



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

(Incorporated in the Cayman Islands with limited liability)

StockCode: 6919





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Chen Rui
Mr. Chow Siu Lui

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Li Wenjia
Ms. Siu Pui Wah

AUTHORIZED REPRESENTATIVES

Mr. Zhang Feng
Ms. Siu Pui Wah

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT AND COMPLIANCE COMMITTEE

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

INDEPENDENT AUDITOR

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

HONG KONG LEGAL ADVISOR

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

PRC LEGAL ADVISOR

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

Corporate Information

INDUSTRY CONSULTANT

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

CORPORATE HEADQUARTERS

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Chengdu High-tech Zone
Free Trade Pilot Zone
Sichuan
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	2,128,315	1,195,572
Gross profit	156,411	99,710
Operating profit	84,807	52,586
Profit before income tax	87,108	60,285
Profit for the period attributable to equity holders of the Company	74,884	53,019
Earnings per share (expressed in RMB per share)		
– Basic earnings per share	0.49	0.35
– Diluted earnings per share	0.45	0.31
	(Unaudited) (Adjusted)	(Unaudited)
Non-HKFRS measures		
Adjusted net profit/net profit ⁽¹⁾	81,005	53,019

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June	31 December
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Assets		
Non-current assets	189,580	125,114
Current assets	1,642,792	1,644,808
Total assets	1,832,372	1,769,922
Equity		
Total equity	1,236,586	1,236,063
Liabilities		
Non-current liabilities	60,244	40,785
Current liabilities	535,542	493,074
Total liabilities	595,786	533,859
Total equity and liabilities	1,832,372	1,769,922

Financial Summary

KEY FINANCIAL RATIOS

For the six months ended 30 June

	2021	2020
Gross margin (%)	7.3	8.3
Adjusted net profit margin/net profit margin (non-HKFRS) (%) ⁽²⁾	3.8	4.4
	Six months ended 30 June 2021	Year ended 31 December 2020
Adjusted trade and notes receivables turnover days (days) ⁽³⁾	41	48
	30 June 2021	31 December 2020
Adjusted current ratio (times) ⁽⁴⁾	1.5	1.6

Notes:

- (1) Adjusted net profit refers to the net profit for the six months ended 30 June 2021 excluding share-based payment expenses under the post-IPO share option scheme (the "Post-IPO Share Option Scheme") and post-IPO share award scheme ("Post-IPO Share Award Scheme"). 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 2021.
- (3) Calculated as the average balance of trade and notes receivables (excluding the labour costs arising from provision of labour dispatch services) at the beginning and end of a period divided by revenue in such period then multiplied by the number of days in such period.
- (4) Adjusted current ratio is calculated as the adjusted current assets divided by the current liabilities at the end of each financial period. The adjusted current assets is defined as the current assets excluding the net proceeds from the listing ("Net Proceeds") received and unutilised, where applicable.



Management Discussion and Analysis

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

MARKET REVIEW

According to the preliminary calculation of the gross domestic product (the “GDP”) for the first half of 2021 published by the National Bureau of Statistics on 16 July 2021, the GDP of the People’s Republic of China (the “PRC”) for the period from January 2021 to June 2021 increased by approximately 12.7% on an year-on-year basis. The demand-to-supply ratio for talents in the public labour market of the PRC, announced by the Ministry of Human Resources and Social Security on 6 August 2021, reached 1.58 in the second quarter of 2021, representing an increase of 0.06 from 1.52 in the fourth quarter of 2020. The annual growth rate of the HR services market in the PRC in the first half of 2021 in terms of revenue was approximately 20.6%, of which the annual growth rate of the flexible staffing services market in terms of revenue was approximately 24.5%, and the number of flexible staffing employees as at 30 June 2021 increased by approximately 14.7% as compared to the last corresponding period.

POLICIES AND REGULATIONS REVIEW

In 2020, in response to the impact of the coronavirus pandemic (“COVID-19”) on employment, a number of policy documents applicable to the human resources industry were released. On the foundation of providing guidance to promote employment and flexible staffing, the PRC government further issued certain notices and guidelines applicable to the human resources industry in the first half of 2021. On one hand, in the face of a complicated international situation and the arduous task of domestic reform, development and stability especially under the severe impact of the COVID-19 pandemic, the PRC government has always prioritized employment in economic and social development and implemented innovative prioritized employment policy and boosted positive progress in employment. On 29 June, 2021, the Ministry of Human Resources and Social Security issued the Notice of the Ministry of Human Resources and Social

Security on the Publication of the 14th Five-Year Plan for the Development of Human Resources and Social Security (Ren She Bu Fa [2021] No. 47). It proposed to implement action for the high-quality development of human resources service industry and accelerate the construction of a standardized and orderly competitive human resources market. It also promoted the innovative development of the human resources industry, to focus on cultivating a group of comprehensive human resource service enterprises with core products, good growth potential and international competitiveness. It supported domestic human resource service enterprises to set up branches in countries in Belt and Road Initiative and vigorously explore the international market to build a global service network.

On the other hand, in order to support and regulate the development of new forms of employment, effectively safeguard the labour rights and interests of workers under new forms of employment, and promote the standardized, healthy and sustainable development of the platform economy, the Ministry of Human Resources and Social Security, the National Development and Reform Commission, the Ministry of Transport, the Ministry of Emergency Management, the State Administration for Market Regulation, the National Healthcare Security Administration, the Supreme People’s Court and the All-China Federation of Trade Unions issued the Guiding Opinions on Maintaining the Labour Rights and Interests of Workers under New Forms of Employment (Ren She Bu Fa [2021] No. 56) on 16 July, 2021, which put forward the following opinions: standardizing employment and clarifying the responsibility of labour protection. To improve the system and complement for the shortcomings of labour protection. Improve efficiency and optimize labour rights protection services. The Company improved the policies related to basic pension insurance and medical insurance, organized flexible employment personnel who did not participate in the basic pension and basic medical insurance to participate in the basic pension and basic medical insurance for urban and rural residents in accordance with the regulations, so as to ensure due protection for those who are in need. Regarding supervising enterprises to participate in social insurance according to law, enterprises shall guide and support new employees who are not in full compliance with the conditions of labour relations to participate in the corresponding social insurance according to their own conditions.

Management Discussion and Analysis

BUSINESS REVIEW

For the six months ended 30 June 2021, the revenue of the Group amounted to approximately RMB2,128.3 million, representing an increase of approximately 78.0% as compared to that for the six months ended 30 June 2020. Pursuant to “The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Temporary Reduction and Exemption of Social Insurance Premiums Payable by Enterprises (No. 11 [2020] of the Ministry of Human Resources and Social Security)” issued on 20 February 2020 and “The Guidance Opinions of National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration about the Temporary Reduction of Basic Medical Insurance Premiums Payable by Employees (No. 6 [2020] National Healthcare Security Administration)” issued on 21 February 2020, each member of the Group was entitled to social insurance premium exemption amounted to approximately RMB109.2 million for the period from February 2020 to June 2020. Further, in line with our principle of going through difficult times with our clients, we had waived part of our flexible staffing service fees payable by our clients in the first half of 2020. Without this business arrangement in the first half of 2020, the revenue for the first half of 2021 would have increased by approximately 63.1% as compared to the same period in 2020.

Business Integration and Upgrade

In order to maximise the value that can be generated by our services provided to our customers and enhance customer loyalty, the Group has adjusted its internal organisation and structure to align with the strategies of its business development to focus on providing customers with comprehensive flexible staffing services, and hence we combined two previously disclosed business segments, namely, flexible staffing and BPO, into comprehensive flexible staffing. Our executive Directors considered it would be more informative and meaningful to review the business performance of the Group according to such new categorisation of business segments. The integration and upgrade of these services will further enhance the value of our services provided to our clients, satisfy the demands of our clients for staffing services at various business development stages and as such, we will become a close partner of our clients providing one-stop human resources (“HR”) services to them throughout their entire enterprise life cycle. Under the rapid business development of our clients, they are able to cope with the rapid growth in demand for personnel along with the business expansion by adopting a flexible staffing services model. A flexible staffing services model can also be used to adapt to the fluctuations in demand for staffing due to the business fluctuations of our clients when their businesses are growing rapidly. When the business development of our clients becomes stable, their turnover rate will also decrease as they no longer need to recruit a large number of employees. When business development of our clients has reached a mature stage, our clients can then opt for a BPO service model for their daily operations by outsourcing the entire business to us. The operating cost of our clients will further decrease as the business will be operated in cities with lower cost incurred. In addition, the positions for comprehensive flexible staffing services are not limited to customer service centre and information verification personnel, but will also be extended to information technology (“IT”) personnel, banking financial institution service personnel, high-end manufacturing or other staff in other occupation according to the staffing needs of our customers.



Management Discussion and Analysis

At the same time, we will focus on the development of our HR technological services. Leveraging on our extensive experience in providing HR management services to clients, we launched a new product of HR SaaS (Software as a Service) in July 2021. We also plan to upgrade the Xiang Recruitment Platform (香聘) in the second half of 2021 to create a professional ecological chain for more job applicants and establish our technological and competitive barriers.

The Group's revenue and operating results by business segments after our business upgrade for the six months ended 30 June 2021 are as follows:

	Six months ended 30 June			
	2021		2020	
	Revenue RMB' 000 (unaudited)	% to total revenue	Revenue RMB' 000 (unaudited)	% to total revenue
Comprehensive flexible staffing	2,069,867	97.3	1,165,190	97.4
Professional recruitment				
• Recruitment	47,168	2.2	18,068	1.5
• Paid membership	828	0.0	1,016	0.1
Other HR solutions				
• Corporate training	959	0.1	612	0.1
• Labour dispatch	2,551	0.1	2,457	0.2
• Other miscellaneous services	6,942	0.3	8,229	0.7
Total	2,128,315	100.0	1,195,572	100.0

The new categorisation of the Group's revenue and operating results as presented above reflects our business segments after the abovementioned integration and upgrade, and the categorisation of Group's revenue and operating results for the first half of 2020 were adjusted accordingly.

We have been adhering to our strategy to focus on serving our major clients. For the six months ended 30 June 2021, the revenue generated from our five largest clients amounted to approximately RMB1,261.9 million, accounting for approximately 59.3% of our total revenue for the six months ended 30 June 2021, of which the largest client contributed approximately 42.9% to our total revenue for the six months ended 30 June 2021. In the first half of 2021, approximately 94.6% of our total revenue was generated from our recurring clients.

Comprehensive Flexible Staffing Services

The revenue generated from comprehensive flexible staffing services for the six months ended 30 June 2021 amounted to approximately RMB2,069.9 million, representing an increase of approximately 77.6% as compared to that of approximately RMB1,165.2 million for the six months ended 30 June 2020. In addition, in line with our principle of going through difficult times resulting from the outbreak of the COVID-19 with our clients, we have waived part of our comprehensive flexible staffing service fees payable by our clients in the first half of 2020. Without this business arrangement in the first half of 2020, revenue generated from comprehensive flexible staffing services for the first half of 2021 would have increased by approximately 62.4% as compared to the last corresponding period. The number of comprehensive flexible staffing employees increased from 30,397 (among which 28,257 are flexible staffing employees and 2,140 are BPO employees) as at 30 June 2020 to 45,244 (among which 40,989 are flexible staffing employees and 4,255 are BPO employees) as at 30 June 2021, representing an increase of approximately 48.8%. We recruited 30,584 comprehensive flexible staffing employees in the first half of 2021, representing an increase of 14,798 comprehensive flexible staffing employees, or an increase of approximately 93.7%, as compared to 15,786 comprehensive flexible staffing employees in the first half of 2020.

Management Discussion and Analysis

The significant increase in revenue from the comprehensive flexible staffing services was mainly attributable to the following factors:

- (i) the number of the Group's comprehensive flexible staffing employees maintained a monthly increase of more than 1,200 from March 2021 to June 2021 and achieved the highest increase in March 2021 by achieving an increase of 2,249 comprehensive flexible staffing employees; and
- (ii) in the first half of 2021, we built four comprehensive flexible staffing service centers in Xi'an, Panjin, Foshan and Jinniu District, Chengdu on top of the existing comprehensive flexible staffing service centers in Yingkou, Shangrao, Changsha, Tai'an and Chengdu High-tech Zone. There was improvement in the management of the centres in Chengdu High-tech Zone and Tai'an (the construction of which was completed last year) in the first half of 2021. Among them, the Tai'an comprehensive flexible staffing service centre, which was set up under the "Business Partnership Program" adopted for the first time on 28 May 2020, has maintained a steady development since its completion in November 2020, with the number of contract employees at the service center exceeding 850 as at 31 July 2021. Further, the service centers located in Xi'an and Chengdu High-tech Zone provided comprehensive flexible staffing services for the customer service positions of several business lines of a well-known domestic internet e-commerce group for the first time.

