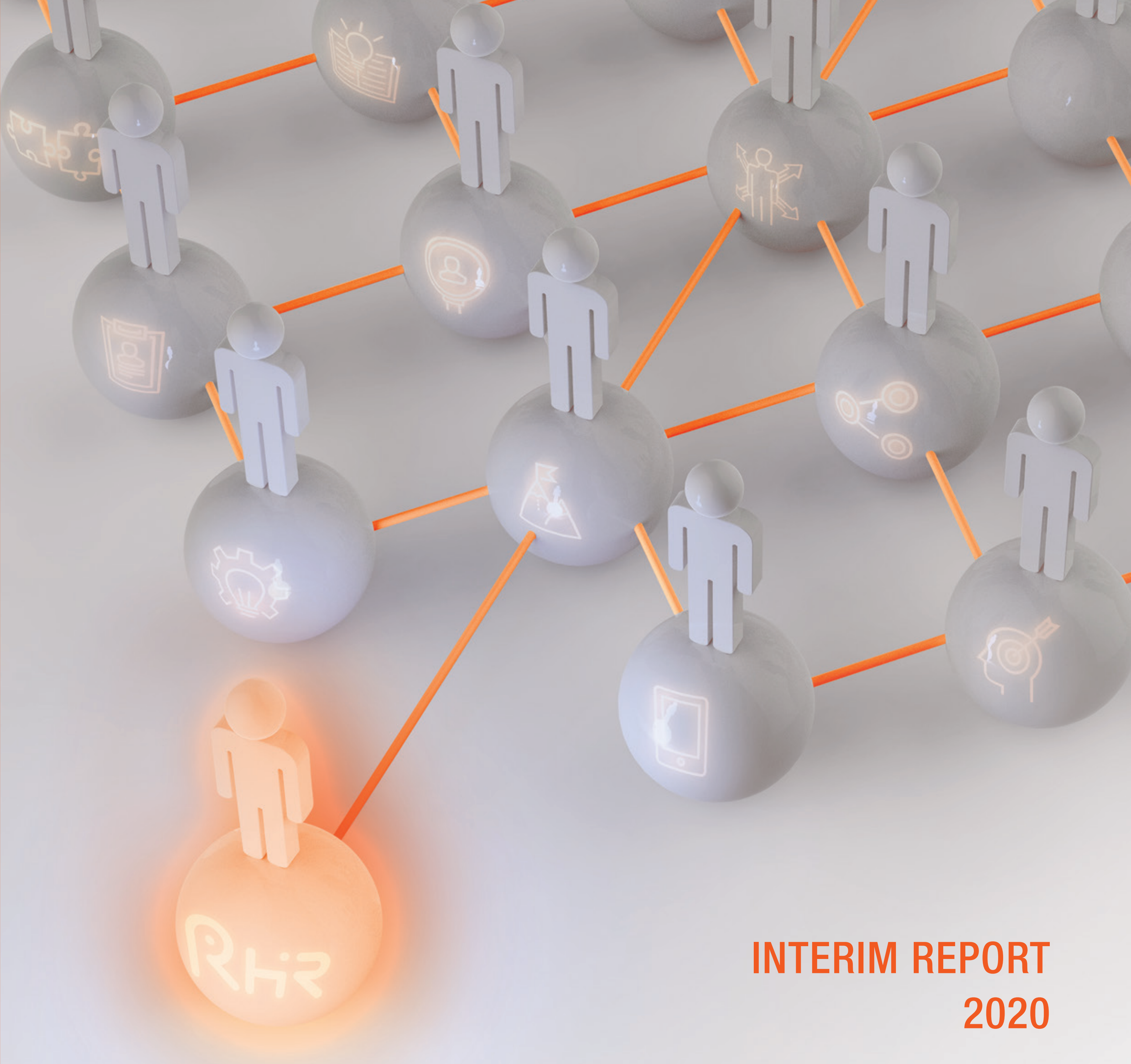

INTERIM REPORT
2020

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

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Jianguo *(Chairman and Chief Executive Officer)*
Mr. Zhang Feng
Ms. Zhang Jianmei

Non-executive Directors

Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Li Wenjia
Ms. Siu Pui Wah

AUTHORIZED REPRESENTATIVES

Mr. Zhang Feng
Ms. Siu Pui Wah

AUDIT COMMITTEE

Mr. Leung Ming Shu *(Chairman)*
Mr. Chow Siu Lui
Ms. Chan Mei Bo Mabel

REMUNERATION COMMITTEE

Ms. Chan Mei Bo Mabel *(Chairman)*
Mr. Zhang Jianguo
Mr. Shen Hao

NOMINATION COMMITTEE

Mr. Zhang Jianguo *(Chairman)*
Ms. Chan Mei Bo Mabel
Mr. Shen Hao

INVESTMENT AND COMPLIANCE COMMITTEE

Mr. Chow Siu Lui *(Chairman)*
Mr. Zhang Jianguo
Mr. Leung Ming Shu

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISOR

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

PRC LEGAL ADVISOR

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

COMPLIANCE ADVISOR

Founder Securities (Hong Kong) Capital Company Limited
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Jardine House
1 Connaught Place
Central
Hong Kong

INDUSTRY CONSULTANT

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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188 Des Voeux Road Central
Hong Kong

COMPANY WEBSITE

www.renruihr.com

STOCK CODE

6919

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309
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Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL SHARE REGISTRAR IN CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

BNP Paribas Hong Kong Branch
China Merchants Bank Co., Ltd., Shanghai, Baoshan Branch
Bank of China Limited, Chengdu, Chenghua Branch

Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue	1,195,572	1,077,361
Gross profit	99,710	115,926
Operating profit	52,586	57,844
Profit/(loss) before income tax	60,285	(222,636)
Profit/(loss) for the period attributable to equity holders of the Company	53,019	(229,202)
Earnings/(loss) per share (expressed in RMB per share)		
– Basic earnings/(loss) per share	0.35	(3.95)
– Diluted earnings/(loss) per share	0.31	(3.95)
	(Unaudited)	(Unaudited) (Adjusted)
Non-HKFRS measures		
Net profit/adjusted net profit[(1)]	53,019	58,476

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Assets		
Non-current assets	101,619	106,207
Current assets	1,470,275	1,378,154
Total assets	1,571,894	1,484,361
Equity		
Total equity	1,191,043	1,067,371
Liabilities		
Non-current liabilities	46,884	54,381
Current liabilities	333,967	362,609
Total liabilities	380,851	416,990
Total equity and liabilities	1,571,894	1,484,361

KEY FINANCIAL RATIOS

	For the six months ended 30 June 2020	2019
Gross margin (%)	8.3	10.8
Net profit margin/adjusted net margin (non-HKFRS) (%)[2]	4.4	5.4

	Six months ended 30 June 2020	Year ended 31 December 2019
Adjusted trade receivables turnover days (days)[3]	47	46

	30 June 2020	31 December 2019
Current ratio (times)	4.4	3.8

Notes:

(1) Adjusted net profit refers to the net loss for the six months ended 30 June 2019 excluding fair value losses on hybrid financial instruments and listing expenses. Adjusted net profit is not a measure required by or presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results or operations or financial condition as reported under HKFRS.

(2) Adjusted net margin is calculated as the adjusted net profit as a percentage of the revenue for the six months ended 30 June 2019.

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

Management Discussion and Analysis

MARKET REVIEW

Looking back to the first half of 2020, the growth rate of the macroeconomy in the People's Republic of China (the "**PRC**") became slower as a result of the outbreak of the novel coronavirus disease ("**COVID-19**"). As compared to the growth rate of gross domestic product ("**GDP**") of approximately 6.1% in 2019, the GDP growth rate in the first half of 2020 was approximately -1.6%. Due to the rapid control of COVID-19 by the PRC government, the GDP growth rate bounced back to approximately 3.2% in the second quarter of 2020, which was significantly higher than the global economic growth rate. The demand-to-supply ratio for talents in the public labour market in the PRC in the first half of 2020 was approximately 1.32. The annualised growth rate of the human resources services market in terms of revenue in the PRC in the first half of 2020 was approximately 1.0%, of which the annualised growth rate of the flexible staffing services market in terms of revenue in the PRC was approximately 8.3%, while the number of flexible staffing employees as at 30 June 2020 increased by approximately 6.0% as compared to that as at 31 December 2019.

POLICIES AND REGULATIONS REVIEW

During the six months ended 30 June 2020, in particular the special period in response to the outbreak of COVID-19, the PRC government issued certain notices and guidelines applicable to the human resources ("**HR**") industry.

On the one hand, in order to promote economic development during the outbreak of COVID-19 and accelerate the recovery and stabilization of employment, the PRC government has issued a number of policies to promote employment and advocate flexible staffing. For instance, on 18 March 2020, the General Office of the State Council issued the Implementation Opinions of the General Office of the State Council on the Measures on Strengthening Employment Stability in Response to the Impact of COVID-19 (Guo Ban Fa [2020] No. 6) to support flexible employment through multiple channels such as employment through platform, and to eliminate the provincial urban and rural registration limits for flexible employment personnel to participate in the basic pension insurance for enterprise employees. The policies also encourage the use of operational HR services agencies to enhance the provision of services such as job information, career guidance and online interviews. At the same time, in order to strike a balance between the prevention and control of the epidemic and the management of the HR market, the relevant government departments have provided guidance on, among others, encouraging local HR services agencies to fight against the epidemic and promoting employment. For instance, according to the Notice on the Management of HR Market during the Prevention and Control of COVID-19 (Ren She Ting Ming Dian [2020] No.8) and the Notice on the Implementation of HR Services during the Prevention and Control of COVID-19 (Ren She Ting Ming Dian [2020] No.11) issued by the Office of the Ministry of Human Resources and Social Security on 6 February 2020 and 18 February 2020, respectively, the relevant government departments have encouraged HR services agencies to adopt innovative ways to deliver services, suspend activities such as on-site job fairs, strengthen online services such as online recruitment, expand online trainings and strengthen their HR management consultation services. Also, local HR services agencies providing employment referral services are required to implement a subsidy policy for employment and entrepreneurship services in accordance with the relevant regulations.

On the other hand, in order to reduce the burden on enterprises and support the stabilization and expansion of employment, the PRC government has issued a series of preferential policies on the part of the enterprise's social insurance contributions that are exempted in stages. According to the Notice on the Reduction and Exemption of Enterprise Social Insurance Premiums in Stages (Ren She Bu Fa [2020] No. 11) and the Notice on the Extension of the Implementation Period of the Social Insurance Policies for Enterprises in Stages (Ren She Bu Fa [2020] No. 49) issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Administration of Taxation on 20 February 2020 and 22 June 2020, respectively: since February 2020, (i) in Hubei Province, all kinds of participating enterprises (excluding institutions) may be exempted from paying their portion of basic pension insurance, unemployment insurance and work-related injury insurance (collectively, the "**Three Social Insurances**") for a period up to the end of June 2020; (ii) in other provinces, autonomous regions, municipalities and Xinjiang, Production and Construction Corps (collectively, the "**Province(s)**"), medium, small and micro enterprises may, based on the impact of COVID-19 on them and their fund bearing capacity, be exempted from paying their portion of the Three Social Insurances for a period up to the end of December 2020; while large enterprises in the Provinces and other participating units (excluding institutions) shall be entitled to a 50% reduction of their portions of contributions for a period up to the end of June 2020; (iii) enterprises with serious difficulties in production and operation as a result of the outbreak of COVID-19 may apply for suspension of payment for social insurance premiums up to the end of December 2020, and the overdue fine will be waived during the suspension period; and (iv) the minimum individual standard for payment base for social insurance adopted in 2019 in each Province can continue to be implemented in 2020, and the maximum individual payment base can be adjusted as required. In addition, the National

Healthcare Security Administration, the Ministry of Finance and the State Administration of Taxation issued the Guiding Opinions on the Reduction of Basic Medical Insurance Premiums for Employees in Stages (Yi Bao Fa [2020] No. 6) on 21 February 2020, which provides that the enterprises in each Province shall be entitled to a 50% tax reduction and payment deferment of their payment portions on medical insurance, and such reduction and deferment policies shall be implemented from February 2020 and up to the end of June 2020.

BUSINESS REVIEW

The number of our flexible staffing employees increased from 25,118 as at 31 December 2019 to 28,257 as at 30 June 2020, representing an increase of 8,101 or a growth rate of approximately 40.2% as compared to 20,156 as at 30 June 2019. We recruited a total of 24,499 employees for all of the business segments of Renrui Human Resources Technology Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the first half of 2020, representing a decrease of approximately 32.6% in our total number of employees recruited as compared to 36,338 employees recruited for the first half of 2019.

Our revenue for the six months ended 30 June 2020 amounted to approximately RMB1,195.6 million, representing an increase of approximately 11.0% as compared to that for the six months ended 30 June 2019. Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)" issued on 20 February 2020, the subsidiaries of the Company were entitled to social insurance premium exemption amounted to approximately RMB109.2 million from February 2020 to June 2020. In line with our rationale of going through the difficult times with our clients, we have waived part of our flexible staffing service fees payable by our customers. Without this business arrangement, revenue for the first half of 2020 would have increased by approximately 21.1% as compared with the same period in 2019.

