working days from 1 July 2023 in proportion to the shortfall from the Target in accordance with the SPAs. The actual service premium was approximately RMB46.1 million, representing a shortfall of approximately RMB14.2 million, or 23.5%, from the Target. In light of the non-fulfilment of Target, the Board has resolved to exercise the option to acquire from the Vendors 8% of their equity interests in each of Lingshi Yuntian and Shanghai Lingshi at a price based on their respective paid-up capital in accordance with the SPAs, which constitute a discloseable transaction of the Company under the Listing Rules. For more details, please refer to the Company’s announcement dated 18 September 2023.

Saved as disclosed above, the Group has no material acquisition or disposal of subsidiaries, associates or joint ventures of the Group which would fall to be disclosed under the Listing Rules for the year ended 31 December 2023.

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as a leading comprehensive human resources solutions provider, we plan to utilise the Net Proceeds to carry out certain expansion projects. Details of such expansion projects are set out in the paragraph headed “USE OF PROCEEDS FROM THE GLOBAL OFFERING” in this announcement and the section headed “Future Plans and Use of Proceeds” in the Prospectus respectively.

EVENTS OCCURRED AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no material event affecting the Group which has occurred since 31 December 2023 and up to the date of this announcement.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

As detailed in the announcements of the Company dated 8 March 2022 and 28 March 2023 respectively, in order to better utilise the financial resources of the Group, the Board has reviewed and revised the utilization plan of the Net Proceeds. The Company has utilised the Net Proceeds in accordance with the revised utilization plan and for the year ended 31 December 2023, the Company had utilised Net Proceeds of HK\$176.9 million. As at 31 December 2023, the Company had unutilised Net Proceeds of HK\$73.9 million. Details of the breakdown of the Net Proceeds utilised up to 31 December 2023 and the intended use of the unutilised Net Proceeds after the 2nd re-allocation on 28 March 2023 are set out below:

		Balance of the Net Proceeds unutilised as at 31 December 2022 after 2 nd re- allocation of Net Proceeds (HK\$ million)	Amount of Net Proceeds utilised during the year ended 2023 (HK\$ million)	Balance of Net Proceeds unutilised as at 31 December 2023 (HK\$ million)	Intended timetable for the use of the unutilised Net Proceeds
(i)	Expand our geographic coverage to better support our clients and new opportunities	198.4	39.0	0	By 31 December 2023
(ii)	Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, information technology industry and new retail clientele	168.7	50.3	25.3	By 31 December 2024

		Balance of the Net Proceeds unutilised as at 31 December Original allocation of Net Proceeds (HK\$ million)	Balance of the Net Proceeds unutilised as at 31 December 2022 after 2 nd re- allocation (HK\$ million)	Amount of Net Proceeds utilised during the year ended 31 December 2023 (HK\$ million)	Balance of Net Proceeds unutilised after the re-allocation as at 31 December 2023 (HK\$ million)	Intended timetable for the use of the unutilised Net Proceeds
(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	56.4	56.4	0	By 31 December 2023
(iv)	Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	51.2	29.2	22.0	By 31 December 2024
(v)	Further promote our brand and launch marketing and promotion activities	99.2	10.9	4.6	6.3	By 31 December 2024 (Note)
(vi)	Support our global expansion strategy in the next four years	79.4	23.0	2.7	20.3	By 31 December 2024
(vii)	Working capital and general corporate purposes	99.2	20.0	20.0	0	By 31 December 2023
	Total	992.2	250.8	176.9	73.9	

Note:

As majority of the marketing and brand promotion activities are carried out online instead of offline nowadays, resulting in a decrease in spending on marketing and promotion activities, the Group has not fully utilised the Net Proceeds allocated for marketing and promotion activities by 31 December 2023 as originally scheduled. The Group expects to fully utilise the Net Proceeds allocated for this purpose by the end of 2024.

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. Save as disclosed above, the Directors are not aware of any material change to the planned use of Net Proceeds as at the date of this announcement.