Professional Recruitment

For the six months ended 30 June 2021, the revenue generated from professional recruitment amounted to approximately RMB48.0 million, representing an increase of approximately 151.3% as compared to that of approximately RMB19.1 million for the six months ended 30 June 2020. Among which, the revenue generated from recruitment amounted to that of approximately RMB47.2 million, representing an increase of approximately 160.8% as compared to that of approximately RMB18.1 million for the six months ended 30 June 2020. During the six months ended 30 June 2021, we recruited 22,018 employees for our clients, representing an increase of approximately 152.7% as compared to that of approximately 8,713 employees recruited during the six months ended 30 June 2020. This was mainly because (i) in the first half of 2020, due to the impact of the COVID-19, clients reduced their recruitment needs. The impact of the COVID-19 has been cast out in

the first half of 2021, and the development of professional recruitment business has resumed to normal; (ii) we have made use of the robotic process automation technology and added a smart candidate-position matching function on the Xiang Recruitment Platform, which has greatly improved the recruitment efficiency of project managers; (iii) in the second half of 2020, we gradually expanded the scale of our recruitment team and helped newly joined project managers improve their recruitment skills significantly through the "Wave Training Project" (後浪培訓計劃), resulting in our project managers possessing stronger recruitment capability. Hence, we were able to satisfy the increase in recruitment demand from clients in the first half of 2021, thereby achieving a growth in both the number of successful recruitments and revenue generated from this business segment; and (iv) we focused on the recruitment for positions with high-value and high unit price, and the average unit price of our recruitment services has increased from approximately RMB2,073.7 per person in the first half of 2020 to approximately RMB2,142.2 per person in the first half of 2021. While we increased our unit rate in professional recruitment, we have also gradually improved the matching accuracy of candidates with clients' positions through the smart candidate-position matching function on the Xiang Recruitment Platform and hence our competitiveness has been enhanced. We plan to establish a recruitment and delivery center to gradually centralise the management of project managers in various offices to further improve our recruitment efficiency.

With the improvement of our integrated HR ecosystem on recruitment efficiency, the conversion rate from granting an offer to an candidate to his/her on-boarding was approximately 58.3% in the first half of 2021, representing a slight increase as compared to that of approximately 54.9% in the first half of 2020. The increase in such conversion rate was due to our more mature operational skills for the job applicants community and the more precise matching between candidates and positions through the Xiang Recruitment Platform. Following the outbreak of COVID-19 in 2020, we have commenced our online recruitment activities, and our recruitment project managers have collected information of various candidates through our WeCom community and identified and labelled candidates' preference in various job positions by communicating with them through WeCom. Our Xiang Recruitment Platform will then automatically recommend suitable positions to the candidates based on their labels, and directly invite them to the clients' workspaces for interviews. In the first half of 2021, about 21,600 recruitment events were held to invite candidates to the clients' workspaces for interviews.



Management Discussion and Analysis

Other HR Solutions

Corporate Training

We provide training and development courses which are tailored to the specific situations and needs of our clients. For the six months ended 30 June 2021, the total revenue generated from corporate training amounted to approximately RMB1.0 million, representing an increase of approximately 66.7% as compared to that of approximately RMB0.6 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, we provided 32 training courses to over 18 clients, of which approximately 17 clients have also engaged us for our comprehensive flexible staffing or professional recruitment services.

Labour Dispatch Services

Different from comprehensive 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 comprehensive 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 2021, the total revenue generated from labour dispatch services amounted to approximately RMB2.6 million, representing an increase of approximately 4.0% as compared to that of approximately RMB2.5 million for the six months ended 30 June 2020.

Other Miscellaneous Services

Other miscellaneous services include HR services consultation, talent assessment and tailored-made employee management solutions, all of which were first offered in 2019 to our clients. In particular, we provide personnel management services to those who recognise our expertise in such area. We are engaged, generally for a term of one year, to design and implement training programs, management and dispute resolution policies, daily management proposals and employee work plans on specific projects. For the six months ended 30 June 2021, the revenue generated from other miscellaneous services amounted to approximately RMB6.9 million, representing a decrease of approximately 15.9% as compared to the total amount of approximately RMB8.2 million for the six months ended 30 June 2020. This was mainly due to (i) the decrease in revenue from employee management solutions services

of approximately RMB1.0 million; and (ii) the decrease in revenue from HR services consultation of approximately RMB0.4 million. Other miscellaneous services are all HR-related services which are currently not the primary focus of the Group's development.

International Business

For the six months ended 30 June 2021, we achieved a total revenue of approximately RMB60.9 million outside of the PRC, representing an increase of approximately RMB42.6 million or 232.8% as compared to the revenue of approximately RMB18.3 million in the first half of 2020. In addition to the scope of our operations pursuant to the Operational Qualification Certificate for Labour Service Cooperation with foreign parties, we have sent Chinese employees to our overseas customers. We subcontract the flexible staffing and professional recruitment services we undertake from our Chinese clients to local HR companies by cooperating with them. As at the date of this announcement, we had built a comprehensive network of international HR services and entered into cooperation framework agreements with 42 HR companies in 38 countries and regions. In addition, with an aim to enter into the Indian market, we intend to establish a joint venture in India to carry out HR services, which is subject to the review by the Indian government. In the future, we will establish companies in the different countries and regions according to our business development needs.

R&D of Integrated HR Ecosystem

In the first half of 2021, in order to enhance the R&D capability of our systems and the platforms, we expanded the scale of our R&D teams. As at 30 June 2021, our R&D teams had 49 members, who were mainly software engineers with university or college degrees, with an average of over seven years of R&D experience in the internet and technologies related industry. For the six months ended 30 June 2021, we incurred approximately RMB7.2 million in R&D for the followings:

- (a) Optimisation of existing systems and platforms:
 - (i) We have added a smart candidate-position matching function on the Xiang Recruitment Platform, which improves the efficiency of matching job positions according to a candidate's job seeking preference and skills, so as to select the jobs suitable for a candidate to the greatest extent, thereby improving the conversion rate from interview to onboarding; and

Management Discussion and Analysis

- (ii) Due to the difference in the recruitment for IT personnel and batch recruitment, we have developed a recruitment model for IT personnel in our Rui Recruiting System that are similar to headhunting. At the same time, the Rui Recruiting System is connected to the “Renrui IT” WeChat applet, which is designed for job applicants for seeking IT positions. The positions open for recruitment posted on the Rui Recruiting System are directly posted to the “Renrui IT” WeChat applet, and the candidates’ resumes will be simultaneously posted to the Rui Recruiting System after resumes are submitted by the job applicants.
- (b) In April 2021, we launched the SAP Group Financial System (SAP集團財務系統) (the “SAP System”), through which the settlement functions of various business systems such as the contract management system, Rui Cloud Management System (瑞雲), Rui Recruiting System, monetary fund system, processing centre, personnel management system and other business systems were connected, so as to achieve the “integration of business and finance” management. By connecting various business systems, automatic accounting was realised, which significantly reduced the workload of personnel of the finance department and increased the accuracy of settlement. In addition, the SAP System can calculate profits of comprehensive flexible staffing and professional recruitment projects in progress, providing an objective analysis for the operation of projects, and suggest ways to different departments to reduce costs and increase efficiency in the course of project operation.
- (c) We started to attempt the productisation of R&D technology relating to human resources-related systems in 2021, and we launched an online application system for public recruitment for the Human Resources and Social Security Bureau of a city in Xinjiang, the PRC in the first half of 2021. Such online registration system provides various online functions for the recruitment of talents by local governments and public institutions, such as online registration for candidates, online submission of resumes, online review, online payment, allocation of examination venues, and inquiry for final hiring results. The application of such system has enhanced the efficiency of open recruitment by the local government.
- (d) Application of 10 software copyrights:

In the first half of 2021, we applied for a total of 10 software copyrights based on the newly developed system functions, with the cumulative number of our software copyrights reaching 78.

By utilising our integrated HR ecosystem, our per capita efficiency in the 6 months has maintained above RMB75,000/person. The net profit per capita generated by our internal staff in the first half of the last three years is set out as follows:

	Six months ended 30 June		
	2021 (Unaudited) (Adjusted)	2020 (Unaudited)	2019 (Unaudited) (Adjusted)
Adjusted net profit/net profit (RMB'000)	81,005	53,019	58,476
Average number of internal employees ^(Note)	1,021	643	596
Net profit per capita for the period (RMB'000/person)	79.3	82.5	98.1

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 period and divided by two.



Management Discussion and Analysis

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 flexible staffing, transportation services, other HR solutions providers for candidate sourcing, and subcontractors for flexible staffing or BPO services. For the six months ended 30 June 2021, the amount of purchases from our five largest suppliers accounted for approximately 4.0% of our total cost of revenue. All our subcontractors are independent third parties, and we are not overly dependent on any subcontractor.

HR

As at 30 June 2021, we had a total of 50,031 employees based in various cities in the PRC, among which we had 1,153 internal employees, representing an increase of 264 employees, or an increase of approximately 29.7% as compared to 889 employees as at 31 December 2020. The average age of our internal employees was less than 28 years old, and approximately 95.0% of our internal employees had a university degree or above. Young employees can provide more energy and motivation to our entire team, and their good education background enables us to provide clients with more professional HR services. The table below sets forth the total number of employees by function as at 30 June 2021:

Functions	Number of Employees	% of total Employees
Internal Employees		
— Senior management	4	0.0
— R&D	49	0.1
— Sales and marketing	121	0.2
— Project management/execution	869	1.7
— Others <i>(Note)</i>	110	0.2
Subtotal	1,153	2.2
Contract Employees		
— Comprehensive flexible staffing employees	45,244	90.5
— Labour dispatch employees	3,634	7.3
Subtotal	48,878	97.8
Total	50,031	100.0

Note: Others mainly include back-office support staff, such as legal department, finance department, HR department and joint venture cooperation 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 and performance of the employees concerned, as well as market salary levels. In addition, the Group provides employees with other comprehensive benefits, including social insurance and housing provident funds, in accordance with the regulations of the labour contract signing companies and the applicable laws of the cities where the employees are actually based. For the six months ended 30 June 2021, the Group's labour costs amounted to approximately RMB1,961.9 million, of which internal labour costs amounted to approximately RMB115.0 million, representing an increase of approximately RMB56.6 million or approximately 96.9% as compared to that in the first half of 2020. This was mainly due to (i) during the period from February 2020 to June 2020, the Group's subsidiaries enjoyed social insurance exemption of approximately RMB3.0 million. There is no social insurance exemption policy since January 2021; (ii) the increase in the number of internal staff, the increase in salary and compensation packages, and the internal promotion of a number of management personnel in the second half of 2020, with a view to enhancing the professional capabilities and recruitment skills of our personnel providing comprehensive flexible staffing services; and (iii) the share-based payment expenses of approximately RMB6.4 million arising from the grant of share options under the Post-IPO Share Option Scheme and the grant of share awards under our Post-IPO Share Award Scheme to our Directors and employees in October 2020 and January 2021, respectively. For details, please refer to the Company's announcements dated 29 October 2020 and 22 January 2021.

Pursuant to the two pre-IPO share option schemes adopted by the Group on 12 March 2019 (namely, the mid-senior level management pre-IPO share option scheme and the non-managerial employee pre-IPO share option scheme), options to subscribe for a total of 22,904,600 new ordinary shares of the Company (the "Shares") were granted, among which (i) options to subscribe for a total 50,400 Shares were lapsed in the first half of 2021, (ii) options to subscribe for a total of 78,200 Shares were exercised as in April 2021, and (iii) options to subscribe for a total of 19,665,900 Shares remained unexercised as at 30 June 2021. Among these outstanding options, options to subscribe for 3,343,300 Shares, 6,089,100 Shares and 6,056,200 Shares were vested in June 2020, December 2020, and June 2021, respectively, and the remaining options had not yet been vested as at 30 June 2021.



Management Discussion and Analysis

Details of movements in the share options granted under the two pre-IPO share option schemes during the period ended 30 June 2021 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2021	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2021	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Cancelled/ Lapsed during the period ended 30 June 2021			
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 13 December 2019 (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	15,580,200	—	—	50,400	15,529,800	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	2,829,700	—	78,200	—	2,751,500	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD0.88
Total		19,794,500	—	78,200	50,400	19,665,900		

Note:

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

Management Discussion and Analysis

Pursuant to the Post-IPO Share Option Scheme, as at 30 June 2021, options to subscribe for a maximum of 2,950,000 Shares had been granted by the Company. No options granted under the Post-IPO Share Option Scheme had been exercised, lapsed nor cancelled during the six months ended 30 June 2021. Among these outstanding options, options to subscribe for 80,000 Shares were vested in May 2021 and the remaining options had not yet been vested as at 30 June 2021.

