



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

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 6919

## 2023 INTERIM REPORT





# Contents

Corporate Information	2
Financial Summary	4
Management Discussion and Analysis	6
Other Information	35
Definition	40
Condensed Consolidated Income Statement	43
Condensed Consolidated Statement of Comprehensive Income/(Loss)	44
Condensed Consolidated Balance Sheet	45
Condensed Consolidated Statement of Changes in Equity	47
Condensed Consolidated Statement of Cash Flows	49
Notes to the Condensed Consolidated Interim Financial Information	50

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## JOINT COMPANY SECRETARIES

Ms. Chen Chen  
Ms. Siu Pui Wah

## AUTHORIZED REPRESENTATIVES

Mr. Zhang Feng  
Ms. Siu Pui Wah

## AUDIT COMMITTEE

Mr. Leung Ming Shu (*Chairman*)  
Mr. Chow Siu Lui (resigned on 19 April 2023)  
Mr. Xu Zhetong (appointed on 19 April 2023)  
Ms. Chan Mei Bo Mabel

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## INVESTMENT AND COMPLIANCE COMMITTEE

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

## INDEPENDENT AUDITOR

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

## HONG KONG LEGAL ADVISOR

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

## PRC LEGAL ADVISOR

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

# 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

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## COMPANY WEBSITE

[www.renruihr.com](http://www.renruihr.com)

## STOCK CODE

6919

## REGISTERED OFFICE

Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR IN CAYMAN ISLANDS

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

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKS

BNP Paribas  
Standard Chartered  
China Merchants Bank Co., Ltd.  
Bank of China Limited

# Financial Summary

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	2,068,304	1,733,889
Gross profit	167,512	65,745
Operating profit/(loss)	23,402	(29,619)
Profit/(loss) before income tax	20,072	(28,592)
Profit/(loss) for the period attributable to equity holders of the Company	10,058	(25,425)
Earnings/(loss) per share (expressed in RMB per share)		
– Basic earnings/(loss) per share	0.07	(0.17)
– Diluted earnings/(loss) per share	0.06	(0.17)
	(Unaudited)	(Unaudited)
<b>Non-HKFRS measures</b>		
Adjusted profit/(loss) attributable to the equity holders of the Company <sup>(1)</sup>	22,439	(22,083)

## CONDENSED CONSOLIDATED BALANCE SHEET

	30 June	31 December
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Assets		
Non-current assets	594,000	631,668
Current assets	1,558,862	1,496,219
Total assets	2,152,862	2,127,887
Equity		
Total equity	1,477,847	1,449,594
Liabilities		
Non-current liabilities	25,625	37,169
Current liabilities	649,390	641,124
Total liabilities	675,015	678,293
Total equity and liabilities	2,152,862	2,127,887

# Financial Summary

## KEY FINANCIAL RATIOS

	For the six months ended 30 June	
	2023	2022
Gross margin (%)	8.1	3.8
Adjusted net margin attributable to the equity holders of the Company (%) <sup>(2)</sup>	1.1	-1.3

	Six months ended 30 June 2023	Year ended 31 December 2022
Adjusted trade and notes receivables turnover days (days) <sup>(3)</sup>	86	80

	30 June 2023	31 December 2022
Adjusted current ratio (times) <sup>(4)</sup>	2.2	2.0

### Notes:

- (1) Adjusted profit/(loss) attributable to the equity holders of the Company is calculated by excluding items which do not relate to the ordinary course of business and are non-recurring in nature, including amortisation of intangible assets resulting from acquisition, impairment of goodwill, net fair value gain or loss in relation to equity investments and share-based payment expenses.
- (2) Adjusted net margin attributable to the equity holders of the Company is calculated as the adjusted profit/(loss) attributable to the equity holders of the Company as a percentage of the revenue for the same period.
- (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 received and unutilised, where applicable.



# Management Discussion and Analysis

# Management Discussion and Analysis

## BUSINESS REVIEW AND OUTLOOK

In the beginning of 2023, the Chinese economy and market confidence showed signs of recovery, leading to a resurgence of economic activity across various sectors. Whilst the recovery is still at an early stage, due to enterprises' increasing investments in R&D for digitalisation and growing needs for cost reduction and efficiency improvement, the demand for comprehensive flexible staffing in several fields such as technology, advanced manufacturing, finance, and healthcare has resumed growth since March 2023.

During 2023 Interim Period, the Group generated revenue amounting to approximately RMB2,068.3 million, representing an increase of approximately 19.3% as compared to 2022 Interim Period. The revenue growth was achieved primarily due to our ability to meet clients' needs for talents by leveraging our competitive advantages of strong client acquisition capabilities, rapid service delivery and quality of professional services, as the Group's digital-enabled professional services business benefiting from the increasing demand for experienced digital talents from enterprises across various industries during China's continuous industrial upgrading. The Group is well-positioned to rapidly and agilely capture opportunities to expand market share.

Since the implementation of our business strategic upgrade strategy beginning from second half of 2021, we have been expanding business scale in the information technology and digital talent services market through organic growth and acquisitions. The number of comprehensive flexible staffing employees increased from 28,873 as at 30 June 2022 to 33,864 as at 30 June 2023, of which 7,830 are digital talents. In the first half of 2023, revenue from the digital technology and cloud services business amounted to RMB736.1 million, representing a 560.5% growth compared to RMB111.4 million in the same period last year, of which the Acquisition contributed RMB449.5 million to the revenue. The Group's gross margin increased from 3.8% in the first half of 2022 to 8.1% in the first half of 2023, largely driven by high-value digital talent services which recorded strong sales across new and existing clients, with over 200 new clients, and obtained robust growth in automotive industry, telecommunications sector, and finance sector. As we further expand our scale, there is still untapped potential for improving our gross margins.

Our strategy is founded upon two major pillars comprising customer-oriented services and tech-driven human resources solutions. Customer-oriented services is about putting the customer at the centre of everything we do, delivering a superior customer experience by unifying the way we work across the services; while tech-driven human resources solutions enable us to continuously digitalise our systems, platforms and business process, so as to boost per capita productivity and efficiency by managing more effectively the entire process from candidate search and screening, onboarding and training, to compensation and benefit solutions and staff service.

In addition, we have optimised our organizational structure to improve organizational capabilities and achieve better business performance, such as improving recruitment efficiency by establishing shared delivery centers for centralised management.

According to the Report on Research and Development of Digital Talent in Industries jointly issued by the Company and Deloitte Touche Tohmatsu, China's digital economy is forecasted to reach USD16 trillion (equivalent to RMB105 trillion) by 2035, accompanied by a projected shortage of 25-30 million digital talents. In May 2023, the National Internet Information Office released the "Digital China Development Report (2022)", which provided that in 2022, China's digital economy reached a scale of RMB50.2 trillion, ranking second in the world in terms of total volume, with a nominal year-on-year growth of 10.3% and accounting for 41.5% of the country's GDP.



# Management Discussion and Analysis

## Digital Talent Businesses Soar to New Heights

The Group has been actively implementing its long-term strategy to develop tech-driven human resources services and transition towards high-value businesses. By leveraging its expanded digital talent business operation scale, the Group has sustained rapid growth. During the first half of 2023, the revenue from digital technology and cloud services amounted to RMB736.1 million, which represents a significant increase of 560.5% compared to the same period last year. In addition, excluding the impact of the Acquisition, the revenue generated from organic growth increased 157.2% from RMB111.4 million in the first half of 2022 to RMB286.6 million in the first half of 2023. The growth in revenue is attributable to our accumulated know-how and expertise in the digital talent sector, exceptional recruitment capability, and profound understanding of flexible staffing processes. These factors have positioned us as an industry leader, driving our success and contributing to the substantial increase in revenue. In addition, our advanced digital talent business system Ruizhi platform has streamlined project management and significantly improved operation efficiency. During the first half of 2023, we successfully sourced over 200 clients and made significant breakthroughs in industries such as automotive, telecommunications and finance.

Since the completion of the Acquisition in the fourth quarter of 2022, revenue of Shanghai Sirui has been growing steadily, and we have witnessed an increasing demand from customers across various industries, including digitalised construction, electric vehicles and medical insurance. In the first half of 2023, Shanghai Sirui contributed RMB449.5 million to the revenue. We have been actively integrating Shanghai Sirui into our own digital talent businesses, in particular in the areas of marketing and recruitment, leveraging the strengths of both companies. As a result of the Acquisition, the expanded business scale has allowed us to gain a larger market share and enhance our ability to secure more diversified service demand from customers.

## Sustained R&D Investment to Improve Efficiency

The Group continues to advance digital transformation and reinforce its R&D leadership through strategic investments. In light of the Acquisition, R&D expense increased from RMB13.3 million in the first half of 2022 to RMB26.2 million in first half of 2023.

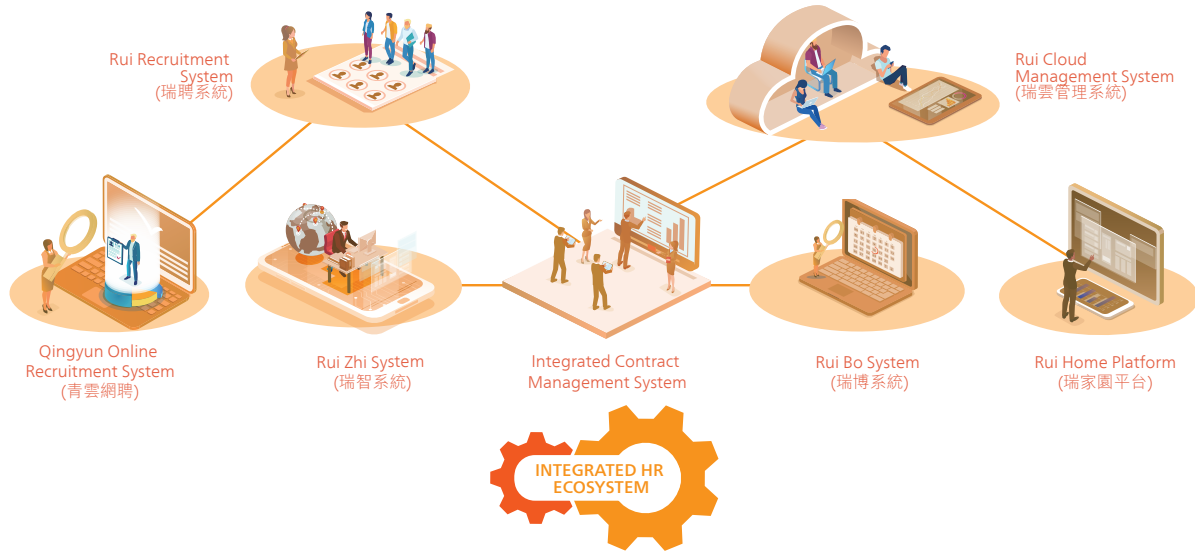
We have made significant advancements in our Ruizhi System, an integrated management platform specialising on digital talent business. One of the key improvements we have implemented is the addition of new modules to the Ruizhi System. These modules are designed for digital talent business operations, enabling us to streamline and optimise our processes. From candidate sourcing and selection to onboarding and performance management, the system now offers comprehensive functionalities to support the entire employee lifecycle.