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Revenue	3	4,472,172	3,638,203
Cost of revenue		(4,049,674)	(3,453,503)
Gross profit		422,498	184,700
Selling and marketing expenses		(176,649)	(50,215)
Research and development expenses		(58,168)	(32,607)
Administrative expenses		(160,179)	(116,545)
(Provision for)/reversal of net impairment losses on financial assets		(5,419)	896
Other income	4	68,119	38,367
Other losses, net	5	(7,409)	(13,151)
Operating profit		82,793	11,445
Finance income	6	3,640	3,881
Finance costs	6	(9,592)	(5,108)
Finance costs, net	6	(5,952)	(1,227)
Share of results of joint ventures		3,218	3,680
Share of results of associates		(5,480)	(1,010)
Profit before income tax		74,579	12,888
Income tax expense	7	(6,793)	(6,032)
Profit for the year		67,786	6,856
Profit/(loss) is attributable to:			
– Equity holders of the Company		41,045	(7,303)
– Non-controlling interests		26,741	14,159
Earnings/(loss) per share (expressed in RMB per share)			
– Basic earnings/(loss) per share	8	0.27	(0.05)
– Diluted earnings/(loss) per share	8	0.26	(0.05)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Profit for the year		67,786	6,856
Other comprehensive income			
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
– Currency translation differences of the Company		17,314	89,426
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Currency translation differences of subsidiaries		(14,675)	(66,963)
– Changes in the fair value of financial assets at fair value through other comprehensive income		—	1,730
Other comprehensive income for the year, net of tax		2,639	24,193
Total comprehensive income for the year		70,425	31,049
Total comprehensive income for the year is attributable to			
– Equity holders of the Company		43,684	16,890
– Non-controlling interests		26,741	14,159

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	As at 31 December	
		2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		31,874	65,116
Intangible assets	9	400,756	419,987
Investments in joint ventures accounted for using the equity method		28,470	25,252
Investments in associates accounted for using the equity method		20,410	5,890
Financial assets at fair value through profit or loss		22,183	34,300
Derivative financial instruments		2,162	1,526
Other non-current assets		8,309	63,382
Deferred income tax assets		17,115	16,215
Restricted cash		6,300	—
Total non-current assets		537,579	631,668
Current assets			
Trade and notes receivables	10	1,301,905	955,940
Prepayments, deposits and other receivables		86,707	40,435
Contract fulfilment cost		18,720	7,847
Financial assets at fair value through other comprehensive income		3,650	5,376
Financial assets at fair value through profit or loss		57,563	114,743
Derivative financial instruments		—	10,584
Restricted cash		356	6,858
Cash and cash equivalents		284,877	354,436
Total current assets		1,753,778	1,496,219
Total assets		2,291,357	2,127,887

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		53	53
Share premium		2,167,837	2,167,837
Shares held for share-based payment scheme		(94,313)	(87,887)
Other reserves		(35,502)	(38,563)
Accumulated losses		(754,303)	(795,348)
		<u>1,283,772</u>	<u>1,246,092</u>
Non-controlling interests		220,756	203,502
		<u>1,504,528</u>	<u>1,449,594</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		14,037	18,057
Lease liabilities		4,577	19,112
		<u>18,614</u>	<u>37,169</u>
Total non-current liabilities			
Current liabilities			
Trade and other payables	11	541,039	497,988
Contract liabilities		16,373	14,028
Current income tax liabilities		11,934	10,503
Borrowings		184,472	95,164
Lease liabilities		14,397	23,441
		<u>768,215</u>	<u>641,124</u>
Total current liabilities		768,215	641,124
		<u>786,829</u>	<u>678,293</u>
Total liabilities		786,829	678,293
		<u>2,291,357</u>	<u>2,127,887</u>
Total equity and liabilities		2,291,357	2,127,887