Details of movements in the share options granted under the Post-IPO Share Option Scheme during the period ended 30 June 2021 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2021	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2021	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Cancelled/ Lapsed during the period ended 30 June 2021			
Executive Directors								
Mr. Zhang Feng	29 October 2020	120,000	—	—	—	120,000	The options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the date of grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 (<i>Note 1</i>)	HK\$30
Ms. Zhang Jianmei	29 October 2020	120,000	—	—	—	120,000	The options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the date of grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 (<i>Note 1</i>)	HK\$30
Mr. Zhang Jianguo	29 October 2020	150,000	—	—	—	150,000	The options shall be vested (i) on the day immediately following the expiry of a period of 18 months after the date of grant, and (ii) upon the fulfilment of the performance targets for the year ending 31 December 2021 (<i>Note 1</i>)	HK\$30
In aggregate		390,000	—	—	—	390,000		
Non-executive Director								
Mr. Chow Siu Lui	22 January 2021	—	40,000	—	—	40,000	(i) Half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 4 months after the date of grant; and (ii) another half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 16 months after the date of grant	HK\$27.3
In aggregate		—	40,000	—	—	40,000		



Management Discussion and Analysis

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2021	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2021	Granted during the period ended 30 June 2021	Exercised during the period ended 30 June 2021	Cancelled/ Lapsed during the period ended 30 June 2021			
Independent Non-executive Directors								
Ms. Chan Mei Bo Mabel	22 January 2021	—	40,000	—	—	40,000	(i) Half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 4 months after the date of grant; and (ii) another half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 16 months after the date of grant	HK\$27.3
Mr. Shen Hao	22 January 2021	—	40,000	—	—	40,000	(i) Half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 4 months after the date of grant; and (ii) another half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 16 months after the date of grant	HK\$27.3
Mr. Leung Ming Shu	22 January 2021	—	40,000	—	—	40,000	(i) Half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 4 months after the date of grant; and (ii) another half (1/2) of the options shall be vested on the day immediately following the expiry of a period of 16 months after the date of grant	HK\$27.3
In aggregate		—	120,000	—	—	120,000		
Other employees of our Group								
16 employees	22 January 2021	—	2,400,000	—	—	2,400,000	(i) One-third (1/3) of the options shall be vested on the day immediately following the expiry of a period of 16 months after the date of grant; (ii) another one-third (1/3) of the options shall be vested on the day immediately following the expiry of a period of 28 months after the date of grant; and (iii) another one-third (1/3) of the options shall be vested on the day immediately following the expiry of a period of 40 months after the date of grant (<i>Note 2</i>)	HK\$27.3
In aggregate		—	2,400,000	—	—	2,400,000		
Total		390,000	2,560,000	—	—	2,950,000		

Management Discussion and Analysis

Note 1:

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

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

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

Note 2:

The entitlement of the options by the employees of the Group is conditional upon the fulfilment of the performance targets which comprises (a) the following adjusted net profit of the Group and/or (b) other individual targets such as the service premium charged on cash basis, the flexible staffing service premium, the number of BPO seats and the number of flexible staffing employees deployed to the IT industry:

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

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

Pursuant to our Post-IPO Share Award Scheme, as at 30 June 2021, a total of 2,300,000 award shares had been granted to 29 awardnees. The benchmarked price of the award shares was HK\$25 per award share. For further details, please refer to the Company's announcement dated 22 January 2021.

To further enhance our professional service capabilities and management capabilities of projects and organisations, we have organised a number of staff training courses for 1,153 internal employees in the first half of 2021. In addition to the "Wave Training Project" organised for the newly recruited project managers in the previous years, we also organised training courses for 92 management personnel at all levels to enhance their management capabilities. The Company also carried out (i) basic management knowledge trainings for junior management members, (ii) project management, target management and team management skills trainings for mid-level management members, and (iii) leadership trainings for senior management members, and asked instructors to go into each region to cultivate the problem-solving ability of regional general managers in the course of their practical work.



Management Discussion and Analysis

Awards and Recognitions

During the six months ended 30 June 2021, we received the following awards:



January 2021

Renrui Human Resources Technology Holdings Limited was awarded the Golden Hong Kong Stocks Best New Economy Company of the Year (金港股年度最佳新經濟公司) jointly by ZhiTong Financial (智通財經) and Royal Flush Financial (同花順財經)



March 2021

Shenzhen Renrui Human Resources Service Co., Ltd. was awarded the top 10 Shenzhen Human Resources Recruitment Company 2020 (2020年度深圳市人力資源招聘企業10強) by Shenzhen Human Resources Association

Renrui Human Resources Technology Holdings Limited was awarded the Best Human Resources Integrated Service Provider 2021 (最佳人力資源綜合服務供應商) by HRflag



April 2021

Renrui Human Resources Technology Group Limited was awarded the Top 100 Human Resources Service Organization in China 2021 (2021中國人力資源服務機構100強) by TopHR (第一資源)

Renrui Human Resources Technology Group Limited was awarded the China Selected Flexible Staffing HR Service Provider - White Collar 2021 (2021中國靈活用工HR臻選服務機構—白領崗位) by HREC (人力資源智享會)



May 2021

Renrui Human Resources Technology Holdings Limited received the title as Spark Human Resources Service Agency 2020 (2020年度人力資源服務機構領航者) by HRoot



June 2021

Renrui Human Resources Technology Holdings Limited was shortlisted for the Top 100 Human Resources Brand Service Providers (2021人力資源品牌服務商百強榜單) by MeetHR Group

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the total revenue of the Group amounted to approximately RMB2,128.3 million, representing an increase of approximately RMB932.7 million or approximately 78.0% as compared to that of approximately RMB1,195.6 million for the six months ended 30 June 2020. This was due to the increase in the revenue generated from the comprehensive flexible staffing services, which increased by approximately RMB904.7 million or 77.6%, when compared to that of the first half of 2020. The increase in the revenue was mainly due to the increase in the number of contract employees deployed to comprehensive flexible staffing services.

Cost of Revenue

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

For the six months ended 30 June 2021, the Group's total cost of revenue amounted to approximately RMB1,971.9 million, representing an increase of approximately RMB876.0 million or approximately 79.9% as compared to that of approximately RMB1,095.9 million for the six months ended 30 June 2020. The increase in cost of revenue was mainly due to the fact that (i) our employee benefit expenses and travelling expenses increased by approximately RMB865.7 million in aggregate, which was in line with the increase in the number of flexible staffing employees; (ii) in the second half of 2020 and the first half of 2021, we established two new comprehensive flexible staffing service centres in Xi'an and Jinniu District, Chengdu (the "New Service Centres"), and expanded our comprehensive flexible staffing service centre in the Chengdu High-tech Zone. In order to expand the coverage of our services, we have established four new secondary service points in Zhengzhou, Ningbo, Hefei and Changsha (the "New Service Points"). In addition, our offices in Nanjing, Hangzhou and Shenzhen were relocated to better office premises for operation, resulting in an increase of approximately RMB6.1 million in amortization of right-of-use assets; and (iii) there is a year-on-year increase of approximately RMB5.4 million in other taxes and surcharges as a result of the increase in revenue. The average labour cost of the comprehensive flexible staffing service employees managed by us for our clients was approximately RMB7,900 per month in the first half of 2021, representing an increase from approximately RMB6,800 per month in 2020. This was because the PRC government reduced the amount of social insurance contribution payable by enterprises from February 2020 to December 2020, but no similar reduction was offered by the PRC government in the first half of 2021.

Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Comprehensive flexible staffing	130,873	6.3	86,625	7.4
Professional recruitment	17,223	35.9	3,840	20.1
Other HR solutions	8,315	79.6	9,245	81.8
Total	156,411	7.3	99,710	8.3



Management Discussion and Analysis

Our gross profit margin for the six months ended 30 June 2021 was approximately 7.3%, representing a decrease of approximately 1.0% from approximately 8.3% for the six months ended 30 June 2020, which was mainly due to the reasons below:

- (a) The gross profit margin of comprehensive flexible staffing services decreased from approximately 7.4% for the first half of 2020 to approximately 6.3% for the first half of 2021, which was mainly due to the fact that: (i) in order to acquire certain strategic new customers, we proactively reduced the comprehensive flexible staffing service premium charged by us; (ii) there was decrease in flexible staffing service premium payable to the Group for each flexible staffing employee per month since late May 2021 by a major comprehensive flexible staffing customer upon renewal of contracts; and (iii) in the first half of 2021, we established two New Service Centres, which can accommodate over 1,000 and 800 contract employees, respectively, to prepare for the rapid business development in the future. Currently, we are gradually arranging for the operation of new comprehensive flexible staffing projects in these two New Service Centres, but the idle cost incurred for the vacant site has contributed to the decrease in gross profit margin.
- (b) The gross profit margin of professional recruitment services increased from approximately 20.1% in the first half of 2020 to approximately 35.9% in the first half of 2021, which was mainly 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 fixed costs such as the rent of the long-term leased office for the purpose of holding offline recruitment events and the related internal employees' benefit expenses did not decrease. With COVID-19 being under control in the first half of 2021, the demand for recruitment from clients recovered gradually. As such, the gross profit margin of our professional recruitment services gradually returned to the normal level.
- (c) The gross profit margin of other HR solutions (comprising corporate training services, labour dispatch services and other miscellaneous services)

decreased from approximately 81.8% in the first half of 2020 to approximately 79.6% in the first half of 2021, which was mainly due to the fluctuation in the gross profit margin of labour dispatch 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 2021 amounted to approximately RMB40.0 million, representing an increase of approximately RMB21.4 million or 115.1% as compared to that of approximately RMB18.6 million for the six months ended 30 June 2020. This is mainly due to the fact that (i) we increased our investment in expanding our pool of potential candidates in the first half of 2021, which has led to an increase in marketing and promotion expenses of approximately RMB12.2 million. By expanding our pool of potential candidates, we would be able to (a) increase the onboarding number of comprehensive flexible staffing and professional recruitments, which could then help us obtain more recruitment orders from our clients and (b) accumulate the talent pool in the field of IT to develop our recruitment capabilities in this field; and (ii) the number of sales personnel increased by 25 as compared to that in the first half of 2020, and the revenue for the first half of 2021 increased by 78.0% as compared to that of the first half of 2020, which has led to an increase in the amount of bonus for sales personnel of approximately RMB0.9 million. As such, there was an increase in the total employee benefit expenses of approximately RMB3.1 million. Our selling and marketing expenses as a percentage of revenue increased from approximately 1.6% for the six months ended 30 June 2020 to approximately 1.9% for the six months ended 30 June 2021.

R&D Expenses

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

Management Discussion and Analysis

The R&D expenses for the six months ended 30 June 2021 amounted to approximately RMB7.2 million, representing an increase of approximately RMB1.3 million or approximately 22.0% as compared to that of approximately RMB5.9 million for the six months ended 30 June 2020. This was mainly due to (i) the increase in office rental of approximately RMB0.8 million for the first half of 2021 as compared to that in the first half of 2020 as a result of the commencement of leasing of the new office for our R&D department in May 2020; and (ii) the increase in the number of R&D personnel in 30 June 2021 by 17 as compared to that as at 30 June 2020. As a result, the employee benefit expenses increased by approximately RMB0.4 million.

Administrative Expenses

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

Our administrative expenses for the six months ended 30 June 2021 amounted to approximately RMB47.2 million, representing an increase of approximately RMB13.4 million or approximately 39.6% as compared to that of approximately RMB33.8 million for the six months ended 30 June 2020, which was mainly due to the fact that (i) the employee benefit expenses for our management personnel increased by approximately RMB7.8 million as compared to that of approximately RMB14.4 million in the first half of 2020 as a result of the internal promotion of various management members in the second half of 2020, and the increase in the salary of management members in the first half of 2021; and (ii) on 22 January 2021, we granted share options to 20 employees and 4 Directors under the Post-IPO Share Option Scheme, which enabled them to subscribe for up to 2,560,000 Shares. The amortisation for the six months ended 30 June 2021 is RMB5.6 million. In addition, our administrative expenses as a percentage of revenue decreased from approximately 2.8% for the six months ended 30 June 2020 to approximately 2.2% for the six months ended 30 June 2021.

Other Income

Other income for the six months ended 30 June 2021 amounted to approximately RMB18.1 million, representing an increase of approximately RMB8.6 million or approximately 90.5% as compared to that of

approximately RMB9.5 million for the six months ended 30 June 2020. Other income primarily comprises income derived from government grants and tax reduction. The increase was primarily attributable to the followings: (i) the financial support funds from certain government authorities, which served as an incentive to HR companies to provide services to local enterprises and to invest in R&D of company software and systems, increased along with our business expansion and increase in investment. Therefore, we have received government grants of approximately RMB12.4 million for the six months ended 30 June 2021, as compared to that of approximately RMB7.2 million for the six months ended 30 June 2020, representing an increase of approximately RMB5.2 million; (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 2021, we obtained such tax deduction in the amount of approximately RMB3.5 million, representing an increase of approximately RMB1.5 million as compared to that of approximately RMB2.0 million for the six months ended 30 June 2020; and (iii) interest income of approximately RMB2.1 million was generated from investment in wealth products from the bank financial assets at fair value through other comprehensive income ("FVOCI") such as corporate bonds and certificates of deposit purchased with the idle Net Proceeds during the six months ended 30 June 2021.

Other Gains, Net

For the six months ended 30 June 2021, other gains, net amounted to approximately RMB2.0 million, representing a decrease of approximately RMB6.7 million or approximately 77.0% as compared to RMB8.7 million for the six months ended 30 June 2020. This was mainly due to (i) the exchange gains of only approximately RMB0.7 million from the Net Proceeds invested in financial assets at FVOCI and remained as bank deposits, representing a decrease of approximately RMB9.2 million as compared to that of approximately RMB9.9 million of foreign exchange gains for the first half of 2020. However, it was partially offset by (i) the investment income of approximately RMB1.5 million generated from our principal-preservation financial products purchased with idle funds, while there was no such income in the first half of 2020; and (ii) the decrease in donation expenses of approximately RMB1.1 million as compared to that in the first half of 2020 as there was no external donation made in the first half of 2021.



Management Discussion and Analysis

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

For the six months ended 30 June 2021, the reversal of net impairment losses on financial assets amounted to approximately RMB2.8 million, as compared to the provision of net impairment losses on financial assets of approximately RMB7.0 million for the six months ended 30 June 2020. Such change was mainly due to the weakening of the adverse impact of the COVID-19 on economic growth in the first half of 2021, the improvement in the ageing structure of the receivables in the period as compared to the last corresponding period, and the drop in the expected credit loss rate. As such, based on the ageing of the trade and bills receivables balance as at 30 June 2021 and the subsequent settlement, we reversed part of the provision for the impairment of trade and bills receivables, approximately RMB 3.5 million. Additionally, For the employee loans borrowed during the period, we made a provision for expected credit losses of approximately RMB0.7 million.