The Group's revenue and operating results by business segments for the six months ended 30 June 2020 are as follows:

	Six months ended 30 June			
	2020		2019	
	Revenue *RMB'000* *(Unaudited)*	% to total revenue	Revenue *RMB'000* *(Audited)*	% to total revenue
Flexible staffing	1,112,248	93.0	1,023,532	95.0
Professional recruitment				
• Recruitment	18,068	1.5	27,824	2.6
• Paid membership	1,016	0.1	2,398	0.2
Other HR solutions				
• Business process outsourcing ("**BPO**")	52,942	4.4	17,218	1.6
• Corporate training	612	0.1	350	0.0
• Labour dispatch	2,457	0.2	3,797	0.4
• Other miscellaneous services	8,229	0.7	2,242	0.2
Total	1,195,572	100.0	1,077,361	100.0

New economy companies have always been the focus of our services. The annualised growth rate of the new economy industries in the PRC in the first half of 2020 was approximately 5.9%. Our revenue generated from clients in new economy industries accounted for approximately 87.3% of our overall revenue for the six months ended 30 June 2020. We continued to adhere to our strategy to serve large clients. Revenue generated from our five largest clients amounted to approximately RMB664.3 million, accounting for approximately 55.6% of our total revenue for the six months ended 30 June 2020, of which our largest client contributed approximately 39.9% of our total revenue for the six months ended 30 June 2020. In the first half of 2020, approximately 88.6% of our total revenue was generated from the recurring clients.

Management Discussion and Analysis

Flexible Staffing

Revenue generated from flexible staffing services for the six months ended 30 June 2020 amounted to approximately RMB1,112.2 million, representing an increase of approximately 8.7% as compared to approximately RMB1,023.5 million for the six months ended 30 June 2019. In addition, in line with our rationale of going through the difficult times resulted from the outbreak of COVID-19 with our clients, we have waived part of our flexible staffing service fees payable by our clients. Without this business arrangement, revenue generated from flexible staffing services for the first half of 2020 would have increased by approximately 19.3% as compared with the same period in 2019. The number of flexible staffing employees increased from 20,156 as at 30 June 2019 to 28,257 as at 30 June 2020, representing an increase of approximately 40.2%. We recruited 15,786 flexible staffing employees in the first half of 2020, representing a slight increase in the number of flexible staffing employees as compared to 15,364 employees recruited in the first half of 2019.

Our flexible staffing clients consist of companies operating in a wide range of industries and of different sizes. As at 30 June 2020, we had deployed over 23,938 flexible staffing employees for new economy company clients, accounting for approximately 84.7% of our total number of flexible staffing employees deployed.

For the six months ended 30 June 2020, the average service premium pricing of our flexible staffing projects accounted for approximately 9.2% of the total service fee (or a markup of approximately 10.2% of total labour costs), representing a decline as compared to approximately 11.5% for the six months ended 30 June 2019. This was due to a decrease in the number of flexible staffing employees with higher service premium rates such as IT personnel, despite the increase in the total number of flexible staffing employees.

The turnover rate of flexible staffing employees decreased from approximately 10.3% for the six months ended 30 June 2019 to approximately 7.1% for the six months ended 30 June 2020. The decrease in the turnover rate of flexible staffing employees was mainly due to the fact that the reduction of turnover rate of key projects is a major performance indicator for our senior consultation team for flexible staffing since its establishment in 2019. The team formulates solutions to reduce turnover rates of flexible staffing employees based on the specific features of every key project, and these solutions will then be implemented by our onsite teams.

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

	As at 30 June 2020		As at 31 December 2019		2018	
	Number of contract employees [1]	% of total contract employees [1]	Number of contract employees [1]	% of total contract employees [1]	Number of contract employees [1]	% of total contract employees [1]
New Economy [2]	23,938	84.7	20,623	82.1	17,054	87.6
Financial institutions	1,160	4.1	1,240	4.9	1,255	6.4
Real estate	266	0.9	527	2.1	257	1.3
Others [3]	2,893	10.3	2,728	10.9	898	4.7
Total	28,257	100.0	25,118	100.0	19,464	100.0

Notes:

(1) Contract employees only refer to flexible staffing employees.

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

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

Professional Recruitment

For the six months ended 30 June 2020, revenue generated from professional recruitment services amounted to approximately RMB19.1 million, representing a decrease of approximately 36.8% as compared to approximately RMB30.2 million for the six months ended 30 June 2019. Among which, recruitment revenue for the six months ended 30 June 2020 amounted to approximately RMB18.1 million, representing a decrease of approximately 34.9% as compared to approximately RMB27.8 million for the six months ended 30 June 2019. The decrease in recruitment revenue was mainly due to the impact of the outbreak of COVID-19 which had led to a stagnant recruitment business from February 2020 to March 2020. The demand for recruitment from clients gradually recovered since April 2020, but it was still unable to recover to the level of demand for the corresponding period last year. During the six months ended 30 June 2020, we recruited only 8,713 employees for our clients, representing a decrease of approximately 58.5% as compared to approximately 20,974 employees recruited during the six months ended 30 June 2019.

As affected by the outbreak of COVID-19, we only held approximately 13,400 recruitment events in the first half of 2020, as compared to approximately 15,200 recruitment events held in the first half of 2019, representing a year-on-year decrease of approximately 11.8%. Since the prohibition of offline recruitment events, we successively held over 3,700 online recruitment events since February 2020. We also held approximately 9,700 offline recruitment events by inviting candidates to our clients' premises for interviews since late March 2020.

As at 30 June 2020, the number of registered candidates on the Xiang Recruitment Platform (香聘, our dedicated recruitment platform) reached approximately 2,320,000. The number of newly registered individual users in the first half of 2020 amounted to approximately 410,000, with an average number of monthly active users of over 128,000. Furthermore, we had over 1,717,000 followers on our WeChat and Weibo social media accounts.

Other HR Solutions

BPO

Our clients sometimes choose to outsource the entire business operation unit to us in order to further ease their administrative burden, including the staffing requirement and the obligation to supervise these contract employees. Different from flexible staffing solution, contract employees on BPO assignments often work under our own supervision and at our own office sites. We were appointed by the clients to provide client service representative, information verification and telemarketing services. Our long-term clients of our flexible staffing services, especially those in the new economy and internet sectors, have also brought us business opportunities in BPO services. During the six months ended 30 June 2020, approximately 58.1% of our BPO clients engaged us for our flexible staffing services and HR services such as professional recruitment and training services. For the six months ended 30 June 2020, the revenue generated from BPO services amounted to approximately RMB52.9 million, representing an increase of approximately 207.6% as compared to approximately RMB17.2 million for the six months ended 30 June 2019. As at 30 June 2020, the number of BPO seats at our own office sites was 2,140, which increased significantly as compared to 1,727 BPO seats as at 31 December 2019. The significant growth in BPO services was mainly due to: (i) the relocation of our BPO service center in Yingkou in October 2019 to a new office premise with approximately 2,200 seats, resulting in a significant increase in the number of BPO seats for the provision of BPO services; and (ii) the establishment of the second business department of BPO services in January 2020 and the setting up of a new service center in Chengdu to accommodate the needs of new clients.

Corporate Training

We provide training and development courses which are tailored for the specific situations and needs of our clients. For the six months ended 30 June 2020, the total revenue generated from corporate training amounted to approximately RMB0.6 million, representing an increase as compared to approximately RMB0.4 million for the six months ended 30 June 2019. Most of our clients of corporate training services are also clients of our flexible staffing or professional recruitment services. During the six months ended 30 June 2020, we provided 25 training sessions to over 16 clients, of which approximately 10 clients also engaged us for our flexible staffing or professional recruitment services.

Management Discussion and Analysis

Labour Dispatch Services

Unlike typical flexible staffing services where the labour contract arrangement and labour relations are between us and the contract employee, our labour dispatch services involve a tripartite legal relationship among the contract employees, our clients and us, in which the client has a legal relationship with the contract employees while we only charge a lower service fee for administrative matters. Comparing to flexible staffing services, labour dispatch services are of lower value and are not our principal business for future development. For the six months ended 30 June 2020, the revenue generated from labour dispatch services amounted to approximately RMB2.5 million, representing a decrease of approximately 34.2% as compared to approximately RMB3.8 million for the six months ended 30 June 2019.

Other Miscellaneous Services

Other miscellaneous services include tailored employee management solutions, HR services consultation and talent assessment. Since 2019, we have been providing such services to those who recognise our expertise in managing flexible staffing employees and projects. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans for flexible staffing employees in certain projects. We may also provide professional recruitment services for a number of their flexible staffing projects if requested. For the six months ended 30 June 2020, revenue generated from other miscellaneous services amounted to approximately RMB8.2 million, representing an increase of approximately 272.7% as compared to approximately RMB2.2 million for the six months ended 30 June 2019.

Research and Development ("R&D") of Integrated HR Ecosystem

We have dedicated R&D teams based in Shanghai and Beijing. As at 30 June 2020, our R&D teams had 32 members, primarily consist of software engineers with university or college degrees, with an average of over seven years of R&D experience in internet and technologies related industry. For the six months ended 30 June 2020, we incurred R&D expenses of approximately RMB5.9 million on the followings:

(a) Optimisation of existing systems and platforms:

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

  (ii) we provided customized recruitment management process for clients on the Rui Recruiting System (瑞聘, our proprietary recruitment process management system), and linked its data to clients' own human resources management system;

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

  (iv) we completed the customized development of the Rui Cloud Management System (瑞雲, our proprietary management system) for our key clients, including the customized development of contract employee's daily management, electronic filing and remuneration file modules.

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

By utilising our integrated HR ecosystem, our per capita efficiency was maintained at a relatively high level for two consecutive years. The net profit per capita generated by our internal staff in the first half of each of the last three years is set out as follows:

	Six months ended 30 June		
	2020 (Unaudited)	2019 (Audited) (Adjusted)	2018 (Audited) (Adjusted)
Net Profit/adjusted net profit (RMB'000)	53,019	58,476	21,676
Average number of internal employees (Note)	643	596	562
Net profit per capita for the half year (RMB'000/person)	82.5	98.1	38.6

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

Our Suppliers

We source certain services from third-party suppliers and service providers, which mainly include social insurance and housing provident fund processing agents, call center and technical support for BPO services, transportation services, other HR solutions providers for candidate sourcing, and subcontractors for flexible staffing or BPO services. For the six months ended 30 June 2020, the amount of purchases from our five largest suppliers accounted for approximately 3.2% of our total cost of revenue.

Human Resources

As at 30 June 2020, we had a total of 34,602 employees based in various cities in the PRC. Among which, we had 641 internal employees, while there was no significant change in the number of employees as compared to that of 645 employees as at 31 December 2019. The average age of our internal employees was less than 29 years old, and approximately 98.0% of our internal employees had a university degree or above. Young employees can provide more energy and motivation to our entire team, and benefiting from their good education backgrounds, we can provide clients with more professional HR services. The table below sets forth the total number of employees by function as at 30 June 2020:

Function	Number of Employees	% of total Employees
Internal Employees		
— Senior management	4	0.0
— R&D	32	0.1
— Sales and marketing	96	0.3
— Project management/execution	431	1.3
— Others (1)	78	0.2
Subtotal	**641**	**1.9**
Contract Employees		
— Flexible staffing employees	28,257	81.7
— Labour dispatch employees	3,564	10.3
— BPO employees	2,140	6.2
Subtotal	**33,961**	**98.1**
Total	34,602	100.0

Notes:

(1) Others mainly include back-office support staff, such as legal department, finance department, and HR department.

Management Discussion and Analysis

The Group offers competitive remuneration packages to its internal employees, which are determined in accordance with the relevant laws and regulations in the places where the Group operates and the individual qualifications, experience, performance of the employees concerned, as well as market salary levels. In addition, the Group provides employees with other comprehensive benefits, including social insurance and housing provident funds, in accordance with the regulations of the labour contract signing companies and the applicable laws of the cities where the employees are actually based. For the six months ended 30 June 2020, the Group's labour costs amounted to approximately RMB1,094.1 million, of which internal labour costs amounted to approximately RMB58.4 million, representing an increase of approximately RMB6.2 million or approximately 11.9% as compared to that for the six months ended 30 June 2019. This increase was mainly due to the use of competitive remuneration packages and a number of newly engaged mid-level management personnel to enhance our professional capabilities in terms of flexible staffing services and recruitment skills and upgrade our integrated HR ecosystem.

Pursuant to the two pre-IPO share option schemes adopted by the Group on 12 March 2019 (namely, the mid-senior level management pre-IPO share option scheme (the "**Mid-Senior Level Management Pre-IPO SOS**") and the non-managerial employee pre-IPO share option scheme (collectively, the "**Pre-IPO Share Option Schemes**")), options to subscribe for a total of 22,904,600 new ordinary shares of the Company (the "**Shares**") were granted, of which (i) options to subscribe for a total of 220,900 Shares were lapsed as at 30 June 2020 and (ii) options to subscribe for a total of 22,683,700 Share remained unexercised as at 30 June 2020, including the options to subscribe for 6,138,800 Shares which were vested in June 2020, and the remaining options had not yet been vested as at 30 June 2020.