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022		53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732
Comprehensive income									
(Loss)/Profit for the year		—	—	—	—	(7,303)	(7,303)	14,159	6,856
Other comprehensive income									
- Currency translation differences		—	—	—	22,463	—	22,463	—	22,463
- Changes in the fair value of financial assets at fair value through other comprehensive income		—	—	—	1,730	—	1,730	—	1,730
Total comprehensive income		—	—	—	24,193	(7,303)	16,890	14,159	31,049
Transactions with equity holders in their capacity as equity holders									
Share-based compensation		—	—	—	5,638	—	5,638	—	5,638
Exercise of share options		—	111	—	—	—	111	—	111
Dividends paid		—	(31,376)	—	—	—	(31,376)	—	(31,376)
Capital contribution from non-controlling interests		—	—	—	—	—	—	100	100
Capital reduction in respect of non-controlling interests		—	—	—	—	—	—	(800)	(800)
Dividends of subsidiaries		—	—	—	—	—	—	(96)	(96)
Acquisition of subsidiaries		—	—	—	—	—	—	167,236	167,236
Total transactions with equity holders in their capacity as equity holders		—	(31,265)	—	5,638	—	(25,627)	166,440	140,813
Balance at 31 December 2022		53	2,167,837	(87,887)	(38,563)	(795,348)	1,246,092	203,502	1,449,594
Balance at 1 January 2023		53	2,167,837	(87,887)	(38,563)	(795,348)	1,246,092	203,502	1,449,594
Comprehensive income									
Profit for the year		—	—	—	—	41,045	41,045	26,741	67,786
Other comprehensive income									
- Currency translation differences		—	—	—	2,639	—	2,639	—	2,639
- Changes in the fair value of financial assets at fair value through other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	2,639	41,045	43,684	26,741	70,425
Transactions with equity holders in their capacity as equity holders									
Share-based compensation		—	—	—	7,652	—	7,652	—	7,652
Transactions with non-controlling interests		—	—	—	(7,230)	—	(7,230)	(5,567)	(12,797)
Capital contribution from non-controlling interests		—	—	—	—	—	—	490	490
Dividend of subsidiary		—	—	—	—	—	—	(4,410)	(4,410)
Acquisitions of shares held for share-based payment scheme		—	—	(6,426)	—	—	(6,426)	—	(6,426)
Total transactions with equity holders in their capacity as equity holders		—	—	(6,426)	422	—	(6,004)	(9,487)	(15,491)
Balance at 31 December 2023		53	2,167,837	(94,313)	(35,502)	(754,303)	1,283,772	220,756	1,504,528

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Cash flows (used in)/generated from operating activities			
Cash (used in)/generated from operations		(141,606)	139,883
Income tax paid		(10,281)	(20,978)
Net cash (used in)/generated from operating activities		(151,887)	118,905
Cash flows generated from/(used in) investing activities			
Payment for acquisition of subsidiaries, net of cash acquired		—	(401,742)
Purchase of property, plant and equipment		(930)	(11,495)
Purchase of intangible assets		(5,656)	(2,123)
Purchase of financial assets at fair value through profit or loss		(94,400)	(230,000)
Investment income from financial assets at fair value through profit or loss		2,995	4,441
Proceeds from disposal of property, plant and equipment		263	3,802
Proceeds from disposal of financial assets at fair value through profit or loss		152,890	210,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	102,027
Cash paid for investing in associates		(20,000)	(6,900)
Interest received		3,617	3,881
Net cash generated from/(used in) investing activities		38,779	(328,109)
Cash flows generated from/(used in) financing activities			
Proceeds from exercise of share options		—	111
Proceeds from bank borrowings		340,801	13,460
Repayments of bank borrowings		(252,020)	(43,477)
Capital contribution from non-controlling shareholders of subsidiaries		490	100
Transactions with non-controlling interests		(1,680)	—
Acquisition of shares held for share-based payment scheme		(6,426)	—
Payment of lease liabilities		(26,197)	(27,879)
Interest paid		(7,336)	(1,379)
Capital reduction in respect of non-controlling		—	(800)
Dividends of a subsidiary		(4,410)	(96)
Dividends paid to company's shareholders		—	(31,376)
Net cash generated from/(used in) financing activities		43,222	(91,336)
Net decrease in cash and cash equivalents		(69,886)	(300,540)
Cash and cash equivalents at beginning of the year		354,436	638,373
Effects of exchange rate changes on cash and cash equivalents		327	16,603
Cash and cash equivalents at end of the year		284,877	354,436

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

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

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

2 Summary of accounting policies

The material and other 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 2023:

- Disclosure of Accounting Policies (amendments) – HKAS 1 and HKFRS Practice Statement 2
- Definition of Accounting Estimates (amendments) – HKAS 8
- Deferred tax related to assets and liabilities arising from a single transaction (amendments) – HKAS 12
- International Tax Reform – Pillar Two Model Rules (amendments) – HKAS 12

- Insurance Contracts (new standard) – HKFRS 17
- Amendments to HKFRS 17 – HKFRS 17 and
- Initial Application of HKFRS 17 and HKFRS 9—Comparative Information – HKFRS 17.