Operating Profit

Our operating profit increased from approximately RMB52.6 million for the six months ended 30 June 2020 to that of approximately RMB84.8 million for the six months ended 30 June 2021, representing an increase of approximately 61.2%.

Finance Income

Our finance income for the six months ended 30 June 2021 amounted to approximately RMB4.3 million, representing a decrease of approximately RMB4.5 million or approximately 51.1% as compared to that of approximately RMB8.8 million for the six months ended 30 June 2020.

Finance Costs

Our finance costs for the six months ended 30 June 2021 amounted to approximately RMB2.3 million, representing an increase of approximately RMB1.2 million or approximately 109.1% as compared to approximately RMB1.1 million for the six months 30 June 2020. It was mainly due to the increase in interest expenses on lease liabilities caused

by the leasing of new office premises as a result of the establishment of two New Service Centres in the first half of 2021, and the establishment of four New Service Points in order to expand the coverage of our services.

Share of Results of Joint Ventures

The net gain attributable to the results of joint ventures for the six months ended 30 June 2021 was approximately RMB0.3 million. The investment in Tianjin Binhai Xunteng Technology Group Co., Ltd (天津濱海迅騰科技集團有限公司) (“Xunteng Group”) in October 2020 (for further details, please see the Company’s announcement dated 15 October 2020) generated an investment gain of approximately RMB1.2 million, but it was partially offset by the loss in investing in Shanghai Zhencheng Technology Co., Ltd. (上海圳誠科技有限公司) (“Shanghai Zhencheng”) in October 2020 of approximately RMB0.9 million. Shanghai Zhencheng was only established in October 2020 and was not profit-making in the first half of 2021. It is expected to be profitable starting from August 2021.

Profit before Income Tax

Our profit before income tax for the six months ended 30 June 2021 amounted to approximately RMB87.1 million, representing an increase of approximately RMB26.8 million or approximately 44.4%, as compared with the profit before income tax of approximately RMB60.3 million for the six months ended 30 June 2020. Such change was mainly due to the increase in revenue and gross profit as a result of the increase in the number of comprehensive flexible staffing employees in the first half of 2021, leading to an increase in profit before income tax.

Profit for the Period

Profit for the period for the six months ended 30 June 2021 amounted to approximately RMB74.7 million, representing an increase of approximately RMB21.7 million or approximately 40.9% as compared with the profit for the period of approximately RMB53.0 million for the six months ended 30 June 2020, which was mainly due to the reasons set out under the paragraph headed “Profit before Income Tax” above.

Management Discussion and Analysis

Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with the HKFRS, we also presented adjusted net profit as an additional financial measure, which is not required by, nor presented in accordance with, the HKFRS. The following table reconciles our adjusted net profit for the six months ended 30 June 2021 and 2020 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	74,654	53,019
Add: Share-based payment expenses under the Post-IPO Share Option Scheme	6,351	—
Adjusted net profit	81,005	53,019

We define our adjusted net profit as the net profit for the period excluding the share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO Share Award Scheme. Our adjusted net profit increased from approximately RMB53.0 million for the six months ended 30 June 2020 to approximately RMB81.0 million for the six months ended 30 June 2021, representing an increase of approximately 52.8%. Such substantial increase was mainly due to (i) the increase in revenue brought by the continued growth in the number of comprehensive flexible staffing employees in the first half of 2021. The monthly increase in the number of flexible staffing employees has exceeded 1,200 from March 2021 to June 2021, and achieved the highest increase in March 2021 by achieving an increase of 2,249 comprehensive flexible staffing employees; and (ii) the decline in the total amount of the selling and marketing expenses and administrative expenses as percentages of total revenue resulting from a better operating leverage by utilising our integrated HR ecosystem.

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



Management Discussion and Analysis

Net Current Assets

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Total current assets	1,642,792	1,644,808
Total current liabilities	535,542	493,074
Net current assets	1,107,250	1,151,734

Our net current assets as at 30 June 2021 amounted to approximately RMB1,107.3 million, representing a decrease of approximately RMB44.4 million or approximately 3.9% as compared to that of approximately RMB1,151.7 million as at 31 December 2020. This was offset by the following three factors: (i) we granted credit terms to some of our contracted new strategic comprehensive flexible staffing customers, which recorded an increase in revenue in the first half of 2021, resulting in an increase in trade receivables and notes receivable of approximately RMB97.5 million from approximately RMB477.9 million as at 31 December 2020 to approximately RMB575.4 million as at 30 June 2021; (ii) the increase in prepayments, deposits and other receivables by approximately RMB16.2 million from approximately RMB12.0 million as at 31 December 2020 to approximately RMB28.2 million as at 30 June 2021, resulting from the rental deposit paid for the new office premises leased due to the establishment of the New Services Centers in the first half of 2021 and the establishment of the New Service Points in order to expand coverage area of our service; and (iii) the dividend declaration as approved by the shareholders of the Company at the annual general meeting on 10 June 2021 of approximately RMB54.7 million, representing an increase in trade and other payables of approximately RMB39.2 million on 30 June 2021 as compared to 31 December 2020.

Trade and Notes Receivables

The trade and bills receivables increased by approximately RMB97.5 million or approximately 20.4% from approximately RMB477.9 million as at 31 December 2020 to approximately RMB575.4 million as at 30 June 2021. This was mainly due to the fact that we have granted credit terms to some of our contracted new strategic comprehensive flexible staffing customers, which recorded an increase in revenue in the first half of 2021, resulting in an increase in the balance of trade receivables. was partially offset by the decrease in trade receivables from other customers as we strengthened the recovery of trade receivables while increasing our revenue. As at 30 June 2021, the provision for losses on trade receivables was approximately RMB5.5 million, representing a decrease of approximately RMB3.5 million as compared to that of approximately RMB9.0 million as at 31 December 2020, which was mainly due to the reasons set out in the paragraph "FINANCIAL REVIEW — Reversal of/(Provision for) Net Impairment Losses on Financial Assets" in this report.

Management Discussion and Analysis

The actual recovery period granted to clients is restricted to a credit period within 10 days to 70 days, which is in line with our credit policy in the previous years. The following table sets forth the turnover days of trade receivables for the years indicated:

	For the six months ended 30 June 2021	For the year ended 31 December 2020
Trade and notes receivables turnover days ⁽¹⁾	46	54
Adjusted trade and notes receivables turnover days ⁽²⁾	41	48

Notes:

- (1) Calculated as the average balance of trade and notes receivables at the beginning and end of a period divided by revenue in the year then multiplied by the number of days (i.e. 365 days in a year and 180 days for six months).
- (2) Calculated as the average balance of trade and notes receivables (excluding the labour costs arising from the provision of labour dispatch services) at the beginning and end of a period divided by revenue in the period then multiplied by the number of days in the period.

For the six months ended 30 June 2021, our trade and notes receivables turnover days was 46 days, and the adjusted trade and notes receivables turnover days was 41 days, representing a decrease as compared to 2020, mainly because we have strengthened our efforts in the collection of trade receivables in addition to the growth in revenue. Our credit period granted to clients is generally within 10 to 70 days.

Prepayments, Deposits and Other Receivables

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

As at 30 June 2021, our prepayments, deposits and other receivables amounted to approximately RMB28.2 million, representing an increase of approximately RMB16.2 million or approximately 135.0% as compared to that of approximately RMB12.0 million as at 31 December 2020, primarily due to (i) the increase of approximately RMB7.6 million of prepaid annual promotion fees to suppliers as at 30 June 2021 as compared to that as at 31 December 2020 in order to attract more job applicants by launching more advertising campaigns on the job applicants community and the Xiang Recruitment Platform in response to the increasing recruitment demand from our customers in 2021 as compared to that in 2020; (ii) in the first half of 2021, we established two New Service Centres and established four New Service Points. Rent guarantee payable, as a result, increased by approximately RMB1.5 million when compared to the end of last year; and (iii) the additional staff loan receivable was approximately RMB2.6 million.

Financial Assets at FVOCI

As at 30 June 2021, our balance of financial assets at FVOCI was approximately RMB39.0 million. We utilized those assets balance to purchase corporate bonds issued by the Sinopec Group and Hitachi Capital, and certificates of deposit issued by Bank of China and Industrial and Commercial Bank of China. These corporate bonds and certificates of deposit will mature in September 2021 and October 2021.



Management Discussion and Analysis

Trade and Other Payables

As at 30 June 2021, our trade and other payables amounted to approximately RMB472.4 million, representing an increase of approximately RMB39.2 million or 9.0% as compared to approximately RMB433.2 million as at 31 December 2020, which was mainly due to (i) the dividend payable for the year 2020 of approximately RMB54.7 million as at 30 June 2021; and (ii) the increase in VAT and surcharges of approximately RMB8.6 million as a result of the increase in revenue. This was partially offset by a decrease in the balance accrual salaries and benefits of approximately RMB24.8 million.

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

Current Income Tax Liabilities

As at 30 June 2021, our current income tax liabilities amounted to approximately RMB16.3 million, representing a decrease of approximately RMB6.9 million or approximately 29.7% as compared to that of approximately RMB23.2 million as at 31 December 2020.

Property, Plant and Equipment

As at 30 June 2021, the carrying value of our property, plant and equipment was approximately RMB115.1 million, representing an increase of approximately RMB41.2 million or approximately 55.8% as compared to that of approximately RMB73.9 million as at 31 December 2020, which was mainly due to the net effect of (i) the establishment of two New Service Centres and the establishment of four New Service Points. In addition, the office in Nanjing was relocated to better office premises for our business. These resulted in an aggregate increase of approximately RMB55.9 million in right-of-use assets, leasehold improvements, electrical appliances and furniture relating to our new offices; (ii) the increase of approximately RMB4.4 million in computer equipment for our two New Service Centres as abovementioned; and (iii) the depreciation expenses of approximately RMB17.8 million in the first half of 2021.

Intangible Assets

As at 30 June 2021, the carrying amount of our intangible assets was approximately RMB5.7 million, representing an increase of approximately RMB2.6 million, or approximately 83.9%, from approximately RMB3.1 million as at 31 December 2020. This was mainly due to the implementation expenses of approximately RMB2.5 million for the deployment of the SAP system in the first half of 2021.

Other Non-current Assets

Other non-current assets represent employee borrowings and deposits for property leasing with repayment period of more than one year. As at 30 June 2021, our other non-current assets amounted to approximately RMB23.6 million, representing an increase of approximately RMB16.6 million or approximately 237.1% as compared to that as at 31 December 2020, which was mainly due to (i) the implementation of an employee borrowing plan in June 2021, for the purpose of enhancing employee benefits and hence increasing the stability of employees, and the accumulated amount of loans to employees amounted to approximately RMB14.1 million as at 30 June 2021; and (ii) the fact that in the first half of 2021, we established two New Service Centres, and four New Service Points. In addition, the office in Nanjing was relocated to a better office premises for our business. These resulted in an increase in the deposits for property leasing of approximately RMB2.5 million as compared to that as at 31 December 2020.

Deferred Income Tax Assets

As at 30 June 2021, the carrying amount of our deferred income tax assets was approximately RMB16.8 million, representing an increase of approximately RMB4.1 million or approximately 32.3% as compared to that of approximately RMB12.7 million as at 31 December 2020.

Management Discussion and Analysis

KEY FINANCIAL RATIOS

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

	For the six months ended 30 June		
	2021	2020	2019
Total revenue growth	78.0%	11.0%	63.5%
	<i>(Adjusted)</i>		<i>(Adjusted)</i>
Adjusted net profit growth/net profit growth (non-HKFRS) ⁽¹⁾	52.8%	-9.3%	169.8%
Gross margin ⁽²⁾	7.3%	8.3%	10.8%
	<i>(Adjusted)</i>		<i>(Adjusted)</i>
Adjusted net margin/net profit margin (non-HKFRS) ⁽³⁾	3.8%	4.4%	5.4%
	30 June	31 December	31 December
	2021	2020	2019
	<i>(Adjusted)</i>	<i>(Adjusted)</i>	<i>(Adjusted)</i>
Adjusted current ratio (times) ⁽⁴⁾	1.5	1.6	1.4

Notes:

- (1) Adjusted net profit (non-HKFRS) is defined as the net profit or loss for the six months ended 30 June 2021, 2020 and 2019 excluding non-operational fair value losses on hybrid financial instruments, listing expenses and share-based payment expenses under the Post-IPO Share Option Scheme and Post-IPO share Award Scheme, where applicable.
- (2) Gross margin equals gross profit divided by revenue for the six months ended 30 June 2021, 2020 and 2019 and multiplied by 100%.
- (3) Adjusted net margin (non-HKFRS) is calculated as the adjusted net profit as a percentage of the revenue for the same period.
- (4) Adjusted current ratio is calculated as the adjusted current assets divided by the current liabilities at the end of each financial period. The adjusted current assets is defined as the current assets excluding the Net Proceeds received and unutilised, where applicable.

Adjusted Net Profit

Adjusted net profit for the six months ended 30 June 2021 amounted to approximately RMB81.0 million, representing an increase of approximately 52.8% as compared to that for the six months ended 30 June 2020, primarily due to (i) the increase in revenue brought by the continuous growth in the number of comprehensive flexible staffing employees in the first half of 2021. The number of the Group's comprehensive flexible staffing employees maintained a monthly increase of more than 1,200 from March 2021 to June 2021 and achieved the highest increase in March 2021 by achieving an increase of 2,249 comprehensive flexible staffing employees; and (ii) the decline in the total amount of selling and marketing expenses and administrative expenses as percentages of total revenue resulting from a better operating leverage by utilising our integrated HR ecosystem.