Details of movements in the share options granted under the Pre-IPO Share Option Schemes during the period ended 30 June 2020 are as follows:

Category and Name of grantee	Date of grant of share options	Outstanding as at 1 January 2020	Number of share options Granted during the period ended 30 June 2020	Exercised during the period ended 30 June 2020	Cancelled/ Lapsed during the period ended 30 June 2020	Outstanding as at 30 June 2020	Vesting period of share options	Exercise price of share options
Executive Directors								
Mr. Zhang Feng	31 January 2013 and 20 February 2013	455,800	–	–	–	455,800	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111
Ms. Zhang Jianmei	31 January 2013, 20 February 2013 and 16 October 2018	928,800	–	–	–	928,800	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111 - USD0.88
In aggregate		1,384,600	–	–	–	1,384,600		
Other management members and employees of our Group								
In aggregate	31 January 2013 – 31 July 2019	18,312,800	–	–	(180,900)	18,131,900	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD2.80
Other participants *(Note)*								
In aggregate	31 January 2013 – 5 November 2018	3,167,200	–	–	–	3,167,200	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD0.88
Total		22,864,600	–	–	(180,900)	22,683,700		

Note:

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

The Group also adopted the post-IPO share option scheme (the "**Post-IPO Share Option Scheme**") and the post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") on 26 November 2019. On 26 June 2020, the Group made certain amendments to the Post-IPO Share Award Scheme, in relation to, among others: (i) the settlement and/or payment of award; (ii) the cessation as an eligible person by reason of cessation of employment and other events; and (iii) the scheme limit, primarily for the purpose of adopting the changes consequential on the entering into of the trust deed entered into between the Company and Trident Trust Company (HK) Limited, as the trustee (the "**Trustee**"), for the administration of the Post-IPO Share Award Scheme. For further details, please refer to the announcement of the Company dated 26 June 2020. On 6 July 2020, 7 July 2020, 9 July 2020 and 13 July 2020, the Trustee, via a limited liability company established by the Trustee to hold the trust fund of the Trust, purchased in aggregate 1,303,500 Shares from the market for the purpose of the Post-IPO Share Award Scheme at a total consideration (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) of approximately HK$39.8 million (equivalent to approximately RMB36.0 million). As at the date of this interim report, no award share has been granted to any selected participants pursuant to the Post-IPO Share Award Scheme.

To further enhance our professional service capabilities, we organised a number of staff training courses for 641 internal employees in the first half of 2020, among which: (i) 30 training courses were organised for the sales teams to enhance their capabilities for obtaining new clients; (ii) 21 training courses were organised for recruitment team members to enhance their professional skills on fast recruitment. In particular, since April 2020, we have launched a "Sword Training Programme (礪劍培訓計劃)" for the personnel in charge of recruitment teams in each city to improve team management capabilities and recruitment skills. The training programme has been held once every two months, spanning a total of eight months; and (iii) 100 training courses were organised for our BPO employees to help them understand clients' products, gain the necessary knowledge in relation to the service providing process and enhance their capabilities in project management and execution. In particular, the first business department of BPO selected 25 team leaders to organise the "Horse Training Camp (駿馬訓練營)" from April 2020 to June 2020 to improve the management capabilities of the junior level management personnel.

Awards and Recognitions

Recognitions received by the Company for the six months ended 30 June 2020:

March 2020

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

June 2020

- Renrui Human Resources Technology Group Limited received the title of the Excellent Enterprise in the Service Industry in Sichuan Province (四川省優秀服務業企業稱號) issued by the Chinese Communist Party's Sichuan Provincial Committee (中共四川省委) and the People's Government of Sichuan Province (四川省人民政府)
- Renrui Human Resources Technology Group Limited became a council member unit of the Call Center and Customer Relationship Management Professional Committee of China Electronics Chamber of Commerce (中國電子商會呼叫中心與客戶關係管理專業委員會)

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the total revenue of the Group amounted to approximately RMB1,195.6 million, representing an increase of approximately RMB118.2 million or approximately 11.0% as compared to approximately RMB1,077.4 million for the six months ended 30 June 2019.

Cost of Revenue

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

For the six months ended 30 June 2020, the Group's total cost of revenue amounted to approximately RMB1,095.9 million, representing an increase of approximately RMB134.5 million or approximately 14.0% as compared to approximately RMB961.4 million for the six months ended 30 June 2019. The increase in cost of revenue was mainly due to the increase in the cost of employee benefit expenses along with the increased number of flexible staffing employees. In addition, the average labour cost of the flexible staffing employees managed by us was approximately RMB6,500 per month in the first half of 2020, representing a decrease from approximately RMB7,600 per month in 2019. This was mainly due to: (i) the reduction by the PRC government of the amount of social insurance contribution payable by enterprises from February 2020 to June 2020; and (ii) the decrease in the number of flexible staffing employees responsible for software R&D with higher wages and better benefits.

In order to facilitate the recovery of the economy of the PRC from the outbreak of COVID-19, the PRC government has implemented a series of policies to stimulate economic growth and for corporate relief. Pursuant to "The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)" issued on 20 February 2020, the subsidiaries of the Company were entitled to social insurance premium exemption amounted in aggregate to approximately RMB109.2 million from February 2020 to June 2020.

Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		*(Audited)*	
Flexible staffing	79,033	7.1	97,715	9.5
Professional recruitment	3,840	20.1	11,197	37.0
Other HR solutions	16,837	26.2	7,014	29.7
Total	99,710	8.3	115,926	10.8

Our gross profit margin for the six months ended 30 June 2020 was approximately 8.3%, representing a decrease of approximately 2.5% from approximately 10.8% for the six months ended 30 June 2019, which was mainly due to difference in gross profit margin in our business segments as explained below:

(a) The gross profit margin of flexible staffing services decreased from approximately 9.5% in the first half of 2019 to approximately 7.1% in the first half of 2020, which was mainly due to: (i) the fact that we undertook flexible staffing projects with lower services premium rates in order to expand our market share in the PRC given that the growth rate of the macroeconomy in the PRC has slowed down; and (ii) the decrease in the number of flexible staffing employees responsible for software R&D who can generate higher gross profit margin.

(b) The gross profit margin of professional recruitment services decreased from approximately 37.0% in the first half of 2019 to approximately 20.1% in the first half of 2020, which was mainly due to: (i) a series of pandemic prevention measures taken by the PRC government due to the outbreak of COVID-19 which prevented the Group from commencing its offline recruitment activities in the first half of 2020, while the expenditure on fixed costs such as the rent of the long-term leased office for the purpose of holding offline recruitment events and related internal employees' benefit expenses did not decrease; and (ii) the decrease in demand of the majority of our clients for staff recruitment in the first half of 2020 resulting from the outbreak of COVID-19. In addition, taking into account the uncertainty of economic growth, the demand of our clients for recruitment was not stable, and have the actual number of admissions reduced. In the first half of 2020, we only recruited 8,713 employees for our clients, which was approximately 58.5% less than the 20,974 employees recruited in the first half of 2019; and (iii) our gradual suspension of the sales of products for the paid members of the Xiang Recruitment Platform since January 2020. In the future, our Xiang Recruitment Platform will only serve as a platform for us to attract active job seekers and obtain talents, which is open to clients and job seekers for free. The decrease in paid membership income was also one of the main reasons for the decline in the gross profit margin of professional recruitment.

(c) The gross profit margin of other HR solutions (comprising BPO services, corporate training services, labour dispatch services and other miscellaneous services) decreased from approximately 29.7% in the first half of 2019 to approximately 26.2% in the first half of 2020. Such decrease was mainly due to the increase in the gross profit of BPO services as a proportion of the total gross profit of other HR solutions from approximately 21.9% in the first half of 2019 to approximately 45.1% in the first half of 2020. The gross profit margin of BPO services was approximately 14.3% in the first half of 2020, which was lower than the gross profit margin of other HR solutions such as corporate training services (gross profit margin of which was approximately 56.2% in the first half of 2020) and labour dispatch services (gross profit margin of which was approximately 94.6% in the first half of 2020). Therefore, with the gradual increase in the revenue from BPO services, which accounted for an increasing percentage of the total revenue from other HR solutions, the gross profit margin of other HR solutions was gradually similar to that of BPO services.

Selling and Marketing Expenses

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

Our selling and marketing expenses for the six months ended 30 June 2020 amounted to approximately RMB18.6 million, representing a decrease of approximately RMB4.4 million or 19.1% as compared to approximately RMB23.0 million for the six months ended 30 June 2019, which was mainly due to the decrease in our selling and marketing expenses of approximately RMB4.0 million. This was in turn mainly due to: (i) our reduction in the promotion expenditure for our Xiang Recruitment Platform for job applicants, as a result of the decrease in recruitment demand from our clients as affected by the outbreak of COVID-19; and (ii) the establishment of a team responsible for user growth for the Xiang Recruitment Platform in May 2020, focusing on promoting the Xiang Recruitment Platform among job applicants through new self-media channels such as WeChat and Douyin, which were comparatively less costly than our previous marketing channels. Our selling and marketing expenses as a percentage of revenue decreased from approximately 2.1% for the six months ended 30 June 2019 to approximately 1.6% for the six months ended 30 June 2020.

Management Discussion and Analysis

R&D Expenses

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

The R&D expenses for the six months ended 30 June 2020 amounted to approximately RMB5.9 million, representing a decrease of approximately RMB1.2 million or approximately 16.9% as compared to approximately RMB7.1 million for the six months ended 30 June 2019. This was mainly due to the fact that: (i) we hired our chief technology officer in April 2020. Moreover, we upgraded the structure of our R&D team in the first half of 2020 by temporarily reducing the number of R&D personnel in certain posts, leading to the corresponding decrease in employee benefit expenses of approximately RMB0.9 million; and (ii) our travelling and entertainment expenses and utilities and office expenses decreased by approximately RMB0.2 million in aggregate due to the reduction in the number of business trips as a result of the outbreak of COVID-19.

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 six months ended 30 June 2020 amounted to approximately RMB33.8 million, which was similar to that of approximately RMB33.1 million for the six months ended 30 June 2019, which was primarily due to the combined effect of the followings: (i) we completed the listing (the "**Listing**") of our Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 December 2019. All listing expenses were incurred in 2019, and there were no listing expenses incurred in 2020. Listing expenses in the first half of 2020 decreased by approximately RMB9.9 million as compared to the first half of 2019; (ii) the issuance of the second last batch of share options under the Pre-IPO Share Option Schemes was completed in March 2019, and therefore generating an expenditure of share-based payment of approximately RMB1.7 million in the first half of 2019, as compared to approximately RMB0.8 million in the first half of 2020, representing a decrease of approximately RMB0.9 million in the first half of 2020; (iii) we engaged professional services providers such as perennial legal advisors, compliance advisor, public relations company and company secretary after the Listing, which has contributed to the increase in professional service fees by approximately RMB7.8 million as compared to that in the first half of 2019; and (iv) the employee benefit expenses for our management personnel increased by approximately RMB2.5 million as compared to approximately RMB11.9 million in the first half of 2019, mainly due to the hiring of a number of management personnel and department heads as a result of the upgrade of staff structure, and the increase in the salary of management personnel. In light of the above, our administrative expenses as a percentage of revenue decreased from approximately 3.1% for the six months ended 30 June 2019 to approximately 2.8% for the six months ended 30 June 2020.

Other Income

Other income for the six months ended 30 June 2020 amounted to approximately RMB9.5 million, representing an increase of approximately RMB4.1 million or approximately 75.9% as compared to approximately RMB5.4 million for the six months ended 30 June 2019. Other income primarily comprises income derived from government grants and tax reduction. The increase was primarily attributable to the followings: (i) during the outbreak of COVID-19, the PRC government strengthened its support to enterprises. Therefore, we have received government grants of approximately RMB7.2 million for the six months ended 30 June 2020, as compared to approximately RMB5.0 million for the six months ended 30 June 2019, representing an increase of approximately RMB2.2 million or approximately 44.0%; and (ii) certain subsidiaries of the Group are qualified for an additional 10% deduction of input VAT from output VAT. For the six months ended 30 June 2020, we obtained such tax deduction in the amount of approximately RMB2.0 million, representing an increase of approximately RMB1.7 million as compared to approximately RMB0.3 million for the six months ended 30 June 2019.

Other Gains, Net

For the six months ended 30 June 2020, other gains amounted to approximately RMB8.7 million, representing an increase of approximately RMB8.5 million as compared to approximately RMB0.2 million for the six months ended 30 June 2019. Such change was primarily due to the exchange gains on the amount of net proceeds received from the Listing (the "**Net Proceeds**") resulting from the depreciation of Renminbi ("**RMB**") against Hong Kong dollar ("**HKD**" or "**HK$**") in the first half of 2020.