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 2023 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
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current (amendments)	Accounting periods beginning on or after 1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	Accounting periods beginning on or after 1 January 2024
Amendments to HKAS 7 and HKFRS 7 - Supplier finance arrangements	Accounting periods beginning on or after 1 January 2024
Amendments to HKFRS 16 - Lease liabilities in a sale and leaseback	Accounting periods beginning on or after 1 January 2024
Amendments to HKAS 21 - Lack of exchangeability	Accounting periods beginning on or after 1 January 2025
HK Int 5 (Revised)- Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	HK Int 5 (Revised) has incorporated the references to Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and Amendments to HKAS 1 Noncurrent Liabilities with Covenants. Both amendments are to be applied as a package and are effective for annual reporting periods beginning on or after 1 January 2024
Amendments to HKFRS 10 and HKAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	A date to be determined by the IASB

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

Comprehensive flexible staffing

The comprehensive flexible staffing segment mainly comprise general service outsourcing, digital technology and cloud services and digital operation and customer services, which offers personnel upon customers' needs or performing certain business function outsourced by customers to the Group. The Group is responsible for recruiting and managing personnel contracted with the Group to satisfy customers' related service needs at various business development stages.

Professional recruitment and other HR solutions

The professional recruitment segment offers bulk recruitment service. The Group assists customers in searching for, identifying and recommending suitable candidates for the job vacancies. Also, the Group assists customers' hiring process, which includes candidate assessments, screening and conducting candidate interviews. The Group also provides other HR solutions such as corporate training and labour dispatch.

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

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

(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 2023 was as follows:

	Year ended 31 December 2023		
	Comprehensive flexible staffing RMB'000	Professional recruitment and other HR solutions RMB'000	Total RMB'000
Segment revenue	4,427,506	44,666	4,472,172
Segment gross profit	399,986	22,512	422,498
Unallocated:			
Selling and marketing expenses			(176,649)
Research and development expenses			(58,168)
Administrative expenses			(160,179)
Other income (<i>Note 4</i>)			68,119
Other losses, net (<i>Note 5</i>)			(7,409)
Provision for net impairment losses on financial assets			(5,419)
Finance costs, net (<i>Note 6</i>)			(5,952)
Share of results of joint ventures accounted for using the equity method			3,218
Share of results of associates accounted for using the equity method			(5,480)
Profit before income tax			74,579
Income tax expense (<i>Note 7</i>)			(6,793)
Profit for the year			67,786

The segment information provided to the Group's CODM for the reportable segments for the year ended 31 December 2022 was as follows:

	Year ended 31 December 2022		
	Comprehensive flexible staffing RMB'000	Professional recruitment and other HR solutions RMB'000	Total RMB'000
Segment revenue	3,574,036	64,167	3,638,203
Segment gross profit	159,425	25,275	184,700
Unallocated:			
Selling and marketing expenses			(50,215)
Research and development expenses			(32,607)
Administrative expenses			(116,545)
Other income (<i>Note 4</i>)			38,367
Other losses, net (<i>Note 5</i>)			(13,151)
Reversal of net impairment losses on financial assets			896
Finance costs, net (<i>Note 6</i>)			(1,227)
Share of results of joint ventures accounted for using the equity method			3,680
Share of results of associates accounted for using the equity method			(1,010)
Profit before income tax			12,888
Income tax expense (<i>Note 7</i>)			(6,032)
Profit for the year			6,856

(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	
	2023	2022
	RMB'000	RMB'000
Comprehensive flexible staffing		
– General service outsourcing	2,415,680	2,774,405
– Digital technology and cloud services	1,752,526	538,934
– Digital operation and customer services	259,300	260,697
Professional recruitment and other HR solutions	44,666	64,167
	<u>4,472,172</u>	<u>3,638,203</u>

(ii) Information about major customers

The major customer group from whom the individual customer group's revenue for the year ended 2023 amounted to 10% or more of the Group's total revenue for the year ended 2023 was as below:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Customer group A	<u>481,422</u>	<u>451,173</u>

4 Other income

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants (i)	58,774	26,083
Additional deduction of input value-added tax (“VAT”) (ii)	6,598	9,843
Interest income from financial assets at FVOCI	—	659
Others	2,747	1,782
	<u>68,119</u>	<u>38,367</u>

- (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 VAT Policies for Promoting the Relief and Development of Difficult Industries in the Service Industry” (Cai Shui [2022] No.11) (「關於促進服務業領域困難行業紓困發展有關增值稅政策的公告」(財稅 [2022]第11號)) jointly issued by the Ministry of Finance, the State Administration of Taxation, the Company’s certain subsidiaries qualified for an additional 10% deduction of input VAT from output VAT during the year 2022.