Management Discussion and Analysis

Adjusted Net Margin

The adjusted net margin for the six months ended 30 June 2021 was approximately 3.8%, representing a decrease of 0.6% as compared to the adjusted net margin of 4.4% for the six months ended 30 June 2020. The decrease was primarily due to (i) the decrease in gross profit margin of comprehensive flexible staffing services from approximately 7.4% in the first half of 2020 to approximately 6.3% in the first half of 2021, representing a decrease of approximately 1.1%; (ii) to boost the number of comprehensive flexible and professional recruiters on board to get more recruitment orders from our clients, we have also started to build up a pool of candidates in the information technology field in order to build up our recruiting capabilities in the area of information technology. Therefore, we increased our investment in the potential expansion of our pool of candidates in the first of half of 2021, which increased our marketing and promotion expenses. Thus our selling and marketing expenses as a percentage of revenue increased by approximately 0.3% from approximately 1.6% in the first half of 2020; and (iii) the Group's overall income tax rate increased by approximately 2.2% in the first half of 2021 from approximately 12.1% in the first half of 2020.

Adjusted Current Ratio

As at 30 June 2021, the adjusted current ratio decreased to approximately 1.5 from approximately 1.6 as at 31 December 2020, which was mainly due to the decrease in cash and cash equivalents generated from operating activities after deducting the Net Proceeds received and unutilised as a result of the purchase of the Shares by the trustee pursuant to the Post-IPO Share Award Scheme using cash generated from operating activities in the second half of 2020 and the first half of 2021 through the trust fund of the trust held by the trustee. For details, please refer to the Company's announcements dated 14 July 2020, 15 September 2020 and 14 January 2021, respectively.

Liquidity and Capital Resources

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

As at 30 June 2021, we had cash and cash equivalents of approximately RMB999.9 million, representing an increase of approximately RMB32.7 million or approximately 3.4% as compared to that of approximately RMB967.2 million as at 31 December 2020. This was due to the net effect of (i) the net cash used in operating activities of approximately RMB63.4 million; (ii) the net cash generated from investing activities of approximately RMB136.4 million, primarily due to the purchase of certain wealth management products with idle funds, some of which were not utilised to purchase new wealth management products upon redemption and upon maturity on or before 30 June 2021; and (iii) the net cash used in financing activities of approximately RMB38.8 million, primarily due to the purchase of 1,024,200 Shares by the trustee pursuant to the Post-IPO Share Award Scheme in January 2021 with cash generated from operating activities.

Treasury Policies

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

CASH FLOWS

Net Cash (Used in)/Generated from Operating Activities

Net cash used in operating activities for the six months ended 30 June 2021 was approximately RMB63.4 million, as compared to net cash generated from operating activities of approximately RMB18.4 million for the six months ended 30 June 2020. Such change from the first half of 2020 to the first half of 2021 was mainly due to the fact that (i) we granted credit terms to some of our contracted new strategic comprehensive flexible staffing customers, which recorded an increase in revenue in the first half of 2021, resulting in an increase in the balance of trade receivables; and (ii) according to the enterprise income tax filing results for 2020, the enterprise income tax of RMB23.6 million was paid in May 2021. The income tax paid in the first half of 2021 increased by approximately RMB19.1 million as compared to that in the first half of 2020.

Management Discussion and Analysis

Net Cash Generated from/(Used in) Investing Activities

Net cash generated from investing activities for the six months ended 30 June 2021 was approximately RMB136.4 million, as compared to net cash used in investing activities of approximately RMB140.7 million for the six months ended 30 June 2020. Such change from the first half of 2020 to the first half of 2021 was mainly due to (i) the maturity of the wealth products of certificates of deposit issued by bank in the first half of 2021 and the recovery of investment amount and interests in the first half of 2021; (ii) the reduction in investment expenditure for purchasing the certificates of deposit and wealth products of corporate bonds, resulting in a net cash generated from investing activities of approximately RMB148.2 million.

Net Cash (Used in)/Generated from Financing Activities

For the six months ended 30 June 2021, net cash used in financing activities was approximately RMB38.8 million, while the net cash generated from financing activities for the six months ended 30 June 2020 was approximately RMB52.0 million. Such change was primarily due to the payment of RMB21.3 million to purchase Shares by the trustee pursuant to the Post-IPO Share Award Scheme in the first half of 2021, while the Group received an additional gross proceeds of approximately RMB74.5 million (equivalent to approximately HK\$83.3 million) from the issue and allotment of Shares upon completion of the partial exercise of the over-allotment option in the first half of 2020.

CAPITAL STRUCTURE

Indebtedness

As at 30 June 2021, we had no outstanding borrowings. In the first half of 2021, we had sufficient working capital and did not apply for any borrowings from the bank. As at 31 December 2020, 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. In the first half of 2021, all these covenants had been complied with by the Group.

As at 30 June 2021, we had unutilised banking facilities of approximately RMB100.0 million.

As at 30 June 2021, our lease liabilities in respect of our leased properties amounted to approximately RMB87.9 million, representing an increase of approximately RMB29.3 million as compared to that of approximately RMB58.6 million as at 31 December 2020. In the first half of 2021, we established two New Service Centres, and four New Service Points. In addition, offices in Nanjing and other places were relocated to better office premises for business. The office areas of the newly leased offices mentioned above expanded and the lease liabilities of such leased properties increased accordingly.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 30 June 2021 and 31 December 2020, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

CAPITAL EXPENDITURE

For the six months ended 30 June 2021, our capital expenditure amounted to approximately RMB17.1 million, among which (i) approximately RMB5.4 million was used for renovating the two New Service Centres and offices in Zhengzhou, Ningbo, Hefei, Changsha and Nanjing; (ii) approximately RMB9.0 million was used for purchasing furniture and computer equipment for the above newly leased offices; and (iii) approximately RMB2.7 million was used for the upgrading the flexible staffing management system and purchasing and implementing the right-of-use for SAP software.



Management Discussion and Analysis

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 30 June 2021, we had not entered into any material off-balance sheet commitments or arrangements.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. However, due to the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents and financial assets at FVOCI it held as at 30 June 2021. For the six months ended 30 June 2021, the Group recorded a net exchange gain of approximately RMB0.7 million in the condensed consolidated income statement.

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

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2021, none of the Group's assets was pledged (31 December 2020: nil).

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2021, the Group has no disposal of subsidiaries, associates or joint ventures or significant investments of the Group which would fall to be disclosed under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our position as the largest flexible staffing services provider in the PRC, we plan to utilise the Net Proceeds to carry out certain expansion projects. Details for the expansion projects are set out in the paragraph headed "USE OF NET PROCEEDS FROM THE LISTING" in this report and the section headed "Future Plans and Use of Proceeds" in the prospectus of Company dated 3 December 2019 (the "Prospectus").

EVENTS OCCURRED AFTER THE REPORTING PERIOD

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

On 30 July 2021, Renrui Human Resources Technology Group Limited ("**Renrui Human Resources Group**"), a wholly-owned subsidiary of the Company, entered into a conditional investment agreement with, among others, Greedy Technology (Shenzhen) Co., Ltd. (貪心科技(深圳)有限公司) ("**Greedy Technology**"), Mr. Li Wenzhe (the controlling shareholder of Greedy Technology), Mr. Zhou Jingyang and Zhituo Technology (Tianjin) Partnership (Limited Partnership) (智拓科技(天津)合夥企業(有限合伙)) ("**Zhituo Technology**"). Pursuant to such investment agreement, Renrui Human Resources Group has agreed to invest a total of RMB20.0 million into Greedy Technology, upon completion of which Renrui Human Resources Group will hold 20.0% equity interest in Greedy Technology. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, Greedy Technology, its shareholders (including Mr. Li Wenzhe) and ultimate beneficial owners, Mr. Zhou Jingyang, Zhituo Technology and all its shareholders and ultimate beneficial owners are all independent third parties as defined under the Listing Rules.

On 30 July 2021, Liaoning Renrui Corporate Business Process Outsourcing Service Co., Ltd. (our indirect wholly-owned subsidiary) obtained a value-added telecommunication services licence in the category of call center services. We will negotiate with our clients to transfer all the relevant contracts from Liaoning Renrui Business Process Outsourcing Service Co., Ltd. and Beijing Ruilian Network Technology Co., Ltd. (our indirect wholly-owned subsidiaries) to Liaoning Renrui Corporate Business Process Outsourcing Service Co., Ltd..

Management Discussion and Analysis

On 15 September 2021, Renrui Human Resources Group entered into two sale and purchase agreements with Mr. Cai Yulong* (蔡裕龍) (“**Mr. Cai**”) and Shanghai Qihang Yuntian Technology Limited* (上海起航雲天科技股份有限公司) (“**Shanghai Qihang**”), respectively. Pursuant to such agreements, Renrui Human Resources Group conditionally agreed to acquire 51% of equity interests in Jiangnan Finance Technology (Changzhou) Company Limited* (江南金融科技(常州)有限公司) (“**Jiangnan Finance**”) and Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司) (“**Shanghai Lingshi**”), respectively. Upon completion of the acquisitions, both Jiangnan Finance and Shanghai Lingshi will become indirect subsidiaries of the Company and their financial results will be consolidated into the consolidated financial statements of the Group. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, Mr. Cai, Shanghai Qihang Jiangnan Finance and its ultimate beneficial owners are all independent third parties. For further details, please refer to the announcement of the Company dated 15 September 2021.

Save as disclosed above and in this interim report, there was no significant event occurred after 30 June 2021 which required additional disclosures or adjustments.

OUTLOOK AND FUTURE STRATEGIES

As disclosed in the Company’s announcements dated 30 June 2021 and 7 July 2021, respectively, although a major client of our Group planned to terminate the information verification and client service representative flexible staffing services provided by the Group in January 2022, and the flexible staffing services premium payable by such major customer to the Group per each flexible staffing employee per month will be reduced until such termination. However, we believe that benefiting from the continuous and effective control of the COVID-19 by the PRC government, as well as the rapid growth of the flexible staffing industry in China and the PRC government’s emphasis on stabilising employment, through business integration and upgrade, we are confident that we will be able to capture new market opportunities through the provision of our comprehensive flexible staffing services. At the same time, we will also start the strategic layout on the double growth curve of HR professional services and HR technology products. We believe that there will be both opportunities and challenges in the second half of 2021. The Group will make its best endeavours to cope with all the challenges, maintain the growth of revenue and seek new opportunities for net profit growth.

HR Professional Services as the First Growth Curve

Our HR professional services comprise comprehensive flexible staffing, professional recruitment and other HR solutions, of which comprehensive flexible staffing is our main focus of strategic development. We will leverage our capabilities in professional staff management, project management and rapid recruitment, and accelerate (i) the provision of HR professional services for more new positions other than customer service and information verification; and (ii) the admission to more new industries in addition to the new economy industries by means of investments, mergers and acquisitions.

- We have established a flexible staffing services department for IT positions in the second half of 2020, with Ms. Zhang Jianmei, one of our founders and an executive Director, being the department head. As at 31 July 2021, the number of IT services personnel has reached 459. We have also adopted the “Business Partnership Program” and we intend to establish a joint venture with an independent team with comprehensive flexible staffing service experience in IT positions, which will enable us to quickly enhance our client development capabilities for IT positions.
- According to our future plans and the use of Net Proceeds from the Listing as disclosed in the Prospectus, we plan to merge and acquire one to two companies focusing on the provision of comprehensive flexible staffing services to local commercial banks in the second half of 2021. As such, together with our professional recruitment capabilities, we believe the coverage of our HR professional services can quickly be expanded to the banking and other financial institution industry.
- Currently, we are also negotiating with a company engaged in the training of robotics operators in relation to investments and business synergies with the intention to provide high-end manufacturing technicians who are capable of operating robots to modern manufacturing enterprises.

We believe that new economy companies will still be the trend of future market development, and the PRC government’s supervision on new economy companies will continue to be beneficial to the long-term and stable development of the overall industry. We will fully utilise our service advantages in this industry and continue to target fast-growing new economy companies as our clients.



Management Discussion and Analysis

HR Technology Service as the Second Growth Curve

The current plan of HR technology products covers two types of products, namely HR SaaS (Software as a Service) and the new Xiang Recruitment Platform. We consider HR technology services as the second growth curve of revenue and net profit in the future.

- Our client-oriented business philosophy places great emphasis on upgrading our existing systems and developing new systems based on our client's needs. Leveraging on our extensive experience in providing HR management services to our clients, we have launched a new product of HR SaaS (Software as a Service) in July 2021 named OC SaaS Service "Rui Xiang Cloud (瑞享雲)", which, to the best knowledge, information and belief of our Directors, is currently the first HR management platform based on the digitalisation of organisational capabilities in the PRC.
- As a group providing technology-driven HR services, we will continue to invest in and upgrade our R&D, and renovate the Xiang Recruitment Platform.

Create Ecological Chain of Human Resource to Enhance Competition Barriers

We will continue to create an ecological chain of human resources. We cooperate with enterprises, vocational training institutions and higher vocational colleges through investments, mergers and acquisitions or strategic cooperation to nurture talents by integrating industry and education. As such, we can develop students' professional skills at school and during vocational skills trainings, and recommend students that match the skill requirements of our clients for their employees to our clients after their graduation based on their skills learned.