Net Impairment Losses on Financial Assets

For the six months ended 30 June 2020, provision for net impairment losses on financial assets amounted to approximately RMB7.0 million, representing an increase of approximately RMB6.5 million as compared to approximately RMB0.5 million for the six months ended 30 June 2019. Such change was primarily due to the fact that, because of the impact of the outbreak of COVID-19, macro-economic indicators in the PRC deteriorated, such as the decline in GDP growth rate and the increase in unemployment rate, resulting in an increased influence on prospective factors and a higher rate of expected credit loss. In light of this, based on our prudent assessment, in assessing the bad debt risk on trade and notes receivables, we have significantly increased the provision for net impairment losses on financial assets as compared to the first half of 2019.

Operating Profit

Our operating profit for the six months ended 30 June 2020 amounted to approximately RMB52.6 million, representing a decrease of approximately RMB5.2 million or approximately 9.0% as compared to approximately RMB57.8 million for the six months 30 June 2019.

Finance Income

Our finance income for the six months ended 30 June 2020 amounted to approximately RMB8.8 million, representing an increase of approximately RMB8.7 million as compared to approximately RMB0.1 million for the six months ended 30 June 2019. This was primarily due to: (i) the increase in our cash and cash equivalents as a result of the receipt of the Net Proceeds, leading to an increase of approximately RMB7.6 million in the interest on deposits received by us; and (ii) the investment income of approximately RMB1.1 million generated from our financial products purchased (such as the BNPP Sharkfin Products and the CMB Financial Products (both as defined in "**Significant investments**" below)) with idle funds during the six months ended 30 June 2020 (for details, please refer to the announcement of the Company dated 10 May 2020 (the "**Announcement**") and the circular of the Company dated 29 May 2020 (the "**Circular**")), while no such investment income was generated in the first half of 2019.

Finance Costs

Our net finance costs for the six months ended 30 June 2020 amounted to approximately RMB1.1 million, representing a decrease of approximately RMB1.6 million or approximately 59.3% as compared to approximately RMB2.7 million for the six months ended 30 June 2019, which was mainly due to the decrease of approximately RMB1.4 million in interest expenses on lease liabilities.

Fair Value Losses on Hybrid Financial Instruments

Hybrid financial instruments are the convertible redeemable preferred shares (the "**Preferred Shares**") invested by our pre-IPO investors. The fair value at respective reporting dates was determined using valuation techniques, and the fair value losses on hybrid financial instruments were charged at changes in fair value through profit or loss. Upon the completion of the Listing on 13 December 2019, all the Preferred Shares were automatically converted into the Shares on an one-to-one basis at an offer price of HK$26.6 per share, and there would no longer be such fair value losses on hybrid financial instruments. As such, for the six months ended 30 June 2020, there was no fair value losses on hybrid financial instruments.

Profit/Loss before Income Tax

Our profit before income tax for the six months ended 30 June 2020 amounted to approximately RMB60.3 million, as compared to the loss before income tax of approximately RMB222.6 million for the six months ended 30 June 2019. Such change was mainly due to the absence of fair value loss on hybrid financial instruments for the six months ended 30 June 2020.

Profit/Loss for the Period

Profit for the six months ended 30 June 2020 amounted to approximately RMB53.0 million, as compared to the loss of approximately RMB229.2 million for the six months ended 30 June 2019. Such change was due to the same reasons as set out in "Profit/Loss before Income Tax" above.

Management Discussion and Analysis

Non-HKFRS Measures

To supplement our condensed consolidated financial statements, which are presented in accordance with the HKFRS, we also presented adjusted net profit as an additional financial measure, which is not required by, nor presented in accordance with, the HKFRS. The following table reconciles our adjusted net profit for the six months ended 30 June 2019 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Net profit/(loss) for the period	**53,019**	(229,202)
Add: Fair value losses on hybrid financial instruments	–	277,804
Listing expenses	–	9,874
		(Unaudited) *(Adjusted)*
Net profit/Adjusted net profit	**53,019**	58,476

We define our adjusted net profit as net profit for the six months ended 30 June 2019 excluding fair value losses on hybrid financial instruments and listing expenses. Net profit for the six months ended 30 June 2020 amounted to approximately RMB53.0 million, representing a decrease of approximately RMB5.5 million or approximately 9.4% as compared to the adjusted net profit of approximately RMB58.5 million for the six months ended 30 June 2019. Such decrease was primarily due to: (i) the fact that we undertook flexible staffing projects with lower services premium rates in order to expand our market share in the PRC given that the growth rate of the macroeconomy in the PRC has slowed down; (ii) the decrease in the number of flexible staffing employees who are responsible for software R&D and generated higher gross profit margin, resulting in a decline in the gross profit margin of our flexible staffing services; (iii) a series of pandemic prevention measures taken by the PRC government due to the outbreak of COVID-19, which prevented the Group from commencing offline recruitment activities in the first half of 2020, leading to the significant decrease in the overall number of recruits as compared to that in the first half of 2019, while the expenditure on fixed costs such as rent of the long-term leased office for the purpose of holding offline recruitment events and related internal employees' benefit expenses did not decrease; and (iv) the payment of the professional service fees incurred upon the completion of the Listing, while no such expense was incurred for the six months ended 30 June 2019.

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

Net Current Assets

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Total current assets	1,470,275	1,378,154
Total current liabilities	(333,967)	(362,609)
Net current assets	1,136,308	1,015,545

Our net current assets as at 30 June 2020 amounted to approximately RMB1,136.3 million, representing an increase of approximately RMB120.8 million or approximately 11.9% as compared to approximately RMB1,015.5 million as at 31 December 2019. This was primarily due to: (i) the total balance of cash and cash equivalents and financial assets arising from the purchase of the financial products (as disclosed in the Announcement and the Circular) amounted to approximately RMB1,106.7 million as at 30 June 2020, representing an increase of approximately RMB77.2 million as compared with the balance of cash and cash equivalents of approximately RMB1,029.5 million as at 31 December 2019. Such increase was mainly attributable to the additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) received by the Group from the issue and allotment of Shares upon the completion of the partial exercise of the over-allotment option (the "**Over-allotment Option**") on 3 January 2020; and (ii) trade and other payables amounted to approximately RMB287.4 million as at 30 June 2020, representing a decrease of approximately RMB29.5 million as compared to approximately RMB316.9 million as at 31 December 2019. Such decrease was mainly due to the basic settlement of the listing expenses of approximately RMB21.4 million payable as at 31 December 2019.

Trade and Notes Receivables

Our trade and notes receivables as at 30 June 2020 amounted to RMB354.8 million, representing an increase of RMB13.3 million or approximately 3.9% as compared to approximately RMB341.5 million as at 31 December 2019. Although our revenue for the first half of 2020 increased by approximately 11.0% as compared to that for the first half of 2019, considering the impact of the outbreak of COVID-19, the deteriorating macro-economic indicators may intensify the bad debt risk on trade and notes receivables and lead to the increase of the expected credit loss rate. As such, we have strengthened the recovery of trade receivables by limiting the actual recovery period granted to clients to a credit period within 10 days to 70 days, which is in line with our credit policy in the previous years.

	Six months ended 30 June 2020	Year ended 31 December 2019
Trade receivables turnover days [(1)]	53	54
Adjusted trade receivables turnover days [(2)]	47	46

Notes:

(1) Calculated as the average balance of trade receivables at the beginning and end of a period divided by revenue in such period then multiplied by the number of days (i.e. 365 days in a year and 180 days in six months).

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

Management Discussion and Analysis

For the six months ended 30 June 2020, our trade receivables turnover days was 53 days, and the adjusted trade receivables turnover days was 47 days, which was similar to that of 2019, mainly because we have strengthened our efforts in the collection of trade receivables in addition to the growth in revenue. Our credit period granted to clients is generally within 10 to 70 days for six months ended 30 June 2020.

Prepayments, Deposits and Other Receivables

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

As at 30 June 2020, our prepayments, deposits and other receivables amounted to approximately RMB8.8 million, representing an increase of approximately RMB1.6 million or approximately 22.2% as compared to approximately RMB7.2 million as at 31 December 2019. This was mainly because the annual promotion fee of the Xiang Recruitment Platform prepaid by us to suppliers in the first half of 2020 was not fully utilised as expected due to the decrease in demand for recruitment from clients, resulting in an increase of approximately RMB1.4 million in the balance of prepayments as at 30 June 2020 as compared to that as at 31 December 2019.

Financial Assets at Fair Value through Other Comprehensive Income

As at 30 June 2020, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB67.5 million, comprising the corporate bonds we purchased with idle fund, such as those issued by the National Bank of Canada. These corporate bonds will mature from October 2020 to November 2020.

Financial Assets at Fair Value through Profit or Loss

As at 30 June 2020, the balance of our financial assets at fair value through profit or loss amounted to approximately RMB79.5 million, comprising the principal-preservation financial products we purchased with idle funds, such as the BNPP Sharkfin Products (as defined in "**Significant investments**" below), and such principal-preservation financial products with floating return will mature from September 2020 to October 2020.

Property, Plant and Equipment

As at 30 June 2020, the carrying value of our property, plant and equipment amounted to approximately RMB76.1 million, representing a decrease of approximately RMB8.4 million or approximately 9.9% as compared to approximately RMB84.5 million as at 31 December 2019. This was primarily due to: (i) the setting up of a new BPO service center in Chengdu with over 300 seats in April 2020, which resulted in an increase in right-of-use assets and leasehold improvements in relation to our new offices by approximately RMB5.3 million in aggregate; (ii) a decrease of approximately RMB3.4 million in the total amount of right-of-use assets and leasehold improvements as a result of the termination of the lease of the office premises of the sales team of products for the paid members of the Xiang Recruitment Platform; and (iii) depreciation charge of approximately RMB10.7 million for the first half of 2020.

Other Non-current Assets

Other non-current assets are deposits with recovery periods of more than one year, mainly comprising deposits for house leases. As at 30 June 2020, our other non-current assets amounted to approximately RMB6.5 million, representing an increase of approximately RMB0.5 million as compared to that as at 31 December 2019. This was mainly due to the fact that the office lease deposit of the new BPO service center in Chengdu was higher than the office lease deposit of the lease of the office premises which were leased for the sales team of products for the paid members of the Xiang Recruitment Platform and all were terminated in April 2020.

Deferred Income Tax Assets

As at 30 June 2020, the carrying amount of our deferred income tax assets was approximately RMB15.2 million, representing an increase of approximately RMB0.3 million as compared to approximately RMB14.9 million as at 31 December 2019. Such change was considered insignificant.

KEY FINANCIAL RATIOS

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

	For the six months ended 30 June 2020	2019	2018
Total revenue growth	11.0%	63.5%	N/A
		(Adjusted)	
Adjusted net profit growth (non-HKFRS) [(1)]	-9.3%	169.8%	N/A
Gross margin [(2)]	8.3%	10.8%	8.8%
		(Adjusted)	*(Adjusted)*
Net profit margin/Adjusted net margin (non-HKFRS) [(3)]	4.4%	5.4%	3.3%
	30 June 2020	**31 December 2019**	**31 December 2018**
Current ratio (times)	4.4	3.8	1.2

Notes:

(1) Adjusted net profit (non-HKFRS) is defined as the net loss for the six months ended 30 June 2019 excluding non-operational fair value losses on hybrid financial instruments and listing expenses.

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

(3) Adjusted net margin (non-HKFRS) is calculated as the adjusted net profit as a percentage of the revenue for the six months ended 30 June 2019.

Net Profit/Adjusted Net Profit

We define our adjusted net profit as net loss for the six months ended 30 June 2019 excluding fair value losses on hybrid financial instruments and listing expenses. Upon the completion of the Listing, all the Preferred Shares were automatically converted into the Shares on an one-to-one basis at an offer price of HK$26.6 per share, and there would no longer be such fair value losses on hybrid financial instruments. As such, for the six months ended 30 June 2020, there was no fair value loss on hybrid financial instruments. In addition, all of our listing expenses were incurred in 2018 and 2019, and there was no listing expenses incurred in 2020. As such, there was no adjusted net profit in the first half of 2020.

Our net profit for the six months ended 30 June 2020 amounted to approximately RMB53.0 million, representing a decrease of approximately RMB5.5 million or approximately 9.4% as compared to the adjusted net profit of approximately RMB58.5 million as at 30 June 2019. The reasons for such decrease are set out in “Financial Review - Non-HKFRS Measures” above.

Net Profit Margin/Adjusted Net Profit Margin

Our net profit margin for the six months ended 30 June 2020 was approximately 4.4%, representing a decline as compared to the adjusted net profit margin of 5.4% for the six months ended 30 June 2019. This was primarily due to the decrease in gross profit margin of our flexible staffing services and professional recruitment business, the details of which are set out in “Financial Review - Gross Profit and Gross Profit Margin” above.