Pursuant to the “Announcement on Clarifying Policies for Value Added Tax Exemption and Exemption for Small scale Taxpayers” (Cai Shui [2023] No.1) (「關於明確增值稅小規模納稅人減免增值稅等政策的公告」(財稅 [2023]第1號)) jointly issued by the Ministry of Finance, the State Administration of Taxation, the Company’s certain subsidiaries qualified for an additional 5% deduction of input VAT from output VAT during the year 2023.

5 Other losses, net

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Impairment of goodwill	—	(16,372)
Exchange (losses)/gains - net	(2,185)	3,888
Net losses on disposal of financial products at FVOCI	—	(2,496)
Net fair value gains/(losses) on wealth management products purchased from bank at FVPL	1,392	(11,538)
Net fair value gains on derivative financial instruments	1,169	10,025
Fair value gains on contingent consideration payable at FVPL	—	4,245
Fair value gains on contingent consideration receivable at FVPL	574	4,252
Net losses on disposal of property, plant and equipment, and intangible assets	(396)	(4,562)
Fair value losses from equity investment at FVPL	(12,117)	(5,646)
Investment income on wealth management products at FVPL	2,817	4,826
Others	1,337	227
	<u>(7,409)</u>	<u>(13,151)</u>

6 Finance income and costs

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<i>Finance income</i>		
Interest income on cash and cash equivalents	<u>3,640</u>	<u>3,881</u>
Finance income	<u>3,640</u>	<u>3,881</u>
<i>Finance costs</i>		
Interest expense		
– lease liabilities	(1,729)	(3,565)
– borrowings	(7,863)	(1,543)
Finance costs expensed	<u>(9,592)</u>	<u>(5,108)</u>
Finance costs, net	<u>(5,952)</u>	<u>(1,227)</u>

7 Income tax expense

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	(11,713)	(11,464)
Deferred income tax	4,920	5,432
	<u>(6,793)</u>	<u>(6,032)</u>

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 2023 and 2022.

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 2023 and 2022 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 2023 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. The Group had confirmed that retained earnings of the Group’s PRC subsidiaries as at 31 December 2023 will not be distributed in the foreseeable future.

8 Earnings/(loss) per share

(a) Basic earnings/(loss) 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	
	2023	2022
Profit/(loss) attributable to the equity holders of the Company (RMB’000)	<u>41,045</u>	<u>(7,303)</u>
Weighted average number of ordinary shares in issue (thousands)	152,922	153,033
Basic earnings/(loss) per share attributable to the equity holders of the Company (RMB per share)	<u>0.27</u>	<u>(0.05)</u>

(b) Diluted earnings/(loss) 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 2023, 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 certain share option schemes were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2023, as the average market price of the ordinary share during the year 2023 is lower than the exercise prices of these schemes. These share options could potentially dilute basic earnings per share in the future.

As the Group incurred losses for the year ended 31 December 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the year ended 31 December 2022 was the same as basic loss per share.

The diluted earnings per share for the year ended 31 December 2023 and 2022 was as following:

	Year ended 31 December	
	2023	2022
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	<u>41,045</u>	<u>(7,303)</u>
Weighted average number of ordinary shares in issue (thousands)	152,922	153,033
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	<u>3,326</u>	<u>—</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	<u>156,248</u>	<u>153,033</u>
Diluted earnings/(loss) per share attributable to the equity holders of the Company (RMB per share)	<u>0.26</u>	<u>(0.05)</u>