- In August 2021, we cooperate with Xunteng Group to provide more than 500 opportunities of summer internship for students at the comprehensive flexible staffing service center in Tai'an during the summer vacation.

- In July 2021, we entered into an investment agreement with Greedy Technology, which is principally engaged in online trainings of AI technology. Pursuant to the investment agreement, Greedy Technology will provide the Group with 500, 1,000 and 1,500 AI technology talents who acquire natural language, machine recognition, system recommendation, visual identity and so on in each of 2021, 2022 and 2023, respectively. We will then recommend new jobs for these AI technology talents.

We will continue to explore ways to build an ecological chain for job seekers based on the integration of industry and education, and we plan to invest in two to three vocational training institutions and enterprises with an business focus on integrating industry and education so as to establish long-term competitive edges and industry barriers by creating an ecological chain of human resource.

Accelerating Human Resource Industrial Layout through Investments, Mergers and Acquisitions

We established a joint venture cooperation department in July 2020 which is responsible for the investments, mergers and acquisitions of the Group. Through exploring opportunities for potential investments, mergers and acquisitions in 2020, we gradually explored a set of models suitable for our own development. The strategies of investments, mergers and acquisitions of the Group will mainly focus on three directions in the future: (i) obtain high-value customers and develop business with high gross profit; (ii) create an ecological chain of human resources; and (iii) initiate double growth of human resource professional services and human resource technology products to improve our professional services and technical capabilities. Our investments, mergers and acquisitions are not profit-driven financial investments, but focus on our business synergies with the investees so as to achieve a "1+1>2" mutual development. The business cooperation with Xunteng Group after investment has well proven such investment concept of "1+1>2". The business synergies after investment help us achieve the mutual growth of income and profit with the enterprises we invest in.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Management Discussion and Analysis

USE OF NET PROCEEDS FROM THE LISTING

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

The amount of Net Proceeds utilised from the Listing Date to 30 June 2021 is set forth below:

Intended use of Net Proceeds	Original allocation (Percentage)	Original allocation (HK\$)	Amount of Net Proceeds utilised up to 30 June 2021 (HK\$)	Balance of Net Proceeds unutilised as at 30 June 2021 (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	75.0 million	123.4 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	0.5 million	168.2 million	By/ before 31 December 2022
(iii) Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	13%	129.0 million	24.3 million	104.7 million	By/ before 31 December 2022
(iv) Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	22%	218.3 million	2.9 million	215.4 million	By/ before 31 December 2024
(v) Further promote our brand and launch marketing and promotion activities	10%	99.2 million	2.7 million	96.5 million	By/ before 31 December 2022
(vi) Support our global expansion strategy in the next four years	8%	79.4 million	—	79.4 million	By/ before 31 December 2023
(vii) Working capital and general corporate purposes	10%	99.2 million	9.6 million	89.6 million	By/ before 31 December 2022

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



Other Information

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Board is of the view that during the six months ended 30 June 2021, 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 we believe there is sufficient check and balance on the Board; (ii) Mr. Zhang Jianguo and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions of the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategy and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. Zhang Jianguo is the principal founder of the Company, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning and internal communication for the Group. The Board will continue to review the effectiveness

of the corporate governance structure of the Group in order to assess whether the separation of the roles of chairman and chief executive officer is necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code 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 during the six months ended 30 June 2021.

The Company’s relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the six months ended 30 June 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

During the six months ended 30 June 2021, in order to efficiently administer the contributions to social insurance and housing provident fund in certain cities in the PRC where our contract employees prefer to participate in their place of residency and since we do not maintain a subsidiary or branch office due to our extensive service coverage, we engaged third-party agents to assist in the payment of social insurance and housing provident fund for some of our contract employees. As advised by our PRC legal advisor, such arrangement is not in strict compliance with the relevant PRC laws and regulations since the obligation to make contributions to social insurance and housing provident fund rests on us and should not be delegated to a third party agent. Further, we had not made full contributions to the social insurance and housing provident fund based on the actual salary levels of our employees (including those paid by the agents as described above). On the basis of, among others, our communication with the competent authorities and the confirmations received from them, the views of our PRC legal advisor and the remote possibility of being ordered to settle a material portion of the shortfall of contributions for social insurance and housing provident fund for the six months ended 30 June 2021, we consider that the above non-compliance issues would not have a material adverse effect on our business, financial condition or results of operation. For further details, please refer to pages 248 to 250 of the Prospectus.

Other Information

Save as disclosed above, the Group was not aware of any non-compliance under the laws and regulations in jurisdiction where the Group operates during the six months ended 30 June 2021 that could have a material adverse impact on the Group's business, financial condition and operating results.

CHANGE IN DIRECTORATE AND DIRECTORS' INFORMATION

Since April 2021, Mr. Leung Ming Shu, one of our independent non-executive Directors, has been serving as group chief financial officer, a member of strategy committee of 58.com Inc. and a managing partner of 58 Industry Fund, where he is mainly responsible for overseeing overall financial and legal functions and strategic investment of 58.com Inc.

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.

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

As at 30 June 2021, the interests and short positions of the Directors and the chief executive 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/ Chief Executive	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⁾	46,408,500	29.65%
	Interests held jointly with other persons ⁽⁴⁾	13,216,600	8.44%
	Beneficial owner ⁽¹⁾	150,000	0.10%
Zhang Feng	Interest of controlled corporation ⁽²⁾	5,796,000	3.70%
	Interests held jointly with other persons ⁽⁴⁾	53,403,300	34.11%
	Beneficial owner ⁽²⁾	575,800	0.37%
Zhang Jianmei	Interest of controlled corporation ⁽³⁾	5,796,000	3.70%
	Interests held jointly with other persons ⁽⁴⁾	52,930,300	33.81%
	Beneficial owner ⁽³⁾	1,048,800	0.67%
Chow Siu Lui	Beneficial owner ⁽⁵⁾	40,000	0.03%
Chan Mei Bo Mabel	Beneficial owner ⁽⁶⁾	40,000	0.03%
Shen Hao	Beneficial owner ⁽⁷⁾	40,000	0.03%
Leung Ming Shu	Beneficial owner ⁽⁸⁾	40,000	0.03%

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 46,408,500 Shares held by Ming Feng. In addition, Mr. Zhang Jianguo was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for a maximum 150,000 Shares.



Other Information

- (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 share option scheme and Post-IPO Share Option Scheme which entitle him to subscribe for 455,800 and 120,000 Shares, respectively.
- (3) Lin Feng Holdings Limited (“**Lin Feng**”) is wholly owned by Ms. Zhang Jianmei. 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 share option scheme and Post-IPO share option scheme which entitle her to subscribe for 928,800 and 120,000 Shares, respectively.
- (4) Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei have entered into an acting in concert deed dated 18 January 2019 according to which, among other things, they acknowledged and confirmed that they will act in concert with each other in respect of all major management matters, business decisions (including but not limited to financial and operational matters), and all matters being the subject matters of any shareholders’ resolution of Ming Feng and any of the members of our Group. As such, each of Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei is deemed to be interested in the Shares and/or underlying Shares held by the other parties as they are parties acting in concert.
- (5) Mr. Chow Siu Liu was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.
- (6) Ms. Chan Mei Bo Mabel was granted share options under the Post-IPO Share Option Scheme which entitle her to subscribe for 40,000 Shares.
- (7) Mr. Shen Hao was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.
- (8) Mr. Leung Ming Shu was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 40,000 Shares.
- (9) The Letter “L” denotes the person’s long position in such Shares.
- (10) As at 30 June 2021, the Company had 156,543,279 issued Shares.

Interests in associated corporation of the Company

Name of Director/ Chief Executive	Associated Corporation	Capacity/ Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated corporation (%) <i>(Note)</i>
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 2021, none of the Directors or the chief executive 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 2021, to the best knowledge of the Directors or chief executive 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 Substantial Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held ⁽⁷⁾	Approximate percentage of shareholding interest ⁽⁸⁾ (%)
Wang Fen ⁽¹⁾	Interest of spouse	59,775,100(L)	38.18%
Wu Qi ⁽²⁾	Interest of spouse	59,775,100(L)	38.18%
Chen Bin ⁽³⁾	Interest of spouse	59,775,100(L)	38.18%
Ming Feng	Beneficial owner	46,408,500(L)	29.65%
LC Fund V, L.P. ⁽⁴⁾	Beneficial owner	20,266,244(L)	12.95%
LC Fund V GP Limited ⁽⁴⁾	Interest of controlled corporation	21,750,495(L)	13.89%
VMS Strategic Investment Fund, L.P. ⁽⁵⁾	Beneficial owner	16,747,481(L)	10.70%
VMS Strategic Investment GP Limited ⁽⁵⁾	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Investment Management Inc. ⁽⁵⁾	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Financial Services Group Limited ⁽⁵⁾	Interest of controlled corporation	16,747,481(L)	10.70%
VMS Holdings Limited ⁽⁵⁾	Interest of controlled corporation	16,747,481(L)	10.70%
Mak Siu Hang Viola ⁽⁵⁾	Interest of controlled corporation	16,747,481(L)	10.70%
FIL Limited ⁽⁶⁾	Interest of controlled corporation	13,879,683(L)	8.87%
Pandanus Associates Inc ⁽⁶⁾	Interest of controlled corporation	13,879,683(L)	8.87%
Pandanus Partners L.P. ⁽⁶⁾	Interest of controlled corporation	13,879,683(L)	8.87%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	10,870,983(L)	6.94%

Notes:

- (1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo and under the SFO, Ms. Wang Fen is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Mr. Zhang Jianguo is interested.
- (2) Ms. Wu Qi is the spouse of Mr. Zhang Feng and under the SFO, Ms. Wu Qi is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Mr. Zhang Feng is interested.
- (3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei and under the SFO, Mr. Chen Bin is deemed to be interested in the 59,775,100 Shares/underlying Shares in which Ms. Zhang Jianmei is interested.
- (4) As LC Fund V GP Limited is the general partner of both of LC Fund V, L.P. and LC Parallel Fund V, L.P., LC Fund V GP Limited is deemed to be interested in the 20,266,244 Shares and 1,484,251 Shares held by LC Fund V, L.P. and LC Parallel Fund V, L.P., respectively.
- (5) VMS Strategic Investment Fund, L.P. holds 16,747,481 Shares and under the SFO, VMS Strategic Investment GP Limited, which is the general partner of VMS Strategic Investment Fund, L.P., is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P. VMS Strategic Investment GP Limited is wholly owned by VMS Investment Management Inc. VMS Investment Management Inc. is wholly owned by VMS Financial Services Group Limited. VMS Financial Services Group Limited is wholly owned by VMS Holdings Limited. VMS Holdings Limited is owned as to 92% by Ms. Mak Siu Hang Viola. As such, each of VMS Investment Management Inc., VMS Financial Services Group Limited, VMS Holdings Limited and Ms. Mak Siu Hang Viola is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P..
- (6) Pandanus Partners L.P. holds 37.01% in FIL Limited. Pandanus Partners L.P. is wholly-owned by Pandanus Associates Inc.
- (7) The Letter "L" denotes the person's long position in such Shares.
- (8) As at 30 June 2021, the Company had 156,543,279 issued Shares.



Other Information

Save as disclosed above, as at 30 June 2021, the Directors and the chief executive of the Company were not aware of any other persons (other than the Directors or chief executive 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 2021, 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

Neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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 the external auditor, providing advice and comments to the Board and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

The Audit Committee has reviewed the unaudited consolidated financial statements of the Group and the interim report for the six months ended 30 June 2021. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 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.