Management Discussion and Analysis

Current Ratio

As at 30 June 2020, our current ratio increased significantly to approximately 4.4 as compared to that of approximately 3.8 as at 31 December 2019. Such increase was mainly due to: (i) the additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) received by the Group from the issue and allotment of the Shares upon the completion of the partial exercise of the Over-allotment Option; and (ii) in the first half of 2020, the fact that we had strengthened the recovery of trade receivables in addition to the growth in total revenue, leading to a slight increase in the balance of trade and notes receivables and an increase in the closing balance of cash and cash equivalents as at 30 June 2020. As such, there was an increase in current assets. Furthermore, there was a decrease in current liabilites due to the substantial settlement of listing expenses payable.

Liquidity and Financial Resources

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

As at 30 June 2020, we had cash and cash equivalents of approximately RMB959.7 million, representing a decrease of approximately RMB69.8 million or approximately 6.8% as compared to approximately RMB1,029.5 million as at 31 December 2019. This was mainly due to: (i) the decrease in cash and cash equivalents after we purchased certain financial products with idle funds in the first half of 2020, which was partially offset by the increase of the balance of cash and cash equivalents resulting from the additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) received by the Group from the issue and allotment of Shares upon the completion of the partial exercise of the Over-Allotment Option.

As disclosed in the Announcement and the Circular, during the six months ended 30 June 2020, the Group subscribed for the BNPP Dual Currency Investment on a rollover basis and the BNPP Runner Note Products (both as defined in "Significant investments" below) amounting to approximately HKD1,098.1 million for the purpose of hedging against the medium-to-long term RMB/HKD exchange rate fluctuation risk, which were all expired before 30 June 2020.

Treasury Policies

The treasury and funding policies of the Group primarily focus on liquidity management and maintaining an optimum level of liquidity. Idle funds, primarily denominated in RMB, in relation to the Net Proceeds and revenue generated from our business operations in the PRC are used to subscribe for certain short-term financial products issued by reputable financial institutions or corporations to generate better investment returns as compared to the interests generated by fixed-term deposits placed with banks or licensed financial institutions.

CASH FLOWS

Net Cash Generated from Operating Activities

For the six months ended 30 June 2020, net cash generated from operations was approximately RMB18.4 million, representing a decrease of approximately RMB6.8 million, or approximately 27.0%, as compared to approximately RMB25.2 million for the six months ended 30 June 2019. This decrease was mainly due to the decrease in operating profit and the slight increase in the payment period for certain clients in the first half of 2020.

Net Cash Used in Investing Activities

For the six months ended 30 June 2020, net cash used in investing activities was approximately RMB140.7 million, representing a significant increase as compared to approximately RMB3.1 million for the six months ended 30 June 2019. Such increase was mainly due to the fact that we purchased certain financial products with idle funds in the first half of 2020, with the total amount of net purchase of financial products amounting to approximately RMB147.0 million.

Net Cash Generated from/(Used in) Financing Activities

For the six months ended 30 June 2020, net cash generated from financing activities was approximately RMB52.0 million, while the net cash used in financing activities for the six months ended 30 June 2019 was approximately RMB8.3 million. Such increase was mainly due to the additional gross proceeds of approximately RMB74.5 million (equivalent to approximately HK$83.3 million) received by the Group from the issue and allotment of Shares upon the completion of the partial exercise of the Over-allotment Option, which was partially offset by our payment on listing expenses of approximately RMB11.7 million and our rental payment of approximately RMB10.8 million.

CAPITAL STRUCTURE

Indebtedness

As at 30 June 2020, we had no outstanding borrowings. In the first half of 2020, we had sufficient working capital and did not apply for any borrowings from the bank. As at 31 December 2019, we also had no outstanding borrowings.

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

As at 30 June 2020, we had unutilised banking facilities of approximately RMB23.2 million.

As at 30 June 2020, our lease liabilities in respect of our leased properties amounted to approximately RMB63.6 million, representing a decrease of approximately RMB9.8 million as compared to approximately RMB73.4 million as at 31 December 2019. The decrease was mainly due to the decrease in lease liabilities of approximately RMB10.8 million as a result of the rental payment for the first half of 2020, which was partially offset by the increase in lease liabilities due to the opening of our new BPO service center in Chengdu.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (exclude hybrid financial instruments) less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 30 June 2020 and 31 December 2019, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, our capital expenditure amounted to approximately RMB2.6 million, among which approximately RMB2.0 million was used for the renovation works of our newly leased BPO service center in Chengdu, and approximately RMB0.6 million was used for the procurement of new furniture and expenses on computer equipment in the service center.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 30 June 2020, we had not entered into any material off-balance sheet commitments or arrangements.

OUTLOOK AND FUTURE STRATEGIES

Since March 2020, the PRC government has introduced a series of tax and monetary policies to stimulate the economy to recover from the impact of the outbreak of COVID-19 as soon as practicable. Looking forward to the second half of 2020, according to the Development Research Center of the State Council, it is expected that the GDP will increase to above 8% in the second half of 2020. The annualised growth rate of the flexible staffing market in the PRC is expected to be approximately 28.4% in the second half of 2020. As a HR company whose principal business is the provision of flexible staffing services, we have also received government support such as social insurance reduction and exemption during the outbreak of COVID-19, so that our business will be able to quickly recover from the impact of the outbreak of COVID-19. Since June 2020, the growth rate of the flexible staffing business of the Group has resumed to the pre-epidemic level, with a net increase of flexible staffing personnel exceeding 1,000 in June 2020 and July 2020.

Premier Li Keqiang raised at the executive meeting of the State Council held on 22 July 2020 that "Flexible employment is large in scale with rooms for development. Flexible staffing is an important way to secure employment and improve income. We must not only protect the legitimate rights and interests of flexible staffing employees, but also provide enterprises with a certain degree of flexibility so that they can create more job positions." Mr. Zhang Jianguo, the Chairman and executive director of the Company was interviewed by China Central Television (CCTV) on 26 July 2020 on the topic of "Exploring the Opportunities and Challenges of Flexible Staff Platforms in the Post-Epidemic Era (探索後疫情時代－靈活用工平台的機遇與挑戰)". During the interview, he explained the Group's approach to the HR services market practices: "Flexible staffing can help enterprises avoid the costs of laying off redundant employees during business troughs. As a HR company that serves hundreds and thousands of clients at the same time, we act as a flexible staffing platform and transfer employees dismissed by one client to other clients for staffing services.

Considering the rapid growth of the flexible staffing industry in the PRC and the PRC government's emphasis on stable employment, as well as the gradual decline in the level of prevention and control on the outbreak of COVID-19 in various cities, we have gradually resumed offline recruitment events in individual cities since August 2020. The relaunch of offline recruitment events may help us resume our recruitment capabilities as soon as possible and increase the number of recruits. The management of the Group believes that although our operation may face obstacles, there will be opportunities for our operation in the second half of 2020 and the Group will use its best endeavours to solve all challenges while maintaining the growth in the revenue and net profit of the Group.

Management Discussion and Analysis

Focusing on Serving New Economy Companies and Large Clients Strategies

Although the outbreak of COVID-19 has adversely affected the overall macroeconomy, we saw a recovery in flexible staffing and recruitment demand from clients, with new economy companies, especially large clients with strong risk-resilience, quickly recovering from the impact of the outbreak of COVID-19, and resumed the needs for flexible staffing and recruitment in the first half of 2020. Therefore, as we have been adhering to our strategy to serve large clients, we will continue to focus on serving fast-growing new economy clients and concentrate our resources on providing quality flexible staffing and recruitment services to our key clients.

Expanding Industry Coverage and Geographical Support Network of Our Customer Service

In the first half of 2020, we established the financial service business department according to the features of clients' industries. The financial service business department will explore new clients more specifically based on the flexible staffing features in the financial industry starting from the second half of 2020. Meanwhile, we have tried to commence cooperation with local state-owned enterprises in the second half of 2020 so as to establish joint ventures to jointly provide HR services, such as flexible staffing, for some local state-owned enterprises.

As affected by the outbreak of COVID-19, we have slowed down our expansion in different cities across the country in the first half of 2020. In the second half of 2020, based on our future plans and the use of proceeds as disclosed in the prospectus of the Company dated 3 December 2019 (the "**Prospectus**"), we will set up new branches or representative offices in third- and fourth-tier cities as the supporting networks for our key clients.

Strengthening the Introduction and Training of Outstanding Talents

The Group has been recruiting 30 to 40 new sales personnel since July 2020 to improve the scale and capabilities of the sales team. These newly joined sales personnel will join the "Wolf Project (戰狼計劃)" in September 2020, aiming to allow them to quickly master the knowledge and sales skills of our products, such as the flexible staffing of the Company, through concentrated trainings.

The Group has been recruiting 30 to 40 new employees and flexible staffing reserve project managers since August 2020 to enhance the scale and capabilities of the project management and/or execution team. These newly joined personnel will join the "Wave Project (後浪計劃)" in October 2020, which is a two-month intensive training programme, aiming to allow them to understand the service process of our flexible staffing services and develop their recruitment skills.

In the second half of 2020, the Group will also select a group of outstanding sales personnel from the existing sales team to join the "Sword Training Programme (礪劍培訓計劃)". It is a six-month training programme starting from September 2020, from which sales personnel with strong capabilities will be selected as reserved candidates for promotion to sales director.

Further, the first business department of BPO will implement the "Spark Training Programme (星火培訓計劃)" in the second half of 2020. It will be held in two days per month during a four-month training period for the team leaders and excellent employees who joined the programme. The programme aims to provide targeted trainings for junior management personnel, improve their capabilities for project management, and thereby ensure the quality of our project services. At the same time, the second business department of BPO, which was newly established in 2020, will carry out the "Eagle Training Programme (雛鷹培訓計劃)" for the newly recruited middle and junior level management personnel to help them quickly integrate into the corporate culture of the Company and adapt to our rapid development.

Upgrading Our Existing Integrated HR Ecosystem

Our chief technology officer joined us in the first half of 2020. In the second half of 2020, under the leadership of our chief technology officer, we will upgrade our Xiang Recruitment and Rui Recruiting Systems and add functions related to social recruitment. We will also upgrade the Rui Cloud Management System to cater for the changes in our management approaches in our flexible staffing business projects. At the same time, we will start to build the data intermediate platform of the Company based on the Group's financial system.

Further Expanding the Scale of BPO Services

Our BPO services achieved a rapid growth in the first half of 2020. On 28 May 2020, we entered into joint venture framework agreements with two separate teams on the same terms and conditions to form two joint ventures, which will be primarily engaged in the provision of call centre services, information technology services and information verification business. For further details, please refer to the announcement of the Company dated 28 May 2020. Currently, members of these two teams have joined our BPO services team and participated in the project operation management of our BPO service center in Yingkou. The registration of the joint venture with one of these two teams was completed on 25 August at our BPO service center in Yingkou. The other joint venture with another team will be set up at our newly established BPO service center in Northern China, and the registration of such joint venture is expected to be completed by the end of October 2020.

In the second half of 2020, we plan to further expand the scale of our BPO services by establishing joint ventures with other independent teams with BPO services experience.

Establish Source of Talents through Integration of Industry and Education

We plan to cooperate with colleges to provide trainings and cultivation for potential BPO employees and flexible staffing employees through the integration of industry and education. Our BPO service centers will provide internship opportunities for third-year university students, who can learn the service skills of client service representatives, information verification and other jobs through trainings. We will then evaluate the performance and capability of the students during the internship and compare the evaluation results with the employee skills requirements of our clients, so as to recommend the students with the required skills to our clients with different staffing requirements after their graduation.

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

According to our future plans and the use of proceeds as disclosed in the Prospectus of the Company, we will accelerate the development of the flexible staffing service market in the information technology industry (including software R&D personnel) in the second half of 2020. We may form BPO joint venture with an independent team, form joint venture with an independent team or company with flexible staffing service experience in the information technology industry and/or acquire flexible staffing service company with established operation ability in the information technology industry, so as to extend our service coverage to such type of posts.

FORIEGN EXCHANGE EXPOSURE

The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency.

In order to minimise the currency risk arising from the Net Proceeds that have not yet been converted from HKD into RMB for the use of the operations of the Group, during the six months ended 30 June 2020, the Group subscribed for financial products, namely, the BNPP Dual Currency Investment and the BNPP Runner Note Products (both as defined in "Significant investments" below), for the purpose of hedging against RMB/HKD exchange rate fluctuation risk. For details, please refer to the Announcement and the Circular.

CHARGE ON GROUP ASSETS

There was no charge on the Group's assets as at 30 June 2020 (31 December 2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisition or disposal of subsidiaries, associated companies or joint ventures of the Group, which would have been required to be disclosed under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), during the six months ended 30 June 2020.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS

The details of the Group's significant investments subscribed during the six months ended 30 June 2020 are as follows:

Name of investment	Date(s) of subscription	Investment cost	Market value as at 30 June 2020	Realised/ Unrealised gains or (lossess) as at 30 June 2020	Percentage to the Group's total assets as at 30 June 2020
		HK$/RMB'000	*RMB'000*	*RMB'000*	*(%)*
Dual Currency Investment ("**BNPP Dual Currency Investment**")	During the period from February 2020 to March 2020	RMB318,870[1]	N/A[2]	2,824	N/A[2]
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1914469173)[3]	13 March 2020	HK$225,000	N/A[4]	(2,983)	N/A[4]
Offshore Deliverable CNY HK$ Runner Certificate (ISIN: XS1979071690)[3]	17 March 2020	HK$150,000	N/A[5]	(682)	N/A[5]
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215026)[6]	21 February 2020	RMB8,980	8,980	—	0.57
Quanto Offshore CNY 6 Months Sharkfin Certificate linked to Gold (ISIN: XS2074215455)[6]	21 February 2020	RMB8,970	9,082	112	0.58
Gold-linked Bullish Three-tier 7 Days/14 Days/21 Days/ 1 Month/3 Months Structured Deposit of China Merchants Bank[7]	During the period from January 2020 to April 2020	RMB75,000[8]	N/A[9]	370	N/A[9]
Bu Bu Sheng Jin No. 8688 Principal-preservation Wealth Management Scheme (Product code: 8688) of Go Fortune of China Merchants Bank[7]	During the period from December 2019 to January 2020	RMB114,000[10]	N/A[11]	273	N/A[11]

Notes:

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

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

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

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

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

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

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

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

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

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

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

As substantially all of the Net Proceeds, which are denominated in HKD, will be utilised in the PRC for the Group's business operations as stated in the Prospectus, the Company would need to convert the proceeds into RMB in an orderly manner. After straight conversion of approximately HKD20.0 million into RMB to meet the Group's immediate needs shortly after the Listing at the then spot rates, the management of the Company has been closely monitoring the RMB/HKD exchange rate so as to exchange the portion of the remaining proceeds that are intended to be utilised in the PRC into RMB at the appropriate rates for better cash management purpose which is considered to be in the best interests of the Shareholders. The Company therefore invested in the BNPP Dual Currency Investment and the BNPP Runner Note Products for the purpose of hedging against RMB/HKD exchange rate fluctuation risk. In relation to the Net Proceeds which had been converted from HKD to RMB but are intended to be utilised only in the second half of 2020 or later as well as those idle cash generated from the business operations of the Group in the PRC, as part of the treasury activities of the Company, the management of the Company had decided to subscribe for certain short-term (i.e. for a term of no more than six months) financial products issued by reputable financial institutions or corporations, such as the BNPP Sharkfin Products and the CMB Financial Products, in order to generate better investment returns as compared to the interests generated by fixed-term deposit placed with banks or licensed financial institutions.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

To strengthen our position as the largest flexible staffing services provider in the PRC in terms of revenue generated from flexible staffing business in 2019, we plan to utilise the Net Proceeds to carry out certain expansion projects. Details for the expansion projects are set out in "Use of Net Proceeds from the Listing" below and the section headed "Future Plans and Use of Proceeds" in the Prospectus.

INTERIM DIVIDEND

The board (the "**Board**") of directors (the "**Directors**") does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

Management Discussion and Analysis

USE OF NET PROCEEDS FROM THE LISTING

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

The amount of Net Proceeds utilised as at 30 June 2020 is set forth below:

Intended use of Net Proceeds	Original allocation (Percentage)	Original allocation (HK$)	Amount of Net Proceeds utilised as of 30 June 2020 (HK$)	Balance of Net Proceeds unutilised as at 30 June 2020 (HK$)	Intended timetable for the use of unutilised Net Proceeds
(i) Expand our geographic coverage to better support our clients and new opportunities	20%	198.4 million	—	198.4 million	By/before 31 December 2022
(ii) Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, IT industry and new retail clientele	17%	168.7 million	—	168.7 million	By/before 31 December 2022
(iii) Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	13%	129.0 million	—	129.0 million	By/before 31 December 2022
(iv) Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	22%	218.3 million	2.8 million	215.5 million	By/before 31 December 2024
(v) Further promote our brand and launch marketing and promotion activities	10%	99.2 million	—	99.2 million	By/before 31 December 2022
(vi) Support our global expansion strategy in the next four years	8%	79.4 million	—	79.4 million	By/before 31 December 2023
(vii) Working capital and general corporate purposes	10%	99.2 million	4.0 million	95.2 million	By/before 31 December 2022

As at 30 June 2020, Net Proceeds amounting to approximately HK$985.4 million had not yet been utilised. The Group will utilise the Net Proceeds in accordance with the intended use of proceeds as set out in the Prospectus. The Directors were not aware of any material change to the planned use of Net Proceeds as at the date of this report.

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 shareholders of the Company and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Board is of the view that for the six months ended 30 June 2020, the Company has complied with all applicable code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained under the paragraph headed "Chairman and Chief Executive Officer" below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the chairman and chief executive officer of the Company are held by Mr. Zhang Jianguo. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of eight Directors, and the Board believes there is sufficient check and balance on the Board; (ii) Mr. Zhang Jianguo and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that 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 strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Zhang Jianguo is our principal founder, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning 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 separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code and its code of conduct regarding directors' securities transactions for the six months ended 30 June 2020.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

CHANGE IN DIRECTORATE AND DIRECTORS' INFORMATION

On 26 June 2020, the Company established the investment and compliance committee of the Board (the "**Investment and Compliance Committee**"). Mr. Chow Siu Lui, a non-executive Director, was appointed as the chairman of the Investment and Compliance Committee. Mr. Zhang Jianguo, the chairman of the Board, an executive Director and the chief executive officer of the Company, and Mr. Leung Ming Shu, an independent non-executive Director, were appointed as the members of the Investment and Compliance Committee. For details, please refer to the announcement of the Company dated 26 June 2020.

Save as disclosed above, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares and underlying Shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares/ underlying Shares held	Approximate percentage of shareholding interest in the Company (%)
Zhang Jianguo	Interest of controlled corporation (1)	46,368,000	30.17%
	Interests held jointly with other persons (4)	12,976,600	8.44%
Zhang Feng	Interest of controlled corporation (2)	5,796,000	3.77%
	Interests held jointly with other persons (4)	53,092,800	34.55%
	Beneficial owner (2)	455,800	0.30%
Zhang Jianmei	Interest of controlled corporation (3)	5,796,000	3.77%
	Interests held jointly with other persons (4)	52,619,800	34.24%
	Beneficial owner (3)	928,800	0.60%

Notes:

(1) Ming Feng Holdings Limited ("**Ming Feng**") is wholly owned by Mr. Zhang Jianguo. Under the SFO, Mr. Zhang Jianguo is deemed to be interested in the 46,368,000 Shares held by Ming Feng.

(2) Wu Fu Min Feng Holdings Limited ("**Wu Fu Min Feng**") is wholly owned by Mr. Zhang Feng. Under the SFO, Mr. Zhang Feng is deemed to be interested in the 5,796,000 Shares held by Wu Fu Min Feng. In addition, Mr. Zhang Feng was granted options under the Mid-senior Level Management Pre-IPO SOS which entitle him to subscribe for 455,800 Shares.

(3) Lin Feng Holdings Limited ("**Lin Feng**") is wholly owned by Ms. Zhang Jianmei. Under the SFO, Ms. Zhang Jianmei is deemed to be interested in the 5,796,000 Shares held by Lin Feng. In addition, Ms. Zhang Jianmei was granted options under the Mid-senior Level Management Pre-IPO SOS which entitle her to subscribe for 928,800 Shares.

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

Interests in associated corporation of the Company

Name of Director	Associated Corporation	Capacity/ Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated corporation (%) (Note)
Zhang Jianguo	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	4,000,000	80.00%
Zhang Feng	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.00%
Zhang Jianmei	Chengdu Tianfu Renrui Education Consultation Co., Ltd.	Beneficial owner	500,000	10.00%

Note:

As Chengdu Tianfu Renrui Education Consultation Co., Ltd. is a limited liability company established in the PRC, the percentage of shareholding is determined with reference to the percentage of subscribed registered capital of each shareholder.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

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

As at 30 June 2020, to the best knowledge of the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held	Approximate percentage of shareholding interest in the Company (%)
Wang Fen (1)	Interest of spouse	59,344,600	38.62%
Wu Qi (2)	Interest of spouse	59,344,600	38.62%
Chen Bin (3)	Interest of spouse	59,344,600	38.62%
Ming Feng	Beneficial owner	46,368,000	30.17%
LC Fund V, L.P. (4)	Beneficial owner	27,254,544	17.74%
LC Fund V GP Limited (4)	Interest of controlled corporation	29,250,495	19.03%
VMS Strategic Investment Fund, L.P. (5)	Beneficial owner	16,747,481	10.90%
VMS Strategic Investment GP Limited (5)	Interest of controlled corporation	16,747,481	10.90%
VMS Investment Management Inc. (5)	Interest of controlled corporation	16,747,481	10.90%
VMS Financial Services Group Limited (5)	Interest of controlled corporation	16,747,481	10.90%
VMS Holdings Limited(5)	Interest of controlled corporation	16,747,481	10.90%
Mak Siu Hang Viola(5)	Interest of controlled corporation	16,747,481	10.90%
T. Rowe Price Associates, Inc. and its Affiliates	Beneficial owner	7,895,500	5.14%

Notes:

(1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo. Under the SFO, Ms. Wang Fen is deemed to be interested in the 59,344,600 Shares/underlying Shares in which Mr. Zhang Jianguo is interested.

(2) Ms. Wu Qi is the spouse of Mr. Zhang Feng. Under the SFO, Ms. Wu Qi is deemed to be interested in the 59,344,600 Shares/underlying Shares in which Mr. Zhang Feng is interested.

(3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei. Under the SFO, Mr. Chen Bin is deemed to be interested in the 59,344,600 Shares/underlying Shares in which Ms. Zhang Jianmei is interested.

(4) As LC Fund V GP Limited is the general partner of both of LC Fund V, L.P. and LC Parallel Fund V, L.P.. LC Fund V GP Limited is deemed to be interested in the 27,254,544 Shares and 1,995,951 Shares held by LC Fund V, L.P. and LC Parallel Fund V, L.P., respectively.

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

Save as disclosed above, as at 30 June 2020, the Directors and the chief executives of the Company were not aware of any other persons (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 June 2020, was the Company nor any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company nor any other body corporate, and none of the Directors nor any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, except for the partial exercise of the Over-allotment Option in connection with the Listing and share purchases pursuant to the Post-IPO Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On 3 January 2020, the Group received an additional net proceeds of approximately HK$70.2 million (equivalent to approximately RMB62.8 million) from the issue and allotment of Shares upon the completion of the partial exercise of the Over-allotment Option. For further details, please refer to the announcement of the Company dated 5 January 2020.

From July 2020 to September 2020, the Trustee, via a limited liability company established by the Trustee to hold the trust fund of the Trust, purchased in aggregate 2,448,600 Shares on the market for the purpose of the Post-IPO Share Award Scheme at a total consideration (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) of approximately HK$70.0 million (equivalent to approximately RMB63.3 million). For further details, please refer to the announcements of the Company dated 14 July 2020 and 15 September 2020, respectively.

AUDIT COMMITTEE

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

The Group's unaudited interim results for the six months ended 30 June 2020 have been reviewed by the Audit Committee with no disagreement by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there have been no material events occurring after the reporting period and up to the date of this interim report.

On behalf of the Board
Mr. Zhang Jianguo
Chairman of the Board

PRC, 26 August 2020

Condensed Consolidated Income Statement

For the six months ended 30 June 2020

		Six months ended 30 June	
	Note	2020 *RMB'000* *(Unaudited)*	2019 *RMB'000* *(Audited)*
Revenue	6	1,195,572	1,077,361
Cost of revenue	7	(1,095,862)	(961,435)
Gross profit		99,710	115,926
Selling and marketing expenses	7	(18,625)	(22,989)
Research and development expenses	7	(5,928)	(7,126)
Administrative expenses	7	(33,794)	(33,060)
Net impairment losses on financial assets		(7,023)	(455)
Other income	8	9,531	5,367
Other gains, net	9	8,715	181
Operating profit		52,586	57,844
Finance income	10	8,807	70
Finance costs	10	(1,108)	(2,746)
Fair value losses on hybrid financial instruments	14	—	(277,804)
Profit/(loss) before income tax		60,285	(222,636)
Income tax expense	11	(7,266)	(6,566)
Profit/(loss) for the period attributable to equity holders of the Company		53,019	(229,202)
Earnings/(loss) per share (expressed in RMB per share)			
– Basic earnings/(loss) per share	12	0.35	(3.95)
– Diluted earnings/(loss) per share	12	0.31	(3.95)

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

Condensed Consolidated Statement of Comprehensive Income/(Loss)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 *RMB'000* *(Unaudited)*	2019 *RMB'000* *(Audited)*
Profit/(loss) for the period	53,019	(229,202)
Other comprehensive loss		
Items that may not be reclassified subsequently to profit or loss:		
Currency translation differences	–	(5,123)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(1,921)	–
Changes in the fair value of financial assets at fair value through other comprehensive income	74	–
Other comprehensive loss for the period	(1,847)	(5,123)
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	51,172	(234,325)

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

Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	76,149	84,499
Intangible assets		660	768
Other non-current assets		6,519	6,005
Deferred income tax assets		15,241	14,935
Restricted cash	17	3,050	—
Total non-current assets		101,619	106,207
Current assets			
Trade and notes receivables	16	354,780	341,452
Prepayments, deposits and other receivables	15	8,840	7,246
Financial assets at fair value through other comprehensive income	14	67,464	—
Financial assets at fair value through profit or loss	14	79,509	—
Cash and cash equivalents	17	959,682	1,029,456
Total current assets		1,470,275	1,378,154
Total assets		1,571,894	1,484,361
EQUITY			
Share capital	18	52	51
Share premium	18	2,242,254	2,170,559
Other reserves		(31,954)	(30,911)
Accumulated losses		(1,019,309)	(1,072,328)
Total equity		1,191,043	1,067,371
LIABILITIES			
Non-current liabilities			
Lease liabilities	20	46,884	54,381
Total non-current liabilities		46,884	54,381
Current liabilities			
Trade and other payables	19	287,429	316,875
Contract liabilities		22,023	22,016
Current income tax liabilities		7,771	4,669
Lease liabilities	20	16,744	19,049
Total current liabilities		333,967	362,609
Total liabilities		380,851	416,990
Total equity and liabilities		1,571,894	1,484,361

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Note	Attributable to equity holders of the Company				
		Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Accumulated losses *RMB'000*	Total (deficit)/ equity *RMB'000*
(Audited)						
Balance at 1 January 2019		18	—	(6,933)	(292,497)	(299,412)
Comprehensive loss						
Loss for the period		—	—	—	(229,202)	(229,202)
Other comprehensive loss						
– Currency translation differences		—	—	(5,123)	—	(5,123)
Total comprehensive loss		—	—	(5,123)	(229,202)	(234,325)
Transactions with equity holders of the Company						
Share-based compensation		—	—	1,673	—	1,673
Total transactions with equity holders of the Company		—	—	1,673	—	1,673
Balance at 30 June 2019		18	—	(10,383)	(521,699)	(532,064)
(Unaudited)						
Balance at 1 January 2020		51	2,170,559	(30,911)	(1,072,328)	1,067,371
Comprehensive income						
Profit for the period		—	—	—	53,019	53,019
Other comprehensive loss						
– Currency translation differences		—	—	(1,921)	—	(1,921)
– Changes in the fair value of financial assets at fair value through other comprehensive income		—	—	74	—	74
Total comprehensive income		—	—	(1,847)	53,019	51,172
Transactions with equity holders of the Company						
Share-based compensation		—	—	804	—	804
Issue of ordinary shares in connection with the listing, net of listing expenses	18	1	71,695	—	—	71,696
Total transactions with equity holders of the Company		1	71,695	804	—	72,500
Balance at 30 June 2020		52	2,242,254	(31,954)	(1,019,309)	1,191,043

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Cash flows from operating activities			
Cash generated from operations		22,820	25,214
Income tax paid		(4,470)	—
Net cash generated from operating activities		18,350	25,214
Cash flows used in investing activities			
Purchase of property, plant and equipment		(2,565)	(2,811)
Purchase of financial assets at fair value through profit or loss		(1,570,022)	(8,000)
Purchase of financial assets at fair value through other comprehensive income		(94,317)	—
Purchase of intangible assets		(47)	(418)
Proceeds from disposal of property, plant and equipment		51	100
Proceeds from disposal of financial assets at fair value through profit or loss		1,490,874	8,002
Proceeds from disposal of financial assets at fair value through other comprehensive income		27,670	—
Interest received		7,622	68
Net cash used in investing activities		(140,734)	(3,059)
Cash flows from/(used in) financing activities			
Proceeds from issue of ordinary shares upon listing	18	74,482	—
Proceeds from borrowings		—	55,630
Repayment of borrowings		—	(52,230)
Payment of lease liabilities		(10,781)	(8,319)
Interest paid		—	(278)
Listing expenses paid		(11,714)	(3,121)
Net cash generated from/(used in) financing activities		51,987	(8,318)
Net (decrease)/increase in cash and cash equivalents		(70,397)	13,837
Cash and cash equivalents at beginning of the period		1,029,456	40,341
Effects of exchange rate changes on cash and cash equivalents		623	(26)
Cash and cash equivalents at end of the period	17	959,682	54,152

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

Notes to the Condensed Consolidated Interim Financial Information

1 GENERAL INFORMATION

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

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

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

The unaudited condensed consolidated interim financial information are presented in Renminbi ("RMB"), unless otherwise stated.

The unaudited condensed consolidated interim financial information were approved for issue by the Board on 26 August 2020.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

3 ACCOUNTING POLICIES

The accounting policies applied in preparation of these unaudited condensed consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31 December 2019, as described therein, except for estimation of income tax for the interim periods using the tax rate that would be applicable to expected total annual earnings and the adoption of the new standards, amendments and interpretations of HKFRSs effective for the financial year ending 31 December 2020 as described below.

(a) New standards, amendments and interpretations of HKFRSs effective for 2020

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

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling approximately RMB885,000 were accounted for as negative variable lease payments and recognised in cost of revenue, administrative expenses, selling and marketing expenses and research and development expenses in the condensed consolidated income statement for the six months ended 30 June 2020 (Note 7), with a corresponding adjustment to the lease liability. There was no impact on the opening balance of equity as at 1 January 2020.

The Group has applied the following standards and amendments for the first time for their current reporting period beginning on 1 January 2020:

	Effective for accounting year beginning on or after
Amendments to HKAS 1 and HKAS 8 – Definition of Material	1 January 2020
Amendments to HKFRS 3 – Definition of a Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

The adoption of the above standards and amendments does not have a significant impact on the Group's financial statements.

(b) Impact of standards issued but not yet adopted by the Group

Certain new accounting standards, amendments and interpretations have been published but are not mandatory for the financial year beginning 1 January 2020 and have not been early adopted by the Group.These new accounting standards, amendments and interpretations are not expected to have a material impact on the Group's financial statements when they become effective.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for the fair value of hybrid financial instruments as all outstanding Preferred Shares were converted into ordinary shares upon the Listing.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

5.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

For the purpose of hedging against the medium-to-long term RMB/HKD exchange rate fluctuation risk, during the six months ended 30 June 2020, the Group had subscribed for certain financial products, which were included as financial assets at fair value through profit or loss and were expired before 30 June 2020.

As at 30 June 2020, the majority of the Group's assets and liabilities are denominated in RMB. The management considers that the business is not exposed to any significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates, as the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash measured at amortised cost.

The Group's exposure to changes in interest rates is also attributable to its lease liabilities, details of which has been disclosed in Note 20. Lease liabilities carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

As at 30 June 2020 and 31 December 2019, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash and cash equivalents, restricted cash, financial assets at fair value through other comprehensive income as well as credit exposures to customers, including outstanding receivables.

(i) Cash and cash equivalents

As at 30 June 2020 and 31 December 2019, the Group expects that there is no significant credit risk associated with cash and cash equivalents or restricted cash since most of them are deposited at state-owned banks and other multinational medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade and notes receivables

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the management performs ongoing credit evaluations of its customers. The credit period granted to the customers is typically of 10 to 70 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses are determined based on historical default rates and also incorporate forward looking information. The Group identifies GDP growth rate, unemployment rate and total retail sales of consumer goods as the key economic variables impacting the expected credit losses.

On that basis, the loss allowance for trade receivables as at 30 June 2020 and 31 December 2019 was determined as follows:

(Unaudited) 30 June 2020	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due over 12 months	Total
Expected loss rate	0.41%	9.45%	11.88%	45.25%	96.86%	100.00%	
Gross carrying amount	313,109	23,158	13,783	8,893	223	3,739	362,905
Loss allowance	1,279	2,189	1,638	4,024	216	3,739	13,085

(Audited) 31 December 2019	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due over 12 months	Total
Expected loss rate	0.10%	3.43%	8.46%	22.22%	70.00%	100.00%	
Gross carrying amount	294,104	30,096	10,659	63	10	3,668	338,600
Loss allowance	294	1,031	902	14	7	3,668	5,916

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and notes receivables (Continued)

As at 30 June 2020, the Group assessed the identified credit losses of notes receivables were immaterial.

(iii) Other receivables

For other receivables, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 30 June 2020 and 31 December 2019, the loss allowance of other receivables were RMB48,000 and RMB194,000, respectively.

(iv) Financial assets at fair value through other comprehensive income

For financial assets at fair value through other comprehensive income, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 30 June 2020, the Group assessed the identified credit losses of investment in corporate bonds were immaterial given that these bonds are rated as investment grade by at least one major rating agency.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing to meet its daily operation working capital.

The table below analyses the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the condensed consolidated balance sheet, as the impact of discount is not significant.

Contractual maturities of financial liabilities	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total contractual cash flows RMB'000
(Unaudited)					
At 30 June 2020					
Trade and other payables*	42,349	—	—	—	42,349
Lease liabilities	20,026	22,250	27,845	—	70,121
	62,375	22,250	27,845	—	112,470
(Audited)					
At 31 December 2019					
Trade and other payables*	54,345	—	—	—	54,345
Lease liabilities	23,146	21,264	37,703	—	82,113
	77,491	21,264	37,703	—	136,458

* Excluding non-financial liabilities of accrued payroll and welfare and value-added tax ("VAT") and surcharges.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (exclude hybrid financial instruments) less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

As at 30 June 2020 and 31 December 2019, the Group was in a net cash position (i.e., cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group's financial assets at fair value through profit or loss mainly represented financial products purchased from banks and financial assets at fair value through other comprehensive income mainly represented investment in corporate bonds. The Group had no financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income as at 31 December 2019.

Recurring fair value measurements	Level 1 *RMB'000* *(Unaudited)*	Level 2 *RMB'000* *(Unaudited)*	Level 3 *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
As at 30 June 2020				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 14)	—	67,464	—	67,464
Financial assets at fair value through profit or loss (Note 14)	—	—	79,509	79,509

There were no transfers among levels of the fair value hierarchy during the periods.

The valuation of the level 2 and level 3 instruments included investment in corporate bonds and certain financial products. The fair values of these instruments have been determined by using various applicable valuation techniques, including market approach and discounted cash flows etc.

6 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker (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. As a result of this evaluation, the Group determined that it has operating segments as follows:

Flexible staffing

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

Professional recruitment

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

Other HR solutions

The Group provides other human resource solutions such as BPO, corporate training and labour dispatch.

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

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

6 SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2020 was as follows:

	Six months ended 30 June 2020			
	Flexible staffing *RMB'000* *(Unaudited)*	Professional recruitment *RMB'000* *(Unaudited)*	Other HR solutions *RMB'000* *(Unaudited)*	Total *RMB'000* *(Unaudited)*
Segment revenue	1,112,248	19,084	64,240	1,195,572
Segment gross profit	79,033	3,840	16,837	99,710
Unallocated:				
Selling and marketing expenses				(18,625)
Research and development expenses				(5,928)
Administrative expenses				(33,794)
Other income (Note 8)				9,531
Other gains, net (Note 9)				8,715
Net impairment losses on financial assets				(7,023)
Finance income, net (Note 10)				7,699
Profit before income tax				60,285
Income tax expense (Note 11)				(7,266)
Profit for the period				53,019

6 SEGMENT INFORMATION AND REVENUE (Continued)

(b) Segment results and other information (Continued)

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2019 was as follows:

	Six months ended 30 June 2019			
	Flexible staffing *RMB'000* *(Audited)*	Professional recruitment *RMB'000* *(Audited)*	Other HR solutions *RMB'000* *(Audited)*	Total *RMB'000* *(Audited)*
Segment revenue	1,023,532	30,222	23,607	1,077,361
Segment gross profit	97,715	11,197	7,014	115,926
Unallocated:				
Selling and marketing expenses				(22,989)
Research and development expenses				(7,126)
Administrative expenses				(33,060)
Other income (Note 8)				5,367
Fair value losses on hybrid financial instruments (Note 14)				(277,804)
Other gains, net (Note 9)				181
Net impairment losses on financial assets				(455)
Finance costs, net (Note 10)				(2,676)
Loss before income tax				(222,636)
Income tax expense (Note 11)				(6,566)
Loss for the period				(229,202)

(c) Segment assets and segment liabilities

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

6 SEGMENT INFORMATION AND REVENUE (Continued)

(d) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Flexible staffing	1,112,248	1,023,532
Professional recruitment		
– Recruitment	18,068	27,824
– Paid membership	1,016	2,398
Other HR solutions		
– BPO	52,942	17,218
– Corporate training	612	350
– Labour dispatch	2,457	3,797
– Other miscellaneous services*	8,229	2,242
	1,195,572	1,077,361

* For the six months ended 30 June 2020, other miscellaneous services mainly included tailored employee management solutions to the customers, which was recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance.