9 Intangible assets

	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
At 1 January 2022				
Cost	7,733	58,673	28,000	94,406
Accumulated amortisation	(2,251)	—	(844)	(3,095)
Net book amount	<u>5,482</u>	<u>58,673</u>	<u>27,156</u>	<u>91,311</u>
Year ended 31 December 2022				
Opening net book amount	5,482	58,673	27,156	91,311
Additions from acquisition of a subsidiary	956	265,561	88,899	355,416
Other additions	2,123	—	—	2,123
Impairment of goodwill	—	(16,372)	—	(16,372)
Amortisation charge	(1,037)	—	(10,045)	(11,082)
Disposal	(1,409)	—	—	(1,409)
Closing net book amount	<u>6,115</u>	<u>307,862</u>	<u>106,010</u>	<u>419,987</u>
At 31 December 2022				
Cost	9,403	324,234	116,899	450,536
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(3,288)	—	(10,889)	(14,177)
Net book amount	<u>6,115</u>	<u>307,862</u>	<u>106,010</u>	<u>419,987</u>
Year ended 31 December 2023				
Opening net book amount	6,115	307,862	106,010	419,987
Additions	5,656	—	—	5,656
Amortisation charge	(1,228)	—	(23,380)	(24,608)
Disposal	(279)	—	—	(279)
Closing net book amount	<u>10,264</u>	<u>307,862</u>	<u>82,630</u>	<u>400,756</u>
At 31 December 2023				
Cost	14,780	324,234	116,899	455,913
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(4,516)	—	(34,269)	(38,785)
Net book amount	<u>10,264</u>	<u>307,862</u>	<u>82,630</u>	<u>400,756</u>

(i) Customer relationships

Customer relationships 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 directors' best estimate of the expected contract period for comprehensive flexible staffing services with customers. The useful life of 5 years for customer relationships is determined based on the historical renewal pattern and the industry practice.

(ii) Goodwill

Goodwill of RMB 307,862,000 (2022: RMB 307,862,000) has been allocated to the subsidiaries acquired as a whole for impairment testing as follow:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Shanghai sirui	265,561	265,561
Lingshi Yuntian and Shanghai Lingshi	42,301	42,301

The Management performed an impairment assessment on the goodwill as at balance sheet date. The recoverable amounts of these subsidiaries are determined based on value-in-use calculations.

The management conducted a comprehensive review of the operation of the Cash-Generating Unit (“CGU”) due to the changing market environment and higher operating costs in 2023, adjusted the profit forecast and recalculated the recoverable amount of the CGU as at 31 December 2023. The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 31 December 2023:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	10%-19%	14%	2.2%	22%
Shanghai Sirui	9%-19%	15%	2.2%	17%

The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 31 December 2022:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	6%-33%	8%-9%	2.5%	23%
Shanghai Sirui	15%-20%	14%-16%	2.5%	17%

According to the management’s estimation of the recoverable amount of the Lingshi Yuntian and Shanghai Lingshi with the assistance of independent valuers as at 31 December 2023, the directors of the Company determined that no impairment provision on goodwill allocated to Lingshi Yuntian and Shanghai Lingshi (for the year ended 31 December 2022: an impairment loss of RMB16,372,000).

The management has undertaken sensitivity analysis on the impairment tests of goodwill allocated to Lingshi Yuntian and Shanghai Lingshi. The directors of the Group considered there is no reasonably possible change in key parameters, which would cause the carrying amount of the CGU to exceed its recoverable amount

According to the management’s estimation of the recoverable amount of Shanghai Sirui with the assistance of independent valuers as at 31 December 2023, the directors of the Company determined that no impairment provision on goodwill allocated to Shanghai Sirui (for the year ended 31 December 2022: Nil).

The management has undertaken sensitivity analysis on the impairment tests of goodwill allocated to Shanghai Sirui. The directors of the Group considered there is no reasonably possible change in key parameters, which would cause the carrying amount of the CGU to exceed its recoverable amount.

10 Trade and notes receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables	1,305,892	959,650
Less: provision for impairment of trade receivables	(13,851)	(8,456)
Trade receivables - net	<u>1,292,041</u>	<u>951,194</u>
Notes receivables at amortised cost	9,895	4,775
Less: provision for impairment of notes receivables	(31)	(29)
Notes receivables at amortised cost - net	<u>9,864</u>	<u>4,746</u>
	<u>1,301,905</u>	<u>955,940</u>

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 2023 and 2022.

The Group generally allows a credit period of 10 to 180 days to its customers. Ageing analysis of trade receivables based on recognition date before provision for impairment was as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
– Within 3 months	1,025,374	786,257
– 4 months to 6 months	202,441	113,125
– 7 months to 9 months	39,420	23,993
– 10 months to 12 months	14,745	22,145
– Over 12 months	23,912	14,130
	<u>1,305,892</u>	<u>959,650</u>

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.