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

PRC, 31 August 2021

Condensed Consolidated Income Statement

For the six months ended 30 June 2021



	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	6	2,128,315	1,195,572
Cost of revenue	7	(1,971,904)	(1,095,862)
Gross profit		156,411	99,710
Selling and marketing expenses	7	(39,981)	(18,625)
Research and development expenses	7	(7,243)	(5,928)
Administrative expenses	7	(47,218)	(33,794)
Reversal of/(provision for) net impairment losses on financial assets		2,776	(7,023)
Other income	9	18,051	9,531
Other gains, net	10	2,011	8,715
Operating profit		84,807	52,586
Finance income	11	4,293	8,807
Finance costs	11	(2,315)	(1,108)
Finance income, net	11	1,978	7,699
Share of results of joint ventures		323	—
Profit before income tax		87,108	60,285
Income tax expense	12	(12,454)	(7,266)
Profit for the period		74,654	53,019
Profit/(loss) is attributable to:			
– Equity holders of the Company		74,884	53,019
– Non-controlling interests		(230)	—
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	13	0.49	0.35
– Diluted earnings per share	13	0.45	0.31

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



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit for the period	74,654	53,019
Other comprehensive loss		
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
– Currency translation differences of the Company	(10,659)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Currency translation differences of subsidiaries	5,355	(1,921)
– Changes in the fair value of financial assets at fair value through other comprehensive income	547	74
Other comprehensive loss for the period, net of tax	(4,757)	(1,847)
Total comprehensive income for the period	69,897	51,172
Total comprehensive income/(loss) for the period is attributable to:		
– Equity holders of the Company	70,127	51,172
– Non-controlling interests	(230)	–

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

Condensed Consolidated Balance Sheet

As at 30 June 2021



	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	115,146	73,936
Intangible assets		5,727	3,144
Investments in joint ventures		20,006	19,683
Derivative financial instruments	15	2,307	2,580
Other non-current assets	15	23,595	7,043
Deferred income tax assets		16,799	12,678
Restricted cash	18	6,000	6,050
Total non-current assets		189,580	125,114
Current assets			
Trade and notes receivables	17	575,391	477,895
Prepayments, deposits and other receivables	16	28,240	12,046
Financial assets at fair value through other comprehensive income	15	39,041	185,827
Restricted cash	18	250	1,815
Cash and cash equivalents	18	999,870	967,225
Total current assets		1,642,792	1,644,808
Total assets		1,832,372	1,769,922
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	53	53
Share premium	19	2,197,827	2,252,478
Shares held for share-based payment scheme	19	(87,887)	(66,609)
Other reserves		(60,250)	(62,048)
Accumulated losses		(814,828)	(889,712)
Non-controlling interests		1,234,915	1,234,162
Total equity		1,236,586	1,236,063





Condensed Consolidated Balance Sheet

As at 30 June 2021

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities	21	60,244	40,785
Total non-current liabilities		60,244	40,785
Current liabilities			
Trade and other payables	20	472,394	433,212
Contract liabilities		19,252	18,848
Current income tax liability		16,255	23,235
Lease liabilities	21	27,641	17,779
Total current liabilities		535,542	493,074
Total liabilities		595,786	533,859
Total equity and liabilities		1,832,372	1,769,922

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 2021



	Attributable to equity holders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)									
Balance at 1 January 2020		51	2,170,559	—	(30,911)	(1,072,328)	1,067,371	—	1,067,371
Comprehensive income									
Profit for the period		—	—	—	—	53,019	53,019	—	53,019
Other comprehensive loss									
– Currency translation differences		—	—	—	(1,921)	—	(1,921)	—	(1,921)
– Changes in the fair value of financial assets at fair value through other comprehensive income		—	—	—	74	—	74	—	74
Total comprehensive income		—	—	—	(1,847)	53,019	51,172	—	51,172
Transactions with equity holders in their capacity as equity holders									
Share-based compensation		—	—	—	804	—	804	—	804
Issue of ordinary shares in connection with the over-allotment option of the listing, net of listing expenses	19	1	71,695	—	—	—	71,696	—	71,696
Total transactions with equity holders in their capacity as equity holders		1	71,695	—	804	—	72,500	—	72,500
Balance at 30 June 2020		52	2,242,254	—	(31,954)	(1,019,309)	1,191,043	—	1,191,043





Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Note	Attributable to equity holders of the Company							Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Shares held for share-based payment scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	
(Unaudited)									
Balance at 1 January 2021		53	2,252,478	(66,609)	(62,048)	(889,712)	1,234,162	1,901	1,236,063
Comprehensive income									
Profit for the period		—	—	—	—	74,884	74,884	(230)	74,654
Other comprehensive loss									
– Currency translation differences		—	—	—	(5,304)	—	(5,304)	—	(5,304)
– Changes in the fair value of financial assets at fair value through other comprehensive income		—	—	—	547	—	547	—	547
Total comprehensive income		—	—	—	(4,757)	74,884	70,127	(230)	69,897
Transactions with equity holders in their capacity as equity holders									
Share-based compensation		—	—	—	6,555	—	6,555	—	6,555
Exercise of share options	19	—	57	—	—	—	57	—	57
Dividends declared	19	—	(54,708)	—	—	—	(54,708)	—	(54,708)
Acquisitions of shares held for share-based payment scheme	19	—	—	(21,278)	—	—	(21,278)	—	(21,278)
Total transactions with equity holders in their capacity as equity holders		—	(54,651)	(21,278)	6,555	—	(69,374)	—	(69,374)
Balance at 30 June 2021		53	2,197,827	(87,887)	(60,250)	(814,828)	1,234,915	1,671	1,236,586

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 2021



	Note	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations		(39,809)	22,820
Income tax paid		(23,555)	(4,470)
Net cash (used in)/generated from operating activities		(63,364)	18,350
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment		(14,368)	(2,565)
Purchase of financial assets at fair value through profit or loss		(227,264)	(1,570,022)
Purchase of financial assets at fair value through other comprehensive income		(197,910)	(94,317)
Purchase of intangible assets		(2,745)	(47)
Proceeds from disposal of property, plant and equipment		12	51
Proceeds from disposal of financial assets at fair value through profit or loss		228,725	1,490,874
Proceeds from disposal of financial assets at fair value through other comprehensive income		346,070	27,670
Interest received from cash and cash equivalents		3,923	7,622
Net cash generated from/(used in) investing activities		136,443	(140,734)
Cash flows (used in)/from financing activities			
Proceeds from issue of ordinary shares upon listing	19	—	74,482
Proceeds from exercise of share options	19	57	—
Acquisition of shares held for share-based payment scheme	19	(21,278)	—
Payment of lease liabilities		(17,573)	(10,781)
Listing expenses paid		—	(11,714)
Net cash (used in)/generated from financing activities		(38,794)	51,987
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		967,225	1,029,456
Effects of exchange rate changes on cash and cash equivalents		(1,640)	623
Cash and cash equivalents at end of the period	18	999,870	959,682

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

For the six months ended 30 June 2021

1 GENERAL INFORMATION

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

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

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

The 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 of Directors on 31 August 2021.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2021 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 2020, 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 2021

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 2020, 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 end 31 December 2021 as described below and disclosed elsewhere in this interim financial information.

(a) New standards, amendments and interpretations of HKFRSs effective for 2021

The HKICPA has issued the following amendments to HKFRS for the current accounting period of the Group.

- Amendments to HKFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 - Interest Rate Benchmark Reform - Phase 2

The adoption of the above new amendments starting from 1 January 2021 did not give rise to significant impact on the Group's result of operations and financial position for the six months ended 30 June 2021.

(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 2021 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 annual consolidated financial statements for the year ended 31 December 2020.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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. The functional currency of the Company is USD whereas the functional currency of the subsidiaries operating in the PRC is RMB.

The Group operates mainly in the PRC with most of the transactions settled in RMB.

As at 30 June 2021, the majority of the Group's assets and liabilities are denominated in RMB. Due to functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated bank deposits and financial assets at FVOCI it held. Apart from this, the management considers that the business is not subject to any other significant foreign exchange risk.

(ii) Cash flow and fair value interest rate risk

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

The Group's exposure to changes in interest rates is also attributable to its lease liabilities, details of which has been disclosed in Note 21. 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 2021 and 31 December 2020, the Group's lease liabilities were all carried at fixed rates, which did not expose the Group to cash flow interest rate risk.

(b) Credit risk

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

(i) Cash and cash equivalents and restricted cash

As at 30 June 2021 and 31 December 2020, 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade and notes receivables

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

On that basis, the loss allowance for trade receivables as at 30 June 2021 and 31 December 2020 was determined as follows:

		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
(Unaudited)							
30 June 2021	Current						
Expected loss rate	0.18%	1.01%	4.69%	12.73%	97.50%	100.00%	
Gross carrying amount	543,925	31,981	747	110	40	4,092	580,895
Loss allowance	1,001	323	35	14	39	4,092	5,504
(Audited)							
31 December 2020	Current						
Expected loss rate	0.75%	6.67%	10.74%	31.82%	98.59%	100.00%	
Gross carrying amount	453,597	18,918	1,034	154	142	3,984	477,829
Loss allowance	3,406	1,262	111	49	140	3,984	8,952

As at 30 June 2021, the Group assessed the identified credit losses of notes receivables were immaterial.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables, deposits and other non-current assets

For other receivables, deposits and other non-current assets, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 30 June 2021 and 31 December 2020, the loss allowance of other receivables, deposits and other non-current assets were RMB771,000 and RMB99,000, 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 2021, the Group assessed the credit risk of investment in wealth management products purchased from banks to be low given they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(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 2021					
Trade and other payables*	51,275	—	—	—	51,275
Lease liabilities	32,093	35,842	28,024	—	95,959
	83,368	35,842	28,024	—	147,234
(Audited)					
At 31 December 2020					
Trade and other payables*	50,632	—	—	—	50,632
Lease liabilities	20,750	23,457	19,516	—	63,723
	71,382	23,457	19,516	—	114,355

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 2021 and 31 December 2020, the Group was in a net cash position (i.e., cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2021 and 31 December 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 30 June 2021 and 31 December 2020, the Group had certain financial assets carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVOCI, and the derivative financial instruments associated with one joint venture.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

Recurring fair value measurements	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2021 (Unaudited)				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 15)	—	39,041	—	39,041
Derivative financial instruments (Note 15)	—	—	2,307	2,307
	—	39,041	2,307	41,348

Recurring fair value measurements	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020 (Audited)				
Financial assets				
Financial assets at fair value through other comprehensive income (Note 15)	—	185,827	—	185,827
Derivative financial instruments (Note 15)	—	—	2,580	2,580
	—	185,827	2,580	188,407

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

The following table presents the changes in level 3 derivative financial instruments for the six months ended 30 June 2021.

Derivative financial instruments	Six months ended 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>
At the beginning of the period	2,580
Fair value change (Note 10)	(273)
At the end of the period	2,307

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

5 FINANCIAL RISK MANAGEMENT (Continued)

5.3 Fair value estimation (Continued)

The Group manages the valuation of level 3 instruments for financial reporting purposes and manages the valuation exercise of the instruments on a case-by-case basis. At least once every year, the management would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

For the six months ended 30 June 2021, the valuation of the level 3 instruments included embedded derivative financial instruments related to investment in Xunteng Group. The fair value of the contingent consideration receivable was determined by expected cash inflows which were estimated based on the terms of the investment agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The fair value of the liquidation preference right was determined by Black Scholes option pricing model, and significant assumptions included discount rate, risk-free interest rate and expected volatility.

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.

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

For the six months ended 30 June 2021, the Group integrated the flexible staffing segment and the BPO segment into the comprehensive flexible staffing segment, as a result of change in the structure of the Group's internal organisation to align with the development of its business strategy. The executive directors consider it more informative and reflective of underlying business realities to examine the business performance of the Group according to the following operating segments:

Comprehensive flexible staffing

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

Professional recruitment

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



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

6 SEGMENT INFORMATION AND REVENUE (Continued)

(a) Description of segments and principal activities (Continued)

Other HR solutions

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

The comparative information for the six months ended 30 June 2020 was restated.

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

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

(b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2021 was as follows:

	Six months ended 30 June 2021			
	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment RMB'000 (Unaudited)	Other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	2,069,867	47,996	10,452	2,128,315
Segment gross profit	130,873	17,223	8,315	156,411
Unallocated:				
Selling and marketing expenses				(39,981)
Research and development expenses				(7,243)
Administrative expenses				(47,218)
Other income (Note 9)				18,051
Other gains, net (Note 10)				2,011
Reversal of net impairment losses on financial assets				2,776
Finance income, net (Note 11)				1,978
Share of results of joint ventures				323
Profit before income tax				87,108
Income tax expense (Note 12)				(12,454)
Profit for the period				74,654

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

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 2020 was as follows:

	Six months ended 30 June 2020			
	Comprehensive flexible staffing <i>RMB'000</i> <i>(Unaudited)</i>	Professional recruitment <i>RMB'000</i> <i>(Unaudited)</i>	Other HR solutions <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Segment revenue	1,165,190	19,084	11,298	1,195,572
Segment gross profit	86,625	3,840	9,245	99,710
Unallocated:				
Selling and marketing expenses				(18,625)
Research and development expenses				(5,928)
Administrative expenses				(33,794)
Other income (Note 9)				9,531
Other gains, net (Note 10)				8,715
Provision for net impairment losses on financial assets				(7,023)
Finance income, net (Note 11)				7,699
Profit before income tax				60,285
Income tax expense (Note 12)				(7,266)
Profit for the period				53,019

(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 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Comprehensive flexible staffing	2,069,867	1,165,190
Professional recruitment		
– Recruitment	47,168	18,068
– Paid membership	828	1,016
Other HR solutions		
– Corporate training	959	612
– Labour dispatch	2,551	2,457
– Other miscellaneous services*	6,942	8,229
	2,128,315	1,195,572

* For the six months ended 30 June 2021, other miscellaneous services mainly included tailored employee management solutions to the customers, which was recognised over time as the customers simultaneously received and consumed the benefits provided by the Group's performance.