In order to facilitate efficient talent acquisition and management, we have also established a comprehensive candidate database within the Ruizhi System with enhanced data security measures. This database serves as a centralised repository of candidate profiles, allowing us to rapidly access and evaluate potential candidates for various positions. As a result, we can effectively match the right talent with the right job openings in a safe and timely manner, thereby enhancing our recruitment efficiency.

Furthermore, we have seamlessly integrated the Ruizhi System with contract management system, financial system and other internal systems and such integration enables real-time data flow and smooth collaboration among those systems, ensuring accurate and up-to-date information across different business functions. Another notable feature of the improved Ruizhi System is the smart visual interface, which is available for multiple functions including management, customer, recruitment, service and delivery. This interface offers concise data summaries that empower decision-makers with valuable insights, and provides a real-time view of each project, thus enabling over hundreds of projects in operation to be managed efficiently. Key business and financial performance indicators are readily accessible through the interface, allowing us to monitor and analyse our business performance effectively.

# Management Discussion and Analysis

Moreover, the Ruizhi System features secure data storage and analysis. We can identify trends, patterns, and key success factors, which in turn help us make data-driven decisions and continuously improve our HR practices.



Benefited from the continued investment in R&D, our per capita service efficiency ranks top in the industry. In the first half of 2023, per capita revenue of our employees reached approximately RMB1.93 million, recording an increase as compared to the first half of 2022 and higher than that of the industry average of approximately RMB1.50 million<sup>1</sup>; the turnover rate of our comprehensive flexible staffing employees was approximately 7.6%, significantly lower than that of the industry average of 15%<sup>1</sup>. These achievements reflect our commitment to operational excellence and optimising resource allocation.

## Continue to Consolidate and Enhance Service Ability Facing Challenges in General Service Business

During the first half of 2023, the general service outsourcing businesses generated approximately RMB1,193.8 million in revenue, as compared to RMB1,461.4 million in the same period last year, which represents a decrease of 18.3%. The decline in revenue was primarily attributed to the decline in demand as affected by the macro-economic environment and business reorganisation measures of certain customers, while it takes time to develop new customers. Nevertheless, the demand is expected to show a gradual recovery trend in the second half of 2023. We have successfully expanded our customer base across various industries. For example, we recorded a revenue increase in the consumer and retail sector and new energy sector. In addition, we experienced slight growth in the healthcare, advanced manufacturing, and automotive sectors. This diversification strategy has enabled us to capture opportunities in areas with potential for growth.

We have laid a strategic emphasis on high-value businesses; for example, we recorded a significant increase in revenue from positions such as finance and legal. During the first half of 2023, revenue generated from such positions amounted to approximately RMB129.4 million, as compared to approximately RMB42.9 million in the same period in 2022.

Note 1: According to CIC

# Management Discussion and Analysis

## Outlook

China's economy is progressing steadily towards recovery. On 17 July 2023, the National Bureau of Statistics reported that China's GDP for the first half of 2023 reached approximately RMB59 trillion, with a year-on-year growth of 5.5%. China's State Council also announced a series of measures to support employment stability and stimulate job creation.

Despite the ongoing challenges in the overall Chinese economy, thriving companies in industries such as new energy and telecommunications have been investing significantly in R&D and innovation. By capitalising on these opportunities, we can expand our client base and contribute to their success. As more and more companies start to prioritise cost reduction and resources optimisation, and shift their focus to core businesses, our expertise in recruitment and HR management positions us to help businesses achieve their cost-saving goals. Simultaneously, we are committed to assisting job seekers in finding suitable employment opportunities.

The acceleration of digitalisation trend presents significant opportunities for our strategic upgrade from general service outsourcing business towards information technology and digital talent services. Businesses across various industries are stepping up the application of digital solutions to enhance efficiency and competitiveness. We have been proactively integrating the acquired company, Shanghai Sirui, a specialized provider of digital transformation and IT services and talents, into our organisation, so as to achieve synergies and capture market share in these rapidly growing and high-margin areas. Furthermore, we are finalising the development of our IT systems and fine-tuning our processes to better serve customers' evolving needs, thereby improving overall efficiency. Equipped with a talented pool of professionals, we are well-prepared to assist companies on their digital transformation journey. Looking ahead, we will continue our investments in innovation and better harness our internal HR and technology capabilities to drive enhanced business performance in line with our business upgrade strategy.

Therefore, we remain optimistic about the long-term sustainable growth potential of our Group. By increasing our market share in fast-growing industries that have a strong demand for high-value digital talent solution, we are well-positioned to expand our market presence and deliver value to our clients. The Directors are confident in the future prospects of our Group and our ability to contribute to the ongoing development of China's economy.

## Awards and Recognitions

During the six months ended 30 June 2023, we received the following awards:

 **8 March 2023** 

Shanghai Renrui Network Technology Co., Ltd. recognized as a specialized and sophisticated enterprise in Shanghai

 **28 April 2023** 

Renrui Human Resources Technology Holdings Limited won "HRoot 2022 Best HR Service Provider"

 **15 May 2023** 

Renrui Human Resources Technology Holdings Limited won "2023 HRFLAG Award – HR Digital Transformation of the Year"



# Management Discussion and Analysis

## POLICY AND REGULATION REVIEW

In order to accelerate the construction of a high standard market system of human resources, achieve high-quality development of the human resources industry, actively promote high-quality and adequate employment, and strengthen talents support for modernization construction, the PRC government has further published several notices and guiding opinions applicable to human resources industry in 2023.

For the purpose of strengthening the management of human resources service providers, regulating human resources services activities, establishing a sound, open and competitive human resources market system, promoting high-quality and adequate employment and optimizing employment and resource allocation, the Ministry of Human Resources and Social Security issued the "Regulations on the Management of Human Resource Service Institutions" (hereinafter, the "Regulations") (《人力資源服務機構管理規定》) on 29 June 2023. The Regulations focus on regulating the administrative licensing and filing of operational human resource service providers engaged in occupational intermediary activities, service standards, supervision and management, and legal responsibility. They stick to goal-oriented and issue-oriented principles, clarifying the rights and responsibilities of operational human resources service providers, making the market entities fulfil their responsibilities, defining the boundaries of human resources activities, and clarifying relevant matters such as service principles, service items, service standards, and service responsibilities.

For accelerating the building of a Digital China, the comprehensive construction of a modern socialist country and promoting the great rejuvenation of the Chinese nation in all aspects, the Central Committee of the Communist Party of China and the State Council issued the "Plan for the Overall Layout of Building a Digital China" (hereinafter, the "Plan") on 27 February 2023. The Plan proposes that, by 2025, a well-connected, coordinated and integrated development pattern should be established, and the building of a Digital China should see major progress. By 2035, China's level of digital development should be among the top in the world, and the building of a Digital China should have brought about great achievements. The systematic design for the building of a Digital China

should become more scientific and complete and the digitalization of the economy, politics, culture, society, and ecological civilization should be more coordinated and robust, providing strong support for the comprehensive construction of a modern socialist nation. The Plan clarifies that the construction of Digital China will be laid out in accordance with the overall framework of "2522," that is: to use the "two foundations" of digital infrastructure and data resource systems; to promote the deep fusion of the "five integrations" of digital technology with the economy, politics, culture, society, and ecological civilization; to strengthen the "two capacities" of the digital technology innovation system and digital security shield; and to optimize the "two environments" of domestic and international digital development. The Plan highlights the need to comprehensively empower economic and social development. Firstly, it emphasizes the development of the digital economy, aiming to cultivate and expand the core industries of the digital economy. Measures should be formulated to promote the high-quality development of digital industries and forge internationally competitive digital industrial clusters. The integration of the digital economy and the real economy should be accelerated in key sectors such as agriculture, industry, finance, education, healthcare, transportation, and energy, with a focus on innovation and digital technologies application. In terms of support for talent, the Plan points out that it is necessary to enhance leaders' and public servants' digital thinking, awareness and skills. It calls for the establishment of interdisciplinary digital field professional specialties and the cultivation of innovative, applied, and interdisciplinary talents. A nationwide digital literacy and skill development system that covers both urban and rural areas should be constructed. Creating a favorable atmosphere is also important, with efforts to involve higher education institutions, research institutions, and companies in the construction of a Digital China, promoting the establishment of several Digital China research bases. Comprehensive pilot projects for Digital China construction will be coordinated and integrated to drive reform experiments. Major events such as the Digital China construction summit and high-profile domestic and international competition events in the digital field will be held to promote the popularization of the concept of digitalization and to foster a positive atmosphere of collective attention and active participation in the construction of Digital China throughout the society.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2023, the total revenue of the Group amounted to approximately RMB2,068.3 million, representing an increase of approximately 19.3% as compared to that of approximately RMB1,733.9 million for the six months ended 30 June 2022. Such increase was primarily due to the rapid growth in revenue from digital technology and cloud services business under comprehensive flexible staffing segment.