11 Trade and other payables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables due to third parties	19,971	37,476
Trade payables due to a joint venture	884	645
Accrued payroll and welfare	418,096	376,615
VAT and surcharges	78,869	56,729
Risk deposit due to customers	9,132	9,902
Others	14,087	16,621
	<u>541,039</u>	<u>497,988</u>

As at 31 December 2023 and 2022, 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 2023 and 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade payables		
– Within 6 months	<u>20,855</u>	<u>38,121</u>
	<u>20,855</u>	<u>38,121</u>

12 Dividends

At a Board meeting held on 27 March 2024, the directors of the Company proposed a final dividend for the year ended 31 December 2023 of HK\$0.09 (2022: Nil) 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 2024 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

No dividends were declared by the Company for the year ended 31 December 2022.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the Company will be held on Wednesday, 12 June 2024. 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 Thursday, 6 June 2024 to Wednesday, 12 June 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 June 2024.

The register of members of the Company will also be closed from Tuesday, 18 June 2024 to Thursday, 20 June 2024, 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 Thursday, 20 June 2024. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 June 2024.

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 2023, the Company has complied with all applicable code provisions as set out in Part 2 of the CG Code, except for the deviation from code provision C.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

Chairman and Chief Executive Officer

Code provision C.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 seven 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 2023.

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 2023.

OTHER IMPORTANT EVENTS

On 2 May 2023, the Company granted share options to 162 grantees pursuant to the Post-IPO Share Option Scheme. The granted options shall entitle the grantees to subscribe for a maximum of 6,993,000 Shares, of which options to subscribe for a total of 600,000 Shares were granted to two Directors, and all the remaining 6,393,000 options were granted to 160 employees of the Group. The exercise price of the options granted is HK\$4.28 per share. For further details, please refer to the Company's announcement dated 2 May 2023.

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 2023.

AUDIT COMMITTEE

The Audit Committee comprises three members, being three independent non-executive Directors, namely Mr. Leung Ming Shu, Ms. Chan Mei Bo Mabel and Mr. Shen Hao. 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 2023 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 2023 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 2023. 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 2023 containing all information required by the Listing Rules will be made available 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 Wednesday, 12 June 2024;
“Audit Committee”	the audit committee of the Board;
“Board”	the board of directors of the Company;
“BPO”	business process outsourcing;
“CG Code”	Corporate Governance Code set out in Appendix C1 to the Listing Rules;
“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);
“Director(s)”	the director(s) of the Company;
“FVOCI”	fair value through other comprehensive income;
“Group” or “we”	the Company together with its subsidiaries;
“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;
“IT”	information and technology;

“Lingshi Yuntian”	Lingshi Yuntian Information Technology (Changzhou) Co., Ltd.* (領時雲天信息科技(常州)有限公司), which was previously known as Jiangnan Finance Technology (Changzhou) Co., Ltd.* (江南金融科技(常州)有限公司);
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 Option Scheme”	post-IPO share option scheme of the Company adopted on 26 November 2019;
“PRC” or “China”	The People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Prospectus”	the prospectus of the Company dated 3 December 2019;
“Qihang Yuntian”	Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司);
“Renrui Human Resources Group”	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), an indirect wholly-owned subsidiary of the Company;
“Renrui New Career”	Renrui New Career Technology Services (Shanghai) Co., Ltd.* (人瑞新職科技服務(上海)有限公司);
“RMB”	Renminbi, the lawful currency of the PRC;
“R&D”	research and development;
“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同);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wanyoumali”	Zhejiang Wanyoumali Network Technology Co., Ltd.* (浙江萬有碼力網絡科技有限公同), which was previously known as Shanghai Wanmahui Network Technology Co., Ltd.* (上海萬馬匯網絡科技有限公同); and
“%”	per cent.

This announcement contains certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all momentary amounts shown are approximate amounts only.

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

By order of the Board

Renrui Human Resources Technology Holdings Limited

Zhang Jianguo

Chairman and Chief Executive Officer

The PRC, 27 March 2024

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 as non-executive Director; and Ms. Chan Mei Bo Mabel, Mr. Shen Hao and Mr. Leung Ming Shu as independent non-executive Directors.