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

Six months ended 30 June 2020	Flexible staffing	Professional recruitment	Other HR solutions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Timing of revenue recognition				
At a point in time	—	18,511	612	19,123
Over time	1,112,248	573	63,628	1,176,449
	1,112,248	19,084	64,240	1,195,572

Six months ended 30 June 2019	Flexible staffing	Professional recruitment	Other HR solutions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
Timing of revenue recognition				
At a point in time	—	29,593	350	29,943
Over time	1,023,532	629	23,257	1,047,418
	1,023,532	30,222	23,607	1,077,361

7 EXPENSES BY NATURE

The following expenses include cost of revenue, selling and marketing expenses, research and development expenses and administrative expenses:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Employee benefit expenses	**1,094,106**	958,673
Depreciation and amortisation	**10,903**	12,288
Travelling and entertainment expenses	**13,756**	14,402
Marketing and promotion expenses	**5,845**	9,877
Other taxes and surcharges	**7,300**	6,884
Subcontracting costs	**1,821**	365
Listing expenses	**—**	9,874
Recruitment related communication expenses	**2,520**	3,532
Utilities and office expenses	**3,752**	3,908
Professional service fee	**9,139**	1,332
Lease and property management expenses	**2,777**	1,792
COVID-19-related rent concessions (Note 3)	**(885)**	—
Auditor's remuneration	**950**	203
Others	**2,225**	1,480
Total	**1,154,209**	1,024,610

8 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Government grants	**7,161**	4,984
Additional deduction of input value-added tax ("VAT")	**1,959**	262
Others	**411**	121
	9,531	5,367

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For the six months ended 30 June 2020

9 OTHER GAINS, NET

	Six months ended 30 June	
	2020 *RMB'000* *(Unaudited)*	2019 *RMB'000* *(Audited)*
Net losses on disposal of property, plant and equipment	(56)	(31)
Exchange gains/(losses) – net	9,906	(33)
Gains on early termination of lease contracts	69	300
Donation expenditure	(1,055)	—
Others	(149)	(55)
	8,715	181

10 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020 *RMB'000* *(Unaudited)*	2019 *RMB'000* *(Audited)*
Finance income		
Interest income	8,807	70
Finance income	8,807	70
Finance costs		
Interest expense		
– lease liabilities	(1,108)	(2,468)
– borrowings	—	(278)
Finance costs expensed	(1,108)	(2,746)
Finance income/(costs), net	7,699	(2,676)

11 INCOME TAX EXPENSE

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.

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 six months ended 30 June 2020 and 2019.

PRC corporate income tax provision is made on the estimated assessable profits of entities within the Group incorporated in the PRC and is calculated at the applicable tax rates in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances.

An analysis of the income tax charges for the period is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Current income tax	**(7,572)**	(2,681)
Deferred income tax	**306**	(3,885)
	(7,266)	(6,566)

12 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	*(Audited)*
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	**53,019**	(229,202)
Weighted average number of ordinary shares in issue (thousands)	**153,635**	57,960
Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company (RMB per share)	**0.35**	(3.95)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

12 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share

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

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

Share options granted to employees and the Preferred Shares are assumed to be potential ordinary shares and have been included in the determination of diluted earnings/(loss) per share from their dates of issue.

The diluted earnings per share for the six months ended 30 June 2020 was as following:

	Six months ended 30 June 2020 *(Unaudited)*
Profit attributable to the equity holders of the Company (RMB'000)	53,019
Weighted average number of ordinary shares in issue (thousands)	153,635
Adjustments for calculation of diluted earnings per share (thousands):	
– Share options	19,224
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	172,859
Total diluted earnings per share attributable to the ordinary equity holders of the Company (RMB per share)	0.31

As the Group incurred losses for the six months ended 30 June 2019, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the six months ended 30 June 2019 was the same as basic loss per share of the same period.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets property RMB'000	Computer equipment RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
(Audited)						
At 1 January 2019						
Cost	99,042	8,510	172	1,892	10,200	119,816
Accumulated depreciation	(42,572)	(7,122)	(140)	(1,033)	(6,880)	(57,747)
Net book amount	56,470	1,388	32	859	3,320	62,069
Six months ended 30 June 2019						
Opening net book amount	56,470	1,388	32	859	3,320	62,069
Additions	34,119	324	2	589	1,896	36,930
Disposals	(5,991)	(49)	—	(82)	—	(6,122)
Depreciation charge	(10,246)	(670)	(10)	(224)	(1,010)	(12,160)
Closing net book amount	74,352	993	24	1,142	4,206	80,717
At 30 June 2019						
Cost	89,303	8,290	174	2,246	12,096	112,109
Accumulated depreciation	(14,951)	(7,297)	(150)	(1,104)	(7,890)	(31,392)
Net book amount	74,352	993	24	1,142	4,206	80,717
(Unaudited)						
At 1 January 2020						
Cost	94,358	10,368	172	4,288	11,066	120,252
Accumulated depreciation	(23,756)	(5,653)	(98)	(1,294)	(4,952)	(35,753)
Net book amount	70,602	4,715	74	2,994	6,114	84,499
Six months ended 30 June 2020						
Opening net book amount	70,602	4,715	74	2,994	6,114	84,499
Additions	3,293	390	11	168	1,996	5,858
Disposals	(3,353)	(59)	(2)	(19)	(27)	(3,460)
Depreciation charge	(8,204)	(987)	(34)	(422)	(1,101)	(10,748)
Closing net book amount	62,338	4,059	49	2,721	6,982	76,149
At 30 June 2020						
Cost	87,571	10,474	178	4,391	11,694	114,308
Accumulated depreciation	(25,233)	(6,415)	(129)	(1,670)	(4,712)	(38,159)
Net book amount	62,338	4,059	49	2,721	6,982	76,149

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2020

14 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

Financial assets

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial assets at amortised cost			
Trade and notes receivables	16	354,780	341,452
Deposits and other receivables	15	3,002	2,458
Other non-current assets		6,519	6,005
Restricted cash	17	3,050	—
Cash and cash equivalents	17	959,682	1,029,456
Financial assets at fair value through other comprehensive income			
Investment in corporate bonds (i)		67,464	—
Financial assets at fair value through profit or loss			
Principal-preservation financial products (ii)		79,509	—
		1,474,006	1,379,371

Financial liabilities

	Note	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial liabilities at amortised cost			
Trade and other payables (excluding accrued payroll and welfare and VAT and surcharges)	19	42,349	54,345
Lease liabilities	20	63,628	73,430
		105,977	127,775

(i) As at 30 June 2020, the Group held certain investments in corporate bonds of approximately RMB67,464,000 (31 December 2019: nil), which will be due within one year. For the six months ended 30 June 2020, interest income with an amount of approximately RMB743,000 (six months ended 30 June 2019: nil) was recognised in profit or loss as part of finance income (Note 10), and fair value gains with an amount of approximately RMB74,000 (six months ended 30 June 2019: nil) were recognised through other comprehensive income.

(ii) As at 30 June 2020, the Group held certain principal-preservation financial products with floating return of approximately RMB79,509,000 (31 December 2019: nil), which will be due within one year. For the six months ended 30 June 2020, fair value gains with an amount of approximately RMB361,000 (six months ended 30 June 2019: nil) were recognised through profit or loss.

(iii) As at 30 June 2019, the Group held certain hybrid financial instruments including the Preferred Shares of approximately RMB684,913,000. For the six months ended 30 June 2019, fair value losses with an amount of approximately RMB277,804,000 were recognised through profit or loss.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* *(Unaudited)*	As at 31 December 2019 *RMB'000* *(Audited)*
Prepayments	4,854	3,438
Interest receivable	81	—
Deposits	1,847	1,827
Input VAT deductible	984	1,350
Other receivables	1,122	825
Less: provision for impairment	(48)	(194)
	8,840	7,246

As at 30 June 2020 and 31 December 2019, the fair value of other receivables of the Group, except for the prepayments and input VAT deductible, which were not financial assets, approximated their carrying amounts.

As at 30 June 2020 and 31 December 2019, the carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB.

16 TRADE AND NOTES RECEIVABLES

	As at 30 June 2020 *RMB'000* *(Unaudited)*	As at 31 December 2019 *RMB'000* *(Audited)*
Trade receivables	362,905	338,600
Less: provision for impairment of trade receivables	(13,085)	(5,916)
Trade receivables – net	349,820	332,684
Notes receivables	4,960	8,768
	354,780	341,452

The Directors considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 30 June 2020 and 31 December 2019.

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For the six months ended 30 June 2020

16 TRADE AND NOTES RECEIVABLES (Continued)

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables		
– within 3 months	321,107	304,100
– 4 months to 6 months	15,292	30,070
– 7 months to 9 months	13,982	752
– 10 months to 12 months	8,785	10
– Over 12 months	3,739	3,668
	362,905	338,600

Impairment and risk exposure

The Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables (Note 5.1).

17 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash on hand	22	20
Cash at banks	962,710	1,029,436
	962,732	1,029,456
Less: restricted cash (i)	(3,050)	—
Cash and cash equivalents	959,682	1,029,456

(i) As at 30 June 2020, restricted bank deposits of RMB3,000,000 (2019: nil) were held at bank as risk deposit and restricted bank deposits of RMB50,000 (2019: nil) were held at bank as performance security.

18 SHARE CAPITAL AND SHARE PREMIUM

Authorised:	Number of ordinary shares	Nominal value of ordinary shares *USD*	Number of preferred shares	Nominal value of preferred shares *USD*
(Audited)				
At 1 January 2019 and 30 June 2019	1,945,420,521	97,271	54,579,479	2,729
(Unaudited)				
At 1 January 2020 and 30 June 2020	2,000,000,000	100,000	—	—

Issued:	Number of ordinary shares	Nominal value of ordinary shares *USD*	*RMB'000*	Share premium *RMB'000*	Number of preferred shares	Nominal value of preferred shares *USD*
(Audited)						
At 1 January 2019	57,960,000	2,898	18	—	54,579,479	2,729
Issuance (ii)	11,592,000	580	4	—	—	—
Repurchase (ii)	(11,592,000)	(580)	(4)	—	—	—
At 30 June 2019	57,960,000	2,898	18	—	54,579,479	2,729
(Unaudited)						
At 1 January 2020	150,539,479	7,527	51	2,170,559	—	—
Issue of ordinary shares in connection with the exercise of the over-allotment option (i)	3,130,100	157	1	71,695	—	—
At 30 June 2020	153,669,579	7,684	52	2,242,254	—	—

(i) On 3 January 2020, the over-allotment option in connection with the Company's global offering was partially exercised, and the Company issued 3,130,100 new ordinary shares of USD0.00005 each at HKD26.60 per share. Gross proceeds of approximately HKD83,261,000 (equivalent to approximately RMB74,482,000) were raised and the excess over the par value of approximately RMB1,000 for the 3,130,100 shares issued net of the transaction costs of approximately RMB2,786,000 was credited to share premium account subsequently with an amount of approximately RMB71,695,000.

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

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

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

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19 TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	16,327	13,496
Accrued payroll and welfare	215,734	227,087
VAT and surcharges	29,346	35,443
Risk deposit due to customers	11,767	11,044
Listing expenses payables	760	21,413
Others	13,495	8,392
	287,429	316,875

As at 30 June 2020 and 31 December 2019, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare and VAT and surcharges, which were not financial liabilities, approximated their carrying amounts due to short maturities.

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables		
– Within 6 months	12,710	9,996
– 7 months to 12 months	3,006	3,500
– Over 12 months	611	—
	16,327	13,496

20 LEASE LIABILITIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Minimum lease payments due:		
Within 1 year	20,026	23,146
Between 1 and 2 years	22,250	21,264
Between 2 and 5 years	27,845	37,703
	70,121	82,113
Less: future finance charges	(6,493)	(8,683)
	63,628	73,430
Present value of lease liabilities		
Within 1 year	16,744	19,049
Between 1 and 2 years	20,138	18,570
Between 2 and 5 years	26,746	35,811
	63,628	73,430

As at 30 June 2020 and 31 December 2019, the fair value of lease liabilities approximated their carrying amounts.

21 DIVIDENDS

No dividends were paid or declared by the Company during each of the six months ended 30 June 2020 and 2019 and the year ended 31 December 2019.

22 RELATED PARTY TRANSACTIONS

(a) Key management personnel compensation

Key management includes directors (executive and non-executive), chief financial officer, vice president and secretary of the board of directors, the compensation paid or payable to key management for employee services was shown below:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
Wages, salaries and bonus	1,638	1,393
Social insurance and housing fund	27	42
Share-based payments	—	91
	1,665	1,526

Notes to the Condensed Consolidated Interim Financial Information

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23 COMMITMENTS

(a) Non-cancellable operating leases

The Group leased IT-equipment and other small items of office furniture during the periods. The total commitment amount was not material.

(b) Capital commitments

Significant capital expenditure contracted for, but not recognised as liabilities was as follows:

	As at 30 June 2020 *RMB'000* *(Unaudited)*	As at 31 December 2019 *RMB'000* *(Audited)*
Property, plant and equipment	–	612

24 CONTINGENT LIABILITIES

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

In July 2020, the Company repurchased 1,303,500 of its own shares through the trustee for the purpose of the Post-IPO Share Award Scheme from the open market. The total amount paid to acquire these shares was approximately HKD39,834,000 (equivalent to approximately RMB36,028,000) and were deducted from shareholders' equity.