The Group's revenue of each business segment for the six months ended 30 June 2023 is as follows:

	Six months ended 30 June			
	2023		2022	
	Revenue RMB'000	% to total revenue	Revenue RMB'000	% to total revenue
Comprehensive flexible staffing	2,051,202	99.2	1,695,163	97.8
Professional recruitment and other HR solutions	17,102	0.8	38,726	2.2
<b>Total</b>	<b>2,068,304</b>	<b>100.0</b>	<b>1,733,889</b>	<b>100.0</b>

Adhering to our strategy of focusing on serving large-scale clients, we recorded a revenue of approximately RMB747.4 million from our top five clients for the six months ended 30 June 2023, accounting for approximately 36.1% of the total revenue for 2023 Interim Period, with the largest client accounting for approximately 11.5%.

### Comprehensive Flexible Staffing

The revenue generated from comprehensive flexible staffing services for the six months ended 30 June 2023 amounted to approximately RMB2,051.2 million, representing an increase of approximately 21.0% as compared to that of approximately RMB1,695.2 million for the six months ended 30 June 2022, mainly driven by the strong demand of digital and information technology (IT) talents from the clients. The number of comprehensive flexible staffing employees increased by approximately 17.3% from 28,873 as at 30 June 2022 to 33,864 as at 30 June 2023. In the first half of 2023, we placed 19,032 comprehensive flexible staffing employees, representing an increase of approximately 26.8% from 15,011 comprehensive flexible staffing employees in the first half of 2022. The increase in comprehensive flexible staffing employees was mainly due to the strong demand of digital and IT talents from clients.

# Management Discussion and Analysis

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

	Six months ended 30 June			
	2023		2022	
	Revenue RMB'000	% to total revenue	Revenue RMB'000	% to total revenue
General service outsourcing	1,193,780	58.2	1,461,378	86.2
Digital technology and cloud services	736,087	35.9	111,442	6.6
Digital operation and customer services	121,335	5.9	122,343	7.2
<b>Total in comprehensive flexible staffing services</b>	<b>2,051,202</b>	<b>100.0</b>	<b>1,695,163</b>	<b>100.0</b>

During the first half of 2023, by actively implementing and seamlessly executing our business upgrade strategy, we have made significant growth in business scale in the digital talent services through organic growth and acquisition, with revenue contribution from digital technology and cloud services as a percentage of revenue of comprehensive flexible staffing services business amounted to approximately 35.9% for the six months ended 30 June 2023, growing from approximately 6.6% for the six months ended 30 June 2022. As at 30 June 2023, the number of digital and IT talents reached approximately 7,830, representing an increase of approximately 6,616 from approximately 1,214 as at 30 June 2022, and the revenue generated from digital technology and cloud services was approximately RMB736.1 million, representing an increase of approximately 560.5% as compared to that of 2022, including approximately RMB286.6 million from existing business and approximately RMB449.5 million contributed by Shanghai Sirui.

## **Professional Recruitment and Other HR Solutions**

For the six months ended 30 June 2023, revenue from professional recruitment and other HR solutions amounted to approximately RMB17.1 million, as compared to approximately RMB38.7 million for the same period of 2022. The decrease was mainly due to the reduced demand of professional recruitment from our clients who are more cautious in staff expansion under uncertain economic environment. Recruitment demand of digital and IT talents, which enjoy higher services premium, has increased. This leads to average professional recruitment fee per placement increasing from approximately RMB3,400 in the six months ended 30 June 2022 to approximately RMB5,900 in 2023.

Other HR solutions include training and development courses, labour dispatch services and consultation services, and the revenue from such business decreased as compared to the same period last year mainly due to the reduced budgets from our clients on such services.

# Management Discussion and Analysis

## Cost

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

For the six months ended 30 June 2023, the Group's total cost amounted to approximately RMB1,900.8 million, representing an increase of approximately 13.9% as compared to that of approximately RMB1,668.1 million for the six months ended 30 June 2022. The increase in costs was in line with our increase in revenue during the same period as we continued to attract and serve more clients and scale up our operations.

The average labour cost of each comprehensive flexible staffing employee managed by us for our clients was approximately RMB9,900 per month for the six months ended 30 June 2023, representing an increase from approximately RMB8,500 per month for the same period last year, mainly due to the increase in the number of digital and IT talents whose compensation and benefits were relatively higher than those from general position.

## Gross Profit and Gross Profit Margin

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

	Six months ended 30 June			
	2023		2022	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
Comprehensive flexible staffing	161,116	7.9	52,588	3.1
Professional recruitment and other HR solutions	6,396	37.4	13,157	34.0
<b>Total</b>	<b>167,512</b>	<b>8.1</b>	<b>65,745</b>	<b>3.8</b>

Our gross profit margin for the six months ended 30 June 2023 was approximately 8.1%, as compared to approximately 3.8% for the six months ended 30 June 2022, which was mainly due to the substantial increase in revenue contribution from the digital technology and cloud services business that features higher gross profit margin, contributing to the increase in the gross profit.

The gross profit margin of comprehensive flexible staffing services was approximately 7.9% for the six months ended 30 June 2023, as compared to 3.1% in the same period last year, which was mainly attributable to the increased proportion of projects of high-value digital and IT positions as well as positions such as finance, legal, procurement, HR. Meanwhile, the application of Ruizhi System has substantially improved the efficiency of our operation for the digital and IT talent services.

# Management Discussion and Analysis

## Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise employee benefit expenses, marketing and promotion expenses, travelling and entertainment expenses and others.

Our selling and marketing expenses for the six months ended 30 June 2023 amounted to approximately RMB88.3 million, representing an increase of approximately 261.1% as compared to that of approximately RMB24.4 million for the six months ended 30 June 2022. This was mainly due to the fact that we have invested in the sales efforts for the comprehensive flexible staffing business, in particular the digital technology and cloud services business, and increased spending on marketing and promotional activities including holding forums and organising live streaming events with a view to raising brand awareness both online and offline. In the first half of 2023, we have focused on the client development and recorded strong sales across new and existing clients. We have sourced over 200 new clients for digital technology and cloud services business, and obtained robust growth in automotive industry, telecommunications sector, and finance sector. In addition, the increase in selling and marketing expenses was also due to the inclusion of such expenses from Shanghai Sirui as well as acquisition-related amortization. Therefore, our selling and marketing expenses as a percentage of income increased from approximately 1.4% for the six months ended 30 June 2022 to approximately 4.3% for the six months ended 30 June 2023.

## R&D Expenses

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

The R&D expenses for the six months ended 30 June 2023 amounted to approximately RMB26.2 million, representing an increase of approximately 97.8% as compared to that of approximately RMB13.3 million for the six months ended 30 June 2022. The increase was mainly due to our business operations and management upgrades with digital technology, in particular the further development of Ruizhi System dedicated for the digital and IT talent workforce solutions, as well as the inclusion of R&D expenses of Shanghai Sirui. Our R&D expenses as a percentage of revenue increased from approximately 0.8% for the six months ended 30 June 2022 to approximately 1.3% for the six months ended 30 June 2023.

## Administrative Expenses

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

Our administrative expenses for the six months ended 30 June 2023 amounted to approximately RMB75.0 million, representing an increase of approximately 30.1% as compared to that of approximately RMB57.6 million for the six months ended 30 June 2022. The increase was mainly due to the inclusion of such expenses of Shanghai Sirui. Our administrative expenses as a percentage of revenue increased from approximately 3.3% for the six months ended 30 June 2022 to approximately 3.6% for the six months ended 30 June 2023.



# Management Discussion and Analysis

## HR

As at 30 June 2023, we had a total of 34,934 employees based in various cities in the PRC, among which we had 1,070 internal employees. The table below sets forth the total number of employees by function as at 30 June 2023:

Functions	Number of Employees
<b>Internal employees</b>	
– Senior management	4
– R&D	26
– Sales and marketing	129
– Project management and execution	561
– Other <i>(Note 1)</i>	112
<b>Subtotal</b>	<b>832</b>
Comprehensive flexible staffing employees	29,333
<b>Total</b>	<b>30,165</b>
Shanghai Sirui <i>(Note 2)</i>	
– Internal employees	238
– IT and digital talents	4,531
<b>Total (including Shanghai Sirui)</b>	<b>34,934</b>

### Notes:

- Others mainly include back-office support staff, such as legal department, finance department, HR department and joint venture cooperation department.
- Financial results of Shanghai Sirui have been consolidated into the Group's financial statements upon completion of the Acquisition in September 2022.

For the six months ended 30 June 2023, the Group's internal staff costs amounted to approximately RMB130.5 million (2022: RMB112.5 million). The remuneration package for our employees generally includes salaries, bonuses and allowances. Other staff benefits include social insurance and housing provident contribution made by the Group and share options and share awards available under the Post-IPO Share Option Scheme and the Post-IPO Share Award Scheme. Our remuneration policies are formulated based on the performance of individual employees and benchmarked against the market with reference to the Company's long-term goals and objectives, and are reviewed regularly.

## Pre-IPO Share Option Schemes

Pursuant to the two pre-IPO share option schemes adopted by the Company 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, collectively, the "Pre-IPO Share Option Schemes"), as at 30 June 2023, options to subscribe for an aggregate of 17,674,100 Shares (representing approximately 11.3% of the total issued Shares of the Company) under the Pre-IPO Share Option Schemes remained outstanding. During the six months ended 30 June 2023, no options granted under the Pre-IPO Share Option Schemes had been exercised, lapsed nor forfeited in accordance with the terms of the Pre-IPO Share Option Schemes. No option was cancelled under the Pre-IPO Share Option Schemes for the six months ended 30 June 2023. No further options shall be granted under the Pre-IPO Share Option Schemes after the Listing Date. Therefore, no option was granted under the Pre-IPO Share Option Schemes for the six months ended 30 June 2023.

# Management Discussion and Analysis

Details of movements in the share options granted under the Pre-IPO Share Option Schemes during the six months ended 30 June 2023 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2023	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2023	Granted during the period ended 30 June 2023	Exercised during the period ended 30 June 2023	Lapsed/ Forfeited during the period ended 30 June 2023			
<b>Executive Directors</b>								
Mr. Zhang Feng	31 January 2013 and 20 February 2013	455,800	–	–	–	455,800 (Note 2)	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111
Ms. Zhang Jianmei	31 January 2013, 20 February 2013 and 16 October 2018	928,800	–	–	–	928,800 (Note 2)	One-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively	USD0.1111 - USD0.88
In aggregate		1,384,600	–	–	–	1,384,600		
<b>Other management members and employees of our Group</b>								
In aggregate	31 January 2013 – 31 July 2019	13,694,600	–	–	–	13,694,600 (Note 2)	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD2.80
<b>Other participants (Note 1)</b>								
In aggregate	31 January 2013 – 5 November 2018	2,594,900	–	–	–	2,594,900 (Note 2)	Mid-senior level management: one-fourth of options vested on the day immediately following the expiry of a period of 6 months, 12 months, 18 months and 24 months after the Listing Date, respectively Non-managerial employee: one-third of options vested on the day immediately following the expiry of a period of 6 months, 12 months and 18 months after the Listing Date, respectively	USD0.1111 - USD0.88
<b>Total</b>		<b>17,674,100</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,674,100</b>		

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

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

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

# Management Discussion and Analysis

## Post-IPO Share Option Scheme

Pursuant to the Post-IPO Share Option Scheme, as at 30 June 2023, options to subscribe for an aggregate of 13,457,400 Shares (representing approximately 8.6% of the total issued Shares of the Company) under the Post-IPO Share Option Scheme remained outstanding. During the six months ended 30 June 2023, 6,993,000 options had been granted, 301,000 options had lapsed or forfeited in accordance with the terms of the Post-IPO Share Option Scheme, while no option had been exercised nor cancelled under the Post-IPO Share Option Scheme.

Please refer to Note 8(b) to the condensed consolidated interim financial information for the six months ended 30 June 2023 contained in this interim report for fair value of the share options granted under the Post-IPO Share Option Scheme for the six months ended 30 June 2023, which were calculated using the Binomial option-pricing model as at the date of grant. Given the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of Binomial model itself, the fair value calculated using Binomial model are subject to certain fundamental limitations.

The number of options available for grant under the Post-IPO Share Option Scheme as at 1 January 2023 and 30 June 2023 was 8,288,547 and 1,596,547, respectively.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company for the six months ended 30 June 2023 (being 6,993,000) divided by the weighted average number of the Shares (excluding Shares held for share-based payment scheme) for the six months ended 30 June 2023 was approximately 4.6%.

# Management Discussion and Analysis

Details of movements in the share options granted under the Post-IPO Share Option Scheme during the six months ended 30 June 2023 are as follows:

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2023	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2023	Granted during the period ended 30 June 2023	Exercised during the period ended 30 June 2023	Lapsed/ Forfeited during the period ended 30 June 2023			
<b>Executive Directors</b>								
Mr. Zhang Feng	2 May 2023	—	300,000	—	—	300,000	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant <i>(Note 1)</i>	HK\$4.28
Ms. Zhang Jianmei	2 May 2023	—	300,000	—	—	300,000	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant <i>(Note 1)</i>	HK\$4.28
<b>Non-executive Director</b>								
Mr. Chow Siu Lui (resigned on 19 April 2023)	22 January 2021	40,000	—	—	(40,000)	—	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK\$27.3
	17 June 2022	40,000	—	—	(40,000)	—	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK\$5.99

# Management Discussion and Analysis

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2023	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2023	Granted during the period ended 30 June 2023	Exercised during the period ended 30 June 2023	Lapsed/ Forfeited during the period ended 30 June 2023			
<b>Independent non-executive Directors</b>								
Ms. Chan Mei Bo Mabel	22 January 2021	40,000	—	—	—	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK\$27.3
	17 June 2022	40,000	—	—	—	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK\$5.99
Mr. Shen Hao	22 January 2021	40,000	—	—	—	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK\$27.3
	17 June 2022	40,000	—	—	—	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK\$5.99
Mr. Leung Ming Shu	22 January 2021	40,000	—	—	—	40,000	For Options granted on 22 January 2021, (i) half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 4 months after the Date of Grant; and (ii) another half (1/2) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant	HK\$27.3
	17 June 2022	40,000	—	—	—	40,000	The Options granted on 17 June 2022 shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant	HK\$5.99

# Management Discussion and Analysis

Category and Name of grantee	Date of grant of share options	Number of share options				Outstanding as at 30 June 2023	Vesting period of share options	Exercise price of share options
		Outstanding as at 1 January 2023	Granted during the period ended 30 June 2023	Exercised during the period ended 30 June 2023	Lapsed/ Forfeited during the period ended 30 June 2023			
<b>Other management members and employees of our Group</b>								
In aggregate	22 January 2021	349,200	—	—	(9,000)	340,200	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 16 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 28 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 40 months after the Date of Grant <i>(Note 2)</i>	HK\$27.3
	16 July 2021	1,479,700	—	—	—	1,479,700	(i) one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant	HK\$10.668
	17 June 2022	4,616,500	—	—	(212,000)	4,404,500	(i) one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Options shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant <i>(Note 3)</i>	HK\$5.99
	2 May 2023	—	6,393,000	—	—	6,393,000	(i) one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 12 months after the Date of Grant; (ii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 24 months after the Date of Grant; and (iii) another one-third (1/3) of the Option shall be vested on the day immediately following the expiry of a period of 36 months after the Date of Grant <i>(Note 1)</i>	HK\$4.28
<b>Total</b>		<b>6,765,400</b>	<b>6,993,000</b>	<b>—</b>	<b>(301,000)</b>	<b>13,457,400</b>		

# Management Discussion and Analysis

## Note 1:

The vesting of the Options is conditional upon the fulfilment of certain performance targets relating to the Group's financial and business performance for the year ended 31 December 2023, depending on the position and department of the grantees.

## Note 2:

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

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

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

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

## Note 3:

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

## Note 4:

For options granted on 22 January 2021, the exercise period was from 22 January 2021 to 21 January 2031. For options granted on 16 July 2021, the exercise period was from 16 July 2021 to 15 July 2031. For options granted on 17 June 2022, the exercise period was from 17 June 2022 to 16 June 2032. For options granted on 2 May 2023, the exercise period was from 2 May 2023 to 1 May 2033.

## Note 5:

For options granted on 22 January 2021, the closing price of the Shares immediately before the date on which the options were granted, being 21 January 2021, was HK\$28.35. For options granted on 16 July 2021, the closing price of the Shares immediately before the date on which the options were granted, being 15 July 2021, was HK\$10.68. For options granted on 17 June 2022, the closing price of the Shares immediately before the date on which the options were granted, being 16 June 2022, was HK\$5.55. For options granted on 2 May 2023, the closing price of the Shares immediately before the date on which the options were granted, being 28 April 2023, was HK\$3.83.

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

## SHARE AWARD SCHEME

Pursuant to our Post-IPO Share Award Scheme, on 22 January 2021, a total of 2,300,000 award shares were granted by the Company to 29 awardees, none of whom is connected persons, pursuant to the Post-IPO Share Award Scheme. Those award shares will be settled in the form of payment of the actual selling price, netting of the benchmarked price of HK\$25 per award share and related charges, in cash upon the vesting of such award. For further details, please refer to the Company's announcement dated 22 January 2021.

## Management Discussion and Analysis

In relation to details of movements in the share awards granted under the Post-IPO Share Award Scheme involving the existing Shares during the year ended 31 December 2022, the Board wishes to provide the following information to supplement the disclosure on page 69 of the Company's annual report for the year ended 31 December 2022:

Category of grantee	Date of grant	Unvested as at 1 January 2022	Number of share awards				Unvested as at 31 December 2022	Vesting period	Benchmarked share price per award share
			Granted during the year	Vested during the year	Cancelled during the year	Lapsed/ forfeited during the year			
Five highest paid individuals	22 January 2021	200,000	–	(66,000) <i>(Note 2)</i>	–	–	134,000	(i) one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 12 months after the date of grant; (ii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 24 months after the date of grant; and (iii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 36 months after the date of grant <i>(Note 1)</i>	HK\$25
In aggregate									
Other employees of the Group	22 January 2021	1,920,000	–	(622,700) <i>(Note 2)</i>	–	(277,000)	1,020,300		
In aggregate									
<b>Total</b>		2,120,000	–	(688,700) <i>(Note 2)</i>	–	(277,000)	1,154,300		

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

*Note 2:* The closing price of the Shares immediately before the date on which the Award Shares were vested, being 21 January 2022, was HK\$8.8. Pursuant to the rules of the Post-IPO Share Awards, upon vesting of the Awards, the Board shall direct and procure the trustee to sell the Award Shares and pay the grantee the proceeds arising from such sale after netting off the benchmarked share price and related charges; provided that the Board shall not direct the trustee to sell the relevant Award Shares whereby the prevailing market price of the Shares is lower than the benchmarked share price. In light of the prevailing market price being lower than the benchmarked share price during the year ended 31 December 2022, no Award Share was directed to be sold.

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



## Management Discussion and Analysis

Details of movements in the share awards granted under the Post-IPO Share Award Scheme involving the existing Shares for the six months ended 30 June 2023 are as follows:

Category of grantee	Date of grant	Unvested as at 1 January 2023	Number of share awards				Unvested as at 30 June 2023	Vesting period	Benchmarked share price per award share
			Granted during the period	Vested during the period	Cancelled during the period	Lapsed/ forfeited during the period			
Five highest paid individuals	22 January 2021	134,000	—	(66,000) <i>(Note 2)</i>	—	—	68,000	(i) one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 12 months after the date of grant; (ii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 24 months after the date of grant; and (iii) another one-third (1/3) of the total number of the Award Shares shall be vested on the date immediately following the expiry of a period of 36 months after the date of grant <i>(Note 1)</i>	HK\$25
In aggregate									
Other employees of the Group	22 January 2021	1,020,300	—	(485,000) <i>(Note 2)</i>	—	(93,300)	442,000		
In aggregate									
<b>Total</b>		1,154,300	—	(551,000) <i>(Note 2)</i>	—	(93,300)	510,000		

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

*Note 2:* The closing price of the Shares immediately before the date on which the Award Shares were vested, being 20 January 2023, was HK\$4.29. Pursuant to the rules of the Post-IPO Share Awards, upon vesting of the Awards, the Board shall direct and procure the trustee to sell the Award Shares and pay the grantee the proceeds arising from such sale after netting off the benchmarked share price and related charges; provided that the Board shall not direct the trustee to sell the relevant Award Shares whereby the prevailing market price of the Shares is lower than the benchmarked share price. In light of the prevailing market price being lower than the benchmarked share price during the six months ended 30 June 2023, no Award Share was directed to be sold.

The number of Award Shares available for grant under the Post-IPO Share Award Scheme as at 1 January 2023 and 30 June 2023 was 13,210,947 and 13,304,247, respectively.

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

# Management Discussion and Analysis

## Other Income

Other income for the six months ended 30 June 2023 amounted to approximately RMB52.0 million, representing an increase of approximately RMB36.2 million as compared to that of approximately RMB15.8 million for the six months ended 30 June 2022. Other income primarily comprises government grants and income from investment and wealth management. The increase in other income in the first half of 2023 was primarily attributable to an increase in government grants of approximately RMB37.5 million.

## Other Losses

Other net losses for the six months ended 30 June 2023 were approximately RMB3.3 million, representing a decrease of approximately RMB9.2 million from approximately RMB12.5 million for the six months ended 30 June 2022. Other losses during the period mainly include the net effect of losses from changes in fair value of equity investments, losses from changes in exchange rates and gains from changes in fair value of certain investment and wealth management products.

## Provision for Net Impairment Losses on Financial Assets

The provision for net impairment losses on financial assets for the six months ended 30 June 2023 amounted to approximately RMB3.3 million, which remained the same as approximately RMB3.3 million for the six months ended 30 June 2022. The Group provided the provision for the impairment based on the aging and settlement of trade and notes receivables. The provision for impairment in the first half of 2023 was mainly due to the higher balance of receivables and notes receivables.

## Operating Profit/(Loss)

Operating profit of the Group amounted to approximately RMB23.4 million for the six months ended 30 June 2023. However, operating loss of the Group amounted to approximately RMB29.6 million for the six months ended 30 June 2022.

## Finance Income

Our finance income for the six months ended 30 June 2023 amounted to approximately RMB2.2 million, remaining substantially the same as approximately RMB2.0 million for the six months ended 30 June 2022. Finance income mainly includes the income from monetary investments acquired by the Group with idle funds or the interest income generated from bank deposits.

## Finance Costs

Our finance costs for the six months ended 30 June 2023 amounted to approximately RMB4.7 million, representing an increase of approximately RMB1.7 million from approximately RMB3.0 million for the six months ended 30 June 2022. This was mainly due to the interest expenses of approximately RMB3.6 million incurred from the bank borrowings of Shanghai Sirui in the first half of 2023 upon its consolidation.

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

The net loss attributable to the results of joint ventures and associates for the six months ended 30 June 2023 was approximately RMB0.8 million, which comprised: (i) investment gain of approximately RMB1.4 million generated from investments in Binhai Xunteng and Zhencheng Technology; and (ii) investment loss of approximately RMB2.2 million incurred from investment in Wanma Technology and Renrui New Career.

## Profit/(Loss) before Income Tax

Our profit before income tax for the six months ended 30 June 2023 amounted to approximately RMB20.1 million, as compared to the loss before income tax of approximately RMB28.6 million for the six months ended 30 June 2022.

## Profit/(Loss) for the Period

Profit for the period for the six months ended 30 June 2023 amounted to approximately RMB18.9 million, as compared with the loss for the period of approximately RMB24.6 million for the six months ended 30 June 2022.

# 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 profit/(loss) and adjusted profit/(loss) attributable to the equity holders of the Company as additional financial measures, which are not required by, nor presented in accordance with, the HKFRS. The following table reconciles our adjusted profit/(loss) and adjusted profit/(loss) attributable to the equity holders of the Company for the six months ended 30 June 2022 and 2023 presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit/(loss) for the period</b>	<b>18,851</b>	<b>(24,615)</b>
Share-based payment expenses	4,231	2,235
Amortisation of intangible assets resulting from acquisition	11,690	2,800
Impairment of goodwill	—	16,372
Net fair value gains or loss in relation to equity investments	3,605	(16,336)
Less: income tax effect on above amortisation	(2,035)	(700)
<b>Adjusted profit/(loss)</b>	<b>36,342</b>	<b>(20,244)</b>
<b>Profit/(loss) attributable to the equity holders of the Company</b>	<b>10,058</b>	<b>(25,425)</b>
Share-based payment expenses	4,231	2,235
Amortisation of intangible assets resulting from acquisition	11,690	2,800
Impairment of goodwill	—	16,372
Net fair value gains or loss in relation to equity investments	3,605	(16,336)
Less: income tax effect on above amortisation	(2,035)	(700)
Less: adjustments attributable to non-controlling interests	(5,110)	(1,029)
<b>Adjusted profit/(loss) attributable to the equity holders of the Company</b>	<b>22,439</b>	<b>(22,083)</b>

In evaluating the business, the Board considers and uses non-HKFRS financial measures, such as adjusted profit/(loss) and adjusted profit/(loss) attributable to the equity holders of the Company as supplemental measures to review and assess the Company's operating performance. We believe that the non-HKFRS financial measures may facilitate the comparison of our financial performance by eliminating the impact of items that we do not consider indicative of the actual performance of our business upon assessment and judgment of the Board. We also believe that such non-HKFRS measures provide more useful information to investors of the Company and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across periods. However, our presentation of non-HKFRS financial measures may not be comparable to other measures presented by other companies with similar labels. The use of non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

# 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Total current assets	1,558,862	1,496,219
Total current liabilities	649,390	641,124
<b>Net current assets</b>	<b>909,472</b>	<b>855,095</b>

Our net current assets as at 30 June 2023 amounted to approximately RMB909.5 million, representing an increase of approximately RMB54.4 million as compared to approximately RMB855.1 million as at 31 December 2022. The increase was mainly attributable to the increase in the Group's trade and notes receivables due to the business growth.

## Trade and Notes Receivables

Our trade and notes receivables as at 30 June 2023 increased by approximately RMB190.9 million to approximately RMB1,146.8 million as compared to approximately RMB955.9 million as at 31 December 2022. This was mainly due to the facts that (1) the Group's revenue in the first half of 2023 increased by approximately 19.3% year-on-year; and (2) the Group further strengthened efforts to develop digital technology and cloud services business, which has longer credit terms than general service outsourcing, with its revenue contribution as a percentage of the revenue amounting to approximately 35.6% for the first half of 2023, growing from 6.4% for the first half of 2022.

As at 30 June 2023, the provision for losses on trade receivables was approximately RMB11.7 million, representing an increase of approximately RMB3.2 million as compared to that of approximately RMB8.5 million as at 31 December 2022, as we made provisions for losses on trade and notes receivables of approximately RMB3.3 million in the first half of 2023, mainly due to higher receivables and notes receivables.

# Management Discussion and Analysis

The following table sets forth the turnover days of trade receivables for the period/year indicated:

	For the six months ended 30 June 2023	For the year ended 31 December 2022
Trade and notes receivables turnover days <sup>(1)</sup>	92	87
Adjusted trade and notes receivables turnover days <sup>(2)</sup>	86	80

Notes:

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

For the six months ended 30 June 2023, our trade and notes receivables turnover days was 92 days, and the adjusted trade and notes receivables turnover days was 86 days, representing an increase as compared to 2022, mainly because (i) the credit period granted to clients of digital technology and cloud services business is generally within 90 days, longer than the previous maximum credit period of 70 days; and (ii) the credit period for Shanghai Sirui is generally within 155 days and the completion of the Acquisition has resulted in a longer credit term of overall trade and notes receivable. The actual collection period for most clients is within the credit period of 10 days to 155 days.

## Prepayments, Deposits and Other Receivables and Other Non-current Assets

As at 30 June 2023, the prepayments, deposits and other receivables and other non-current assets amounted to approximately RMB99.4 million, primarily consist of rental deposits and prepayments to third-party suppliers, insurance and utilities expenses.

## Financial Assets at FVOCI

As at 30 June 2023, the balance of our financial assets at fair value through other comprehensive income amounted to approximately RMB19.2 million, which mainly represented notes receivables from bank.

## Financial Assets at Fair Value through Profit or Loss

As at 30 June 2023, the balance of financial assets at fair value through profit or loss in current assets amounted to approximately RMB73.0 million, which mainly represented our purchase of investment grade bond funds with idle funds.

As at 30 June 2023, the balance of financial assets at fair value through profit or loss in non-current assets amounted to approximately RMB29.6 million, which was mainly related to minority investment.

# Management Discussion and Analysis

## Trade and Other Payables

As at 30 June 2023, our trade and other payables amounted to approximately RMB461.5 million, representing a decrease of approximately RMB36.5 million as compared to approximately RMB498.0 million as at 31 December 2022, which was mainly due to the decrease of approximately RMB17.6 million in the balance of accrued salaries and benefits for the Group's general service outsourcing business.

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

## Current Income Tax Liabilities

As at 30 June 2023, our current income tax liabilities amounted to approximately RMB8.6 million, representing a decrease of approximately RMB1.9 million as compared to that of approximately RMB10.5 million as at 31 December 2022.

## Borrowings

The borrowings of the Group have increased by approximately RMB41.0 million from approximately RMB95.2 million as at 31 December 2022 to approximately RMB136.2 million as at 30 June 2023, which mainly due to the increased bank borrowings for Shanghai Sirui's further expansion of digital technology and cloud services business.

## Property, Plant and Equipment

As at 30 June 2023, the carrying value of our property, plant and equipment was approximately RMB48.6 million, comprising right of use assets for office, renovation and office equipment, which represented a decrease of approximately RMB16.5 million as compared to that of approximately RMB65.1 million as at 31 December 2022. The decrease in the first half of 2023 was mainly due to impairment and depreciation.

## Intangible Assets

As at 30 June 2023, the carrying amount of our intangible assets was approximately RMB409.0 million, which was mainly goodwill and customer relationships arising from the acquisition of Shanghai Sirui, Shanghai Lingshi and Lingshi Yuntian.

## Investments in Joint Ventures Accounted for Using the Equity Method

As at 30 June 2023, the balance of investment in joint ventures accounted for using the equity method was approximately RMB26.6 million, representing an increase of approximately 5.4% from approximately RMB25.3 million as at 31 December 2022, which was mainly due to the profit growth recorded by Binhai Xunteng and Zhencheng Technology in the first half of 2023.

## Investment in Associates Accounted for Using the Equity Method

As at 30 June 2023, the balance of investment in associates accounted for using the equity method amounted to approximately RMB7.7 million, which mainly represented our investments in Renrui New Career and Wanma Technology.

## Deferred Income Tax Assets

As at 30 June 2023, the carrying amount of our deferred income tax assets was approximately RMB20.7 million, which was mainly allowance for receivables, lease liabilities, as well as the deferred income tax provided for loss and other matters in the previous year.

# 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	
	2023	2022
Revenue growth	19.3%	-18.5%
Gross profit margin	8.1%	3.8%
Adjusted net margin (non-HKFRS) <sup>(1)</sup>	1.8%	-1.2%
Adjusted net margin attributable to equity holders of the Company (non-HKFRS) <sup>(1)</sup>	1.1%	-1.3%

	30 June	31 December
	2023	2022
Adjusted current ratio (times) <sup>(2)</sup>	2.2	2.0

Notes:

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

## Adjusted Current Ratio

As at 30 June 2023, the adjusted current ratio increased to approximately 2.2 from approximately 2.0 as at 31 December 2022. The Group's short-term solvency remains steady.

## Liquidity and Capital Resources

In the first half of 2023, we met our capital requirements principally through our business operations and the Net Proceeds.

As at 30 June 2023, we had cash and cash equivalents of approximately RMB234.5 million which was primarily denominated in RMB, USD and HKD, representing a decrease of approximately RMB119.9 million, as compared to that of approximately RMB354.4 million as at 31 December 2022. This was due to the net effect of (i) the net cash used in operating activities of approximately RMB186.0 million due to further expansion of digital technology and cloud services business; (ii) the redemption of investment funds amounting to approximately RMB53.7 million, resulting in a net cash recovery of approximately RMB41.6 million from investment activities; and (iii) the increase in bank borrowings by Shanghai Sirui, resulting in a net cash gain of approximately RMB24.0 million from financing activities.

# Management Discussion and Analysis

## TREASURY POLICIES

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

## CASH FLOWS

### Net Cash Used in Operating Activities

Net cash used in operating activities for the six months ended 30 June 2023 was approximately RMB186.0 million, representing an increase of approximately RMB166.3 million as compared to net cash used in operating activities of approximately RMB19.7 million for the six months ended 30 June 2022. The increase was mainly due to the fact that (i) in the first half of 2023, the Group vigorously expanded its digital technology and cloud services business, and the relevant business revenue increased by approximately RMB624.7 million or approximately 560.5% year-on-year, and the credit period for such services is longer than that of general service outsourcing, so the Group's working capital invested in related businesses has increased; and (ii) in the first half of 2023, with the recovery of market confidence, the Group's sales and marketing expenses for business development increased, while in the first half of 2022, due to the impact of the Covid-19 pandemic, related operating expenses were reduced.

### Net Cash Generated from/(Used in) Investing Activities

Net cash generated from investing activities for the six months ended 30 June 2023 was approximately RMB41.6 million, as compared to net cash used in investing activities of approximately RMB130.5 million for the six months ended 30 June 2022, which mainly due to the redemption of certain short-term investment funds in the first half of 2023, while payment has been made for investment and acquisitions in the first half of 2022.

### Net Cash Generated from/(Used in) Financing Activities

For the six months ended 30 June 2023, net cash generated from financing activities was approximately RMB24.0 million, while the net cash used in financing activities for the six months ended 30 June 2022 was approximately RMB17.7 million. Such change was mainly due to the fact that Shanghai Sirui increased bank borrowings by RMB 41.0 million in the first half of 2023, and most of the cash used in financing activities in the first half of 2022 was to pay venue rentals and repay Shanghai Lingshi's bank borrowings.

## CAPITAL STRUCTURE

### Indebtedness

As at 30 June 2023, we had outstanding borrowings of approximately RMB136.2 million denominated in RMB all at fixed interest rates, which mainly represented the outstanding bank borrowings of Shanghai Sirui.

As at 30 June 2023, we had unutilised banking facilities of approximately RMB135.0 million.

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

As at 30 June 2023, our lease liabilities in respect of our leased properties amounted to approximately RMB31.2 million, representing a decrease of approximately RMB11.4 million as compared to approximately RMB42.6 million as at 31 December 2022, which was mainly due to reduced rental area.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. As at 30 June 2023 and 31 December 2022, the Group was in a net cash position (i.e. cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.



# Management Discussion and Analysis

## CAPITAL EXPENDITURE

For the six months ended 30 June 2023, our capital expenditure amounted to approximately RMB1.8 million, which was mainly used to purchase office equipment and softwares.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at 30 June 2023, we had not entered into any material off-balance sheet commitments or arrangements.

## FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC and most of the Group's transactions, assets and liabilities are denominated in RMB. However, given the Company's functional currency being USD, the Company was exposed to foreign exchange risk from the RMB denominated cash and cash equivalents and financial assets at FVOCI it held as at 30 June 2023. For the six months ended 30 June 2023, the Group recorded a net exchange loss of approximately RMB3.4 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 2023, none of the Group's assets was pledged (31 December 2022: nil).

## CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group had no material contingent liabilities.

## MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

For 2023 Interim Period, the Group has no disposal of subsidiaries, associates or joint ventures of the Group nor material acquisitions or significant investments which would fall to be disclosed under the Listing Rules.

## NON-FULFILMENT OF PERFORMANCE GUARANTEE

The following disclosure is made pursuant to Rule 14.36B(2) of the Listing Rules. Reference is made to the discloseable transactions announcement of the Company dated 15 September 2021 in relation to the acquisitions by Renrui Human Resources Group (the "**Purchaser**") of 51% equity interests in each of Lingshi Yuntian and Shanghai Lingshi from Mr. Cai Yulong and Shanghai Qihang Yuntian Technology Limited\* (上海起航雲天科技股份有限公司) (an entity controlled by Mr. Cai Yulong, and together with Mr. Cai Yulong, the "**Vendors**"), respectively.

Pursuant to the relevant equity sale and purchase agreements (the "**SPAs**") for the aforesaid acquisitions, the Vendors have undertaken certain performance targets, namely:

- (i) the service premium generated from provision of comprehensive flexible staffing services by Shanghai Lingshi and its subsidiary and Lingshi Yuntian (the "**Target Companies**") shall increase by at least 19% for the year ending 30 June 2022, as compared to that for the year ended 30 June 2021 (i.e. RMB30,145,285) (the "**Target I**");
- (ii) the service premium generated from provision of comprehensive flexible staffing services by the Target Companies shall increase by at least 19% for the year ending 30 June 2023, as compared to that for the year ending 30 June 2022 (the "**Target II**"); and
- (iii) the total service premium generated from provision of comprehensive flexible staffing services by the Target Companies from 1 July 2021 to 30 June 2023 shall amount to not less than RMB60,290,570 (the "**Target III**").

# Management Discussion and Analysis

Payment of final instalment of the consideration (being 6% of the consideration) payable by the Purchaser to the Vendors is subject to the fulfilment of Target I. In the event that Target II is not met, the Vendors shall pay 6% of the consideration to the Purchaser as compensation within 60 working days from 1 July 2023. In the event that Target III is not met, the Purchaser shall have the option to request the Vendors to transfer up to 8% of its shareholding in Shanghai Lingshi and Lingshi Yuntian to the Purchaser at a price based on the paid-up capital of Shanghai Lingshi and Lingshi Yuntian, respectively, within 60 working days from 1 July 2023 in proportion to the shortfall from Target III in accordance with the SPAs.

On 1 August 2022, the Purchaser and the Vendors reached a consensus that the actual service premium generated from the Target Companies was estimated to be approximately RMB21.0 million to RMB24.0 million, representing a shortfall of approximately RMB14.9 million to RMB11.9 million from Target I; and as a result, the Purchaser did not pay the final instalment of the consideration.

The Board (including the independent non-executive Directors) is of the view that the Vendors have fulfilled their obligations pursuant to the SPAs by waiving the final instalment of the consideration due to failure to meet Target I.

## FUTURE PLANS ON SIGNIFICANT INVESTMENTS

To strengthen our leading position in the industry, 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 interim report and the section headed "Future Plans and Use of Proceeds" in the Prospectus respectively.

## EVENTS OCCURRED AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there was no material event affecting the Group which has occurred since 30 June 2023.

## USE OF NET PROCEEDS FROM THE LISTING

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

## Management Discussion and Analysis

As detailed in the Company's announcements dated 8 March 2022 and 28 March 2023, in order to better utilize the financial resources of the Group, the Board has reviewed and revised the utilization plan of the Net Proceeds on 8 March 2022 and 28 March 2023, respectively. Details of the breakdown of the Net Proceeds utilized up to 30 June 2023 and the intended use of the unutilized Net Proceeds after the 2<sup>nd</sup> re-allocation on 28 March 2023 are set out below:

Intended use of Net Proceeds	Original allocation of Net Proceeds (HK\$ million)	Balance of Net Proceeds unutilised as at 31 December 2022 after 2nd re-allocation (HK\$ million)	Amount of Net Proceeds utilised during the six months ended 30 June 2023 (HK\$ million)	Balance of Proceeds unutilised as at 30 June 2023 (HK\$ million)	Intended timetable for the use of the unutilised Net Proceeds
(i) Expand our geographic coverage to better support our clients and new opportunities	198.4	39.0	39.0	0	By 31 December 2023
(ii) Expand our industry coverage, mainly through acquisition and also through organic growth in the next three years, to capture demand for flexible staffing services we have observed in certain underserved and expanding industries, and specifically, to target our services to more financial institution, information technology industry and new retail clientele	168.7	50.3	0	50.3	By 31 December 2024
(iii) Expand our existing BPO and headhunting service offerings in the next three years in order to capture the expected growth potential in both service sectors	129.0	56.4	26.2	30.2	By 31 December 2023
(iv) Further enhance our integrated HR ecosystem and build up our capabilities in artificial intelligence and data mining technology	218.3	51.2	5.0	46.2	By 31 December 2024
(v) Further promote our brand and launch marketing and promotion activities	99.2	10.9	3.1	7.8	By 31 December 2023
(vi) Support our global expansion strategy in the next four years	79.4	23.0	1.3	21.7	By 31 December 2024
(vii) Working capital and general corporate purposes	99.2	20.0	20.0	0	By 31 December 2023
<b>Total</b>	<b>992.2</b>	<b>250.8</b>	<b>94.6</b>	<b>156.2</b>	

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

### DIVIDENDS

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

# 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 enhance corporate value and accountability.

The Company has applied the principles as set out in the CG Code. The Board is of the view that during the six months ended 30 June 2023, the Company has complied with all applicable code provisions as set out in Part Two of the CG Code, except for the deviation from code provision C.2.1 as explained under the paragraph headed “Chairman and Chief Executive Officer” below.

### Chairman and Chief Executive Officer

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2023.

The Company’s relevant employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company during the six months ended 30 June 2023.

## COMPLIANCE WITH LAWS AND REGULATIONS

During the six months ended 30 June 2023, 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, the Group has not made provision for the difference in contribution for social insurance and housing provident fund. Should the authorities change their position and request the Group to make payments for the difference in contribution in the future, the above non-compliance issues would have material adverse effects on our business, financial condition, results of operation and cash flows. 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 2023 that could have a material adverse impact on the Group's business, financial condition and operating results.

### CHANGE IN DIRECTORATE AND DIRECTORS' INFORMATION

Ms. Chan Mei Bo Mabel, the independent non-executive Director, was a member of the Export Credit Insurance Corporation Advisory Board of HKSAR from July 2017 to June 2023. On 1 July 2023, Ms Chan was appointed as Justice of Peace by the Government of the HKSAR.

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 2023, 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 SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Interests in Shares and underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Total number of Shares/ underlying Shares held <sup>(8)</sup>	Approximate percentage of shareholding interest in the Company <sup>(9)</sup> (%)
Zhang Jianguo	Interest of controlled corporation <sup>(1)</sup>	46,970,500(L)	29.97%
	Interests held jointly with other persons <sup>(4)</sup>	13,825,800(L)	8.82%
Zhang Feng	Interest of controlled corporation <sup>(2)</sup>	6,015,200(L)	3.84%
	Interests held jointly with other persons <sup>(4)</sup>	54,025,300(L)	34.48%
	Beneficial owner <sup>(2)</sup>	755,800(L)	0.48%
Zhang Jianmei	Interest of controlled corporation <sup>(3)</sup>	5,826,000(L)	3.72%
	Interests held jointly with other persons <sup>(4)</sup>	53,741,500(L)	34.30%
	Beneficial owner <sup>(3)</sup>	1,228,800(L)	0.78%
Chan Mei Bo Mabel	Beneficial owner <sup>(5)</sup>	80,000(L)	0.05%
Shen Hao	Beneficial owner <sup>(6)</sup>	80,000(L)	0.05%
Leung Ming Shu	Beneficial owner <sup>(7)</sup>	80,000(L)	0.05%

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 46,970,500 Shares held by Ming Feng.
- (2) Wu Fu Min Feng Holdings Limited ("Wu Fu Min Feng") is wholly owned by Mr. Zhang Feng. Under the SFO, Mr. Zhang Feng is deemed to be interested in the 6,015,200 Shares held by Wu Fu Min Feng. In addition, Mr. Zhang Feng was granted options under the mid-senior level management pre-IPO share option scheme and the Post-IPO Share Option Scheme which entitle him to subscribe for 455,800 Shares and 300,000 Shares, respectively.

## Other Information

- (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 5,826,000 Shares held by Lin Feng. In addition, Ms. Zhang Jianmei was granted options under the mid-senior level management pre-IPO share option scheme and the Post-IPO Share Option Scheme which entitle her to subscribe for 928,800 Shares and 300,000 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) Ms. Chan Mei Bo Mabel was granted share options under the Post-IPO Share Option Scheme which entitle her to subscribe for 80,000 Shares.
- (6) Mr. Shen Hao was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares.
- (7) Mr. Leung Ming Shu was granted share options under the Post-IPO Share Option Scheme which entitle him to subscribe for 80,000 Shares.
- (8) The Letter “L” denotes the person’s long position in such Shares.
- (9) As at 30 June 2023, the Company had 156,699,879 issued Shares.

### Interests in associated corporation of the Company

Name of Director/ Chief Executive	Associated Corporation	Capacity/ Nature of interest	Amount of registered capital subscribed (RMB)	Approximate percentage of shareholding interest in the associated corporation (%) <sup>(Note)</sup>
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 2023, 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 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

#### Interests in Shares and underlying Shares of the Company

Name of Shareholder	Capacity/Nature of interest	Total number of Shares/underlying Shares held <sup>(7)</sup>	Approximate percentage of shareholding interest <sup>(8)</sup> (%)
Wang Fen <sup>(1)</sup>	Interest of spouse	60,796,300(L)	38.80%
Wu Qi <sup>(2)</sup>	Interest of spouse	60,796,300(L)	38.80%
Chen Bin <sup>(3)</sup>	Interest of spouse	60,796,300(L)	38.80%
Ming Feng	Beneficial owner	46,970,500(L)	29.97%
LC Fund V, L.P. <sup>(4)</sup>	Beneficial owner	20,266,244(L)	12.93%
LC Fund V GP Limited <sup>(4)</sup>	Interest of controlled corporation	21,750,495(L)	13.88%
VMS Strategic Investment Fund, L.P. <sup>(5)</sup>	Beneficial owner	16,747,481(L)	10.69%
VMS Strategic Investment GP Limited <sup>(5)</sup>	Interest of controlled corporation	16,747,481(L)	10.69%
VMS Auto Italia Fin Services Holdings Limited <sup>(5)</sup>	Interest of controlled corporation	16,747,481(L)	10.69%
VMS Holdings Limited <sup>(5)</sup>	Interest of controlled corporation	16,747,481(L)	10.69%
Mak Siu Hang Viola <sup>(5)</sup>	Interest of controlled corporation	16,747,481(L)	10.69%
FIL Limited <sup>(6)</sup>	Interest of controlled corporation	13,879,683(L)	8.86%
Pandanus Associates Inc <sup>(6)</sup>	Interest of controlled corporation	13,879,683(L)	8.86%
Pandanus Partners L.P. <sup>(6)</sup>	Interest of controlled corporation	13,879,683(L)	8.86%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	10,870,983(L)	6.94%

#### Notes:

- (1) Ms. Wang Fen is the spouse of Mr. Zhang Jianguo and under the SFO, Ms. Wang Fen is deemed to be interested in the 60,796,300 Shares/underlying Shares in which Mr. Zhang Jianguo is interested.
- (2) Ms. Wu Qi is the spouse of Mr. Zhang Feng and under the SFO, Ms. Wu Qi is deemed to be interested in the 60,796,300 Shares/underlying Shares in which Mr. Zhang Feng is interested.
- (3) Mr. Chen Bin is the spouse of Ms. Zhang Jianmei and under the SFO, Mr. Chen Bin is deemed to be interested in the 60,796,300 Shares/underlying Shares in which Ms. Zhang Jianmei is interested.
- (4) As LC Fund V GP Limited is the general partner of both of LC Fund V, L.P. and LC Parallel Fund V, L.P., LC Fund V GP Limited is deemed to be interested in the 20,266,244 Shares and 1,484,251 Shares held by LC Fund V, L.P. and LC Parallel Fund V, L.P., respectively.
- (5) VMS Strategic Investment Fund, L.P. holds 16,747,481 Shares and under the SFO, VMS Strategic Investment GP Limited, which is the general partner of VMS Strategic Investment Fund, L.P., is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P. VMS Strategic Investment GP Limited is wholly owned by VMS Auto Italia Fin Services Holdings Limited. VMS Auto Italia Fin Services Holdings Limited is wholly owned by VMS Holdings Limited. VMS Holdings Limited is owned as to 92% by Ms. Mak Siu Hang Viola. As such, each of VMS Auto Italia Fin Services Holdings Limited, VMS Holdings Limited and Ms. Mak Siu Hang Viola is deemed to be interested in the 16,747,481 Shares held by VMS Strategic Investment Fund, L.P..
- (6) 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 2023, the Company had 156,699,879 issued Shares.

## Other Information

Save as disclosed above, as at 30 June 2023, 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.

### 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 2023.

### AUDIT COMMITTEE

The Audit Committee comprises three members, including two independent non-executive Directors, namely Mr. Leung Ming Shu and Ms. Chan Mei Bo Mabel and one non-executive Director, namely Mr. Xu Zhetong. 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 interim results of the Group and the interim report for the six months ended 30 June 2023. 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 2023 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 Hong Kong Institute of Certified Public Accountants.

On behalf of the Board  
**Zhang Jianguo**  
Chairman of the Board

PRC, 22 August 2023



# Definition

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

"2022 Interim Period"	the six months ended 30 June 2022;
"2023 Interim Period"	the six months ended 30 June 2023;
"Acquisition"	purchase of 46.0% equity interests in Shanghai Sirui by Shanghai Ruiying from Neusoft Holdings at a consideration of RMB408,020,000, as detailed in the announcement of the Company dated 8 March 2022;
"Audit Committee"	the audit committee of the Board;
"Binhai Xunteng"	Tianjin Binhai Xunteng Technology Group Co., Ltd.* (天津濱海迅騰科技集團有限公司);
"Board"	the board of directors of the Company;
"BPO"	business process outsourcing;
"CIC"	China Insights Industry Consultancy Limited, an independent market research expert;
"CG Code"	Corporate Governance Code set out in Appendix 14 to the Listing Rules;
"Company"	Renrui Human Resources Technology Holdings Limited (人瑞人才科技控股有限公司), an exempted company incorporated in the Cayman Islands on 14 October 2011 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6919);
"Director(s)"	the director(s) of the Company;

## Definition

“FVOCI”	fair value through other comprehensive income;
“GDP”	gross domestic product;
“Group” or “we”	the Company together with its subsidiaries;
“HKD” or “HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong;
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HR”	human resources;
“Lingshi Yuntian”	Lingshi Yuntian Information Technology (Changzhou) Co., Ltd.* (領時雲天信息科技(常州)有限公司), which was previously known as Jiangnan Finance Technology (Changzhou) Co., Ltd.* (江南金融科技(常州)有限公司);
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange;
“Listing Date”	13 December 2019, being the date on which the Shares were listed on the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules;
“Net Proceeds”	net proceeds from the global offering of the Company in connection with the listing of the Shares on the Stock Exchange on 13 December 2019, amounting to approximately HK\$992.2 million;
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd.* (大連東軟控股有限公司);
“Post-IPO Share Award Scheme”	post-IPO share award scheme of the Company adopted on 26 November 2019 and subsequently amended on 20 June 2020;

## Definition

“Post-IPO Share Option Scheme”	post-IPO share option scheme of the Company adopted on 26 November 2019;
“PRC” or China	the People’s Republic of China and for the purpose of this report only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Prospectus”	the prospectus of the Company dated 3 December 2019;
“Renrui Human Resources Group”	Renrui Human Resources Technology Group Limited* (人瑞人才科技集團有限公司), a wholly-owned subsidiary of the Company;
“Renrui New Career”	Renrui New Career Technology Services (Shanghai) Co., Ltd.* (人瑞新職科技服務(上海)有限公司);
“RMB”	Renminbi, the lawful currency of the PRC;
“R&D”	research and development;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shanghai Lingshi”	Shanghai Lingshi Human Resources Services Limited* (上海領時人力資源服務有限公司);
“Shanghai Ruiying”	Shanghai Ruiying Human Resources Technology Group Co., Ltd.* (上海瑞應人才科技集團有限公司), an indirect wholly-owned subsidiary of the Company;
“Shanghai Sirui”	Shanghai Sirui Information Technology Co., Ltd.* (上海思芮信息科技有限公司);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wanma Technology”	Shanghai Wanmahui Network Technology Co., Ltd.* (上海萬馬匯網絡科技有限公司);
“Zhencheng Technology”	Shanghai Zhencheng Technology Co., Ltd.* (上海圳誠科技有限公司); and
“%”	per cent.

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

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

# Condensed Consolidated Income Statement

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	6	2,068,304	1,733,889
Cost of revenue	7	(1,900,792)	(1,668,144)
<b>Gross profit</b>		<b>167,512</b>	65,745
Selling and marketing expenses	7	(88,264)	(24,447)
Research and development expenses	7	(26,216)	(13,254)
Administrative expenses	7	(74,973)	(57,637)
Provision for net impairment losses on financial assets		(3,325)	(3,328)
Other income	9	52,012	15,824
Other losses, net	10	(3,344)	(12,522)
<b>Operating profit/(loss)</b>		<b>23,402</b>	(29,619)
Finance income	11	2,194	1,981
Finance costs	11	(4,702)	(3,025)
Finance costs, net	11	(2,508)	(1,044)
Share of results of joint ventures		1,373	2,071
Share of results of associates		(2,195)	—
<b>Profit/(loss) before income tax</b>		<b>20,072</b>	(28,592)
Income tax (expenses)/credits	12	(1,221)	3,977
<b>Profit/(loss) for the period</b>		<b>18,851</b>	(24,615)
<b>Profit/(loss) is attributable to:</b>			
– Equity holders of the Company		10,058	(25,425)
– Non-controlling interests		8,793	810
<b>Earnings/(loss) per share</b> (expressed in RMB per share)			
– Basic earnings/(loss) per share	13	0.07	(0.17)
– Diluted earnings/(loss) per share	13	0.06	(0.17)

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

# Condensed Consolidated Statement of Comprehensive Income/(Loss)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit/(loss) for the period</b>	<b>18,851</b>	<b>(24,615)</b>
<b>Other comprehensive income</b>		
<i>Items that may not be reclassified subsequently to profit or loss:</i>		
– Currency translation differences of the Company	37,792	51,127
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Currency translation differences of subsidiaries	(32,621)	(37,903)
– Changes in the fair value of financial assets at fair value through other comprehensive income	—	1,730
<b>Other comprehensive income for the period, net of tax</b>	<b>5,171</b>	<b>14,954</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>24,022</b>	<b>(9,661)</b>
<b>Total comprehensive income/(loss) for the period is attributable to:</b>		
– Equity holders of the Company	15,229	(10,471)
– Non-controlling interests	8,793	810

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

# Condensed Consolidated Balance Sheet

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	48,642	65,116
Intangible assets	15	409,048	419,987
Investments in joint ventures accounted for using the equity method		26,625	25,252
Investments in associates accounted for using the equity method		7,695	5,890
Financial assets at fair value through profit or loss	16	29,648	34,300
Derivative financial instruments	16	1,488	1,526
Other non-current assets	16	46,970	63,382
Deferred income tax assets		20,684	16,215
Restricted cash	19	3,200	—
<b>Total non-current assets</b>		<b>594,000</b>	<b>631,668</b>
<b>Current assets</b>			
Trade and notes receivables	18	1,146,788	955,940
Prepayments, deposits and other receivables	17	52,405	40,435
Contract fulfilment cost		18,452	7,847
Financial assets at fair value through other comprehensive income	16	19,167	5,376
Financial assets at fair value through profit or loss	16	72,976	114,743
Derivative financial instruments	16	11,117	10,584
Restricted cash	19	3,420	6,858
Cash and cash equivalents	19	234,537	354,436
<b>Total current assets</b>		<b>1,558,862</b>	<b>1,496,219</b>
<b>Total assets</b>		<b>2,152,862</b>	<b>2,127,887</b>

# Condensed Consolidated Balance Sheet

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	53	53
Share premium	20	2,167,837	2,167,837
Shares held for share-based payment scheme		(87,887)	(87,887)
Other reserves		(29,161)	(38,563)
Accumulated losses		(785,290)	(795,348)
		<b>1,265,552</b>	1,246,092
<b>Non-controlling interests</b>		<b>212,295</b>	203,502
<b>Total equity</b>		<b>1,477,847</b>	1,449,594
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		16,067	18,057
Lease liabilities	22	9,558	19,112
<b>Total non-current liabilities</b>		<b>25,625</b>	37,169
<b>Current liabilities</b>			
Trade and other payables	21	461,494	497,988
Contract liabilities		21,480	14,028
Current income tax liabilities		8,617	10,503
Borrowings	23	136,167	95,164
Lease liabilities	22	21,632	23,441
<b>Total current liabilities</b>		<b>649,390</b>	641,124
<b>Total liabilities</b>		<b>675,015</b>	678,293
<b>Total equity and liabilities</b>		<b>2,152,862</b>	2,127,887

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 2023

	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	
<b>(Unaudited)</b>									
Balance at 1 January 2023		53	2,167,837	(87,887)	(38,563)	(795,348)	1,246,092	203,502	1,449,594
<b>Comprehensive income</b>									
Profit for the period		–	–	–	–	10,058	10,058	8,793	18,851
Other comprehensive income									
– Currency translation differences		–	–	–	5,171	–	5,171	–	5,171
<b>Total comprehensive income</b>		–	–	–	5,171	10,058	15,229	8,793	24,022
<b>Transactions with equity holders in their capacity as equity holders</b>									
Share-based compensation	8	–	–	–	4,231	–	4,231	–	4,231
<b>Total transactions with equity holders in their capacity as equity holders</b>		–	–	–	4,231	–	4,231	–	4,231
Balance at 30 June 2023		53	2,167,837	(87,887)	(29,161)	(785,290)	1,265,552	212,295	1,477,847



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Note	Attributable to equity holders of the Company						Non-controlling interests RMB'000	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		
<b>(Unaudited)</b>									
<b>Balance at 1 January 2022</b>		53	2,199,102	(87,887)	(68,394)	(788,045)	1,254,829	22,903	1,277,732
<b>Comprehensive income</b>									
(Loss)/profit for the period		–	–	–	–	(25,425)	(25,425)	810	(24,615)
Other comprehensive income									
– Currency translation differences		–	–	–	13,224	–	13,224	–	13,224
– Changes in the fair value of financial assets at fair value through other comprehensive income		–	–	–	1,730	–	1,730	–	1,730
<b>Total comprehensive income/(loss)</b>		–	–	–	14,954	(25,425)	(10,471)	810	(9,661)
<b>Transactions with equity holders in their capacity as equity holders</b>									
Share-based compensation	8	–	–	–	2,235	–	2,235	–	2,235
Exercise of share options	20	–	111	–	–	–	111	–	111
Dividends declared	20	–	(32,130)	–	–	–	(32,130)	–	(32,130)
<b>Total transactions with equity holders in their capacity as equity holders</b>		–	(32,019)	–	2,235	–	(29,784)	–	(29,784)
<b>Balance at 30 June 2022</b>		53	2,167,083	(87,887)	(51,205)	(813,470)	1,214,574	23,713	1,238,287

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 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Cash flows used in operating activities</b>		
Cash used in operations	(176,469)	(874)
Income tax paid	(9,566)	(18,875)
<b>Net cash used in operating activities</b>	<b>(186,035)</b>	<b>(19,749)</b>
<b>Cash flows generated from/(used in) investing activities</b>		
Payment for acquisition of subsidiaries, net of cash acquired	—	(14,702)
Purchase of property, plant and equipment	(544)	(8,768)
Purchase of intangible assets	(1,293)	—
Purchase of financial assets at fair value through profit or loss	(42,400)	(200,000)
Prepayment for acquisition of subsidiaries	—	(183,609)
Proceeds from disposal of financial assets at fair value through profit or loss	86,064	170,314
Proceeds from disposal of property, plant and equipment	221	2,340
Investment income from financial assets at fair value through profit or loss	1,405	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	—	102,027
Cash paid for investing in an associate	(4,000)	—
Interest received	2,194	1,940
<b>Net cash generated from/(used in) investing activities</b>	<b>41,647</b>	<b>(130,458)</b>
<b>Cash flows generated from/(used in) financing activities