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

Six months ended 30 June 2021	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment RMB'000 (Unaudited)	Other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition				
At a point in time	—	47,168	959	48,127
Over time	2,069,867	828	9,493	2,080,188
	2,069,867	47,996	10,452	2,128,315

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

6 SEGMENT INFORMATION AND REVENUE (Continued)

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

Six months ended 30 June 2020	Comprehensive	Professional	Other HR	Total
	flexible staffing <i>RMB'000</i> <i>(Unaudited)</i>	recruitment <i>RMB'000</i> <i>(Unaudited)</i>	solutions <i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Timing of revenue recognition				
At a point in time	—	18,511	612	19,123
Over time	1,165,190	573	10,686	1,176,449
	1,165,190	19,084	11,298	1,195,572

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	
	2021 <i>RMB'000</i> <i>(Unaudited)</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>
Employee benefit expenses (Note 8)	1,961,908	1,094,106
Depreciation and amortisation	17,986	10,903
Travelling and entertainment expenses	31,987	13,756
Marketing and promotion expenses	14,682	5,845
Other taxes and surcharges	12,749	7,300
Subcontracting costs	7,097	1,821
Recruitment related communication expenses	527	2,520
Utilities and office expenses	7,543	3,752
Professional service fee	5,776	9,139
Lease and property management expenses	3,966	2,777
COVID-19-related rent concessions	—	(885)
Auditor's remuneration	950	950
Others	1,175	2,225
Total	2,066,346	1,154,209



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonus	1,666,270	967,598
Social insurance and housing fund	266,743	108,130
Other employee welfares	22,340	17,573
Share-based compensation*	6,555	805
	1,961,908	1,094,106

* The share-based compensation expenses recognised in the unaudited condensed consolidated income statement were approximately RMB6,555,000 and RMB805,000 for the six months ended 30 June 2021 and 2020, respectively. The following table set forth a breakdown of the share-based compensation expenses:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Pre-IPO share option schemes	204	805
Post-IPO share option scheme granted in 2020 (a)	800	—
Post-IPO share option scheme granted in 2021 (b)	5,551	—
Post-IPO share award scheme granted in 2021 (c)	—	—
	6,555	805

- (a) On 29 October 2020, the Group granted share options to three executive directors which entitled the grantees to subscribe for a maximum of 390,000 shares under the post-IPO share option scheme adopted on 26 November 2019. The share options have a vesting period of 18 months, and will vest upon the fulfilment of certain non - market performance conditions. The exercise price of these share options is HKD30.00 per share.
- (b) On 22 January 2021, the Company granted share options to twenty eligible grantees (four non-executive directors and sixteen employees) which entitled the grantees to subscribe for a maximum of 2,560,000 shares under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on the condition that the grantees remain in service and upon fulfilment of certain non-market performance conditions. The exercise price of these share options is HKD27.30 per share.
- (c) On 22 January 2021, the Company granted 2,300,000 award shares to twenty-nine eligible employees under the post-IPO share award scheme adopted on 26 November 2019 and amended on 26 June 2020. These award shares will vest in tranches on the condition that the grantees remain in service without any performance requirements. Upon vesting the award shares, the Company will immediately direct the trust to sell the award shares and pay the grantees in cash the net proceeds from such sales, net of the benchmarked price of HKD25.00 per share as stipulated in the agreements with the grantees.

Liabilities for the scheme are recognised as employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the consolidated balance sheet. As at 30 June 2021, the fair value of the scheme was insignificant.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

9 OTHER INCOME

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants	12,448	7,161
Additional deduction of input value-added tax ("VAT")	3,507	1,959
Interest from financial assets at FVOCI (Note 15)	2,074	—
Others	22	411
	18,051	9,531

10 OTHER GAINS, NET

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Net gains/(losses) on disposal of property, plant and equipment	11	(56)
Exchange gains - net	697	9,906
Gains on early termination of lease contracts	88	69
Donation expenditure	—	(1,055)
Net gains on financial products at FVPL	1,467	—
Fair value losses on derivative financial instruments	(273)	—
Others	21	(149)
	2,011	8,715



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

11 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Finance income</i>		
Interest income on cash and cash equivalents	4,293	8,807
Finance income	4,293	8,807
<i>Finance costs</i>		
Interest expense – lease liabilities	(2,315)	(1,108)
Finance costs expensed	(2,315)	(1,108)
Finance income, net	1,978	7,699

12 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 2021 and 2020.

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax	(16,575)	(7,572)
Deferred income tax	4,121	306
	(12,454)	(7,266)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

13 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period, taking into consideration of the shares held for share-based payment scheme (Note 19).

	Six months ended 30 June	
	2021 <i>(Unaudited)</i>	2020 <i>(Unaudited)</i>
Profit attributable to the equity holders of the Company (RMB'000)	74,884	53,019
Weighted average number of ordinary shares in issue (thousands)	152,881	153,635
Basic earnings per share attributable to the equity holders of the Company (RMB per share)	0.49	0.35

(b) Diluted earnings per share

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

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

For the six months ended 30 June 2021, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 390,000 share options granted on 29 October 2020 and 2,560,000 share options granted on 22 January 2021 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the six months ended 30 June 2021. These share options could potentially dilute basic earnings per share in the future.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

13 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

The diluted earnings per share for the six months ended 30 June 2021 and 2020 was as following:

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the equity holders of the Company (RMB'000)	74,884	53,019
Weighted average number of ordinary shares in issue (thousands)	152,881	153,635
Adjustments for calculation of diluted earnings per share (thousands):		
– Share options	14,804	19,224
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	167,685	172,859
Diluted earnings per share attributable to the equity holders of the Company (RMB per share)	0.45	0.31

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

14 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets property RMB'000	Computer equipment RMB'000	Electrical appliances RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2020 (Audited)						
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 (Unaudited)						
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
At 1 January 2021 (Audited)						
Cost	92,067	10,418	199	4,316	16,211	123,211
Accumulated depreciation	(33,408)	(6,941)	(149)	(1,867)	(6,910)	(49,275)
Net book amount	58,659	3,477	50	2,449	9,301	73,936
Six months ended 30 June 2021						
Opening net book amount	58,659	3,477	50	2,449	9,301	73,936
Additions	45,896	4,401	1,132	3,473	5,362	60,264
Disposals	(1,229)	(1)	—	—	—	(1,230)
Depreciation charge	(14,321)	(1,224)	(152)	(392)	(1,735)	(17,824)
Closing net book amount	89,005	6,653	1,030	5,530	12,928	115,146
At 30 June 2021 (Unaudited)						
Cost	134,690	14,238	1,331	7,780	21,416	179,455
Accumulated depreciation	(45,685)	(7,585)	(301)	(2,250)	(8,488)	(64,309)
Net book amount	89,005	6,653	1,030	5,530	12,928	115,146



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

Financial assets

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<i>Financial assets at amortised cost</i>			
Trade and notes receivables	17	575,391	477,895
Deposits and other receivables	16	8,440	1,731
Other non-current assets (i)		23,595	7,043
Restricted cash	18	6,250	7,865
Cash and cash equivalents	18	999,870	967,225
<i>Financial assets at fair value through other comprehensive income</i>			
Wealth management products purchased from banks (ii)		39,041	185,827
<i>Financial assets at fair value through profit or loss</i>			
Derivative financial instruments		2,307	2,580
		1,654,894	1,650,166

Financial liabilities

	Note	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
<i>Financial liabilities at amortised cost</i>			
Trade and other payables (excluding accrued payroll and welfare, VAT and surcharges and dividends payable)	20	51,275	50,632
Lease liabilities	21	87,885	58,564
		139,160	109,196

- (i) Other non-current assets mainly included loans to employees and deposits paid for lease contracts that would be repaid at the end of the relevant leasing periods.
- (ii) As at 30 June 2021, the Group held certain wealth management products purchased from banks with the amount of approximately RMB39,041,000 (31 December 2020: RMB185,827,000), which will be due within one year. For the six months ended 30 June 2021, interest income with an amount of approximately RMB2,074,000 recognised in profit or loss as part of other income (Note 9), and fair value losses with an amount of approximately RMB57,000 (six months ended 30 June 2020: fair value gains with an amount of approximately RMB74,000) were recognised through other comprehensive income.

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For the six months ended 30 June 2021

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Prepayments	17,883	8,196
Deposits	3,055	1,551
Input VAT deductible	1,917	2,119
Other receivables	5,592	279
Less: provision for impairment	(207)	(99)
	28,240	12,046

As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020, the carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB.

17 TRADE AND NOTES RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	580,895	477,829
Less: provision for impairment of trade receivables	(5,504)	(8,952)
Trade receivables - net	575,391	468,877
Notes receivables	—	9,018
	575,391	477,895

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated their fair values as at 30 June 2021 and 31 December 2020.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

17 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 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Trade receivables		
– within 3 months	564,396	471,980
– 4 months to 6 months	10,765	1,359
– 7 months to 9 months	1,496	318
– 10 months to 12 months	122	115
– Over 12 months	4,116	4,057
	580,895	477,829

Impairment and risk exposure

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

18 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Cash on hand	22	21
Cash at banks	1,006,098	975,069
Less: restricted cash - current (i)	(250)	(1,815)
restricted cash - non-current (i)	(6,000)	(6,050)
Cash and cash equivalents	999,870	967,225

(i) As at 30 June 2021 and 31 December 2020, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificates.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME

	Number of ordinary shares	Nominal value of ordinary shares USD
Authorised:		
(Unaudited) At 1 January 2021 and 30 June 2021	2,000,000,000	100,000
(Unaudited) At 1 January 2020 and 30 June 2020	2,000,000,000	100,000

	Number of ordinary shares	Nominal value of ordinary shares		Share premium	Shares held for share-based payment scheme
		USD	RMB'000	RMB'000	RMB'000
Issued:					
(Unaudited) At 1 January 2020	150,539,479	7,527	51	2,170,559	—
Issue of ordinary shares in connection with the over-allotment option of the listing, net of listing expenses (i)	3,130,100	157	1	71,695	—
At 30 June 2020	153,669,579	7,684	52	2,242,254	—
(Unaudited) At 1 January 2021	156,465,079	7,824	53	2,252,478	(66,609)
Exercise of share options (ii)	78,200	4	—	57	—
Dividends declared (Note 22)	—	—	—	(54,708)	—
Acquisitions of shares held for share-based payment scheme (iii)	—	—	—	—	(21,278)
At 30 June 2021	156,543,279	7,828	53	2,197,827	(87,887)

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

(ii) On April 2021, part of the share options granted under the pre-IPO share option scheme of 78,200 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.1111 per share. Proceeds of approximately USD9,000 (equivalent to approximately RMB57,000) were raised and the excess over the par value of approximately RMB0 for the 78,200 shares exercised was credited to share premium account subsequently with an amount of approximately RMB57,000.



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For the six months ended 30 June 2021

19 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE-BASED PAYMENT SCHEME (Continued)

- (iii) Shares held for share-based payment scheme represented shares of the Company that were held by the trustee for the purpose of granting award shares under the post-IPO share award scheme.

During the six months ended 30 June 2021, the trustee acquired 1,024,200 shares from the market at a total consideration of approximately HKD25,488,000 (equivalent to approximately RMB21,278,000).

During the year ended 31 December 2020, the trustee acquired 2,632,000 shares from the market at a total consideration of approximately HKD74,507,000 (equivalent to approximately RMB66,609,000).

- (iv) On 17 November 2020, part of the share options granted under the pre-IPO share option scheme of 2,795,500 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.56 per share. Proceeds of approximately HKD12,055,000 (equivalent to approximately RMB10,225,000) were raised and the excess over the par value of approximately RMB1,000 for the 2,795,500 shares exercised was credited to share premium account subsequently with an amount of approximately RMB10,224,000.

20 TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables due to third parties	19,381	18,350
Trade payables due to joint venture	1,160	1,913
Accrued payroll and welfare	316,832	341,621
Dividends payable (Note 22)	54,708	—
VAT and surcharges	49,579	40,959
Risk deposit due to customers	8,897	12,687
Others	21,837	17,682
	472,394	433,212

As at 30 June 2021 and 31 December 2020, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare, VAT and surcharges and dividends payable, which were not financial liabilities, approximated their carrying amounts due to short maturities.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

20 TRADE AND OTHER PAYABLES (Continued)

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables		
– Within 6 months	20,404	18,040
– 7 months to 12 months	137	433
– Over 12 months	—	1,790
	20,541	20,263

21 LEASE LIABILITIES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Minimum lease payments due:		
Within 1 year	32,093	20,750
Between 1 and 2 years	35,842	23,457
Between 2 and 5 years	28,024	19,516
	95,959	63,723
Less: future finance charges	(8,074)	(5,159)
	87,885	58,564
Present value of lease liabilities		
Within 1 year	27,641	17,779
Between 1 and 2 years	33,351	21,774
Between 2 and 5 years	26,893	19,011
	87,885	58,564

As at 30 June 2021 and 31 December 2020, the fair value of lease liabilities approximated their carrying amounts.



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

22 DIVIDENDS

No interim dividends were declared by the Company for six months ended 30 June 2021.

As at 10 June 2021, the proposal of a final dividend for the year ended 31 December 2020 of HK\$0.42 per ordinary share was approved by the shareholders at the annual general meeting of the Company. The final dividend of approximately HKD65,748,000 (equivalent to approximately RMB54,708,000) was distributed from the share premium account and reflected as a dividend payable in this unaudited condensed consolidated interim financial information. In July 2021, all dividends were paid subsequently.

No dividends were paid or declared by the Company during six months ended 30 June 2020.

23 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Wages, salaries and bonus	1,798	1,638
Social insurance and housing fund	65	27
Share-based payments	898	—
	2,761	1,665

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

23 RELATED PARTY TRANSACTIONS (Continued)

(b) Names and relationships with related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the years presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(c) Transactions with a related party

The following transactions occurred with a related party:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Purchase of subcontracting services from a joint venture Xunteng Group	1,160	—

(d) Balances with a related party

The following balance was outstanding at the end of the reporting period in relation to transactions with a related party:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Trade payables Xunteng Group	1,160



Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2021

24 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 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Property, plant and equipment	2,264	4,071

25 CONTINGENT LIABILITIES

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liabilities.

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

In July 2021, the Company granted share options to forty-two eligible grantees under the post-IPO share option scheme adopted on 26 November 2019, which entitled the grantees to subscribe for a maximum of 1,830,000 shares under the post-IPO share option scheme. These share options will vest in tranches on the condition that the grantees remain in service without any performance requirements. The exercise price of these share options is HKD10.668 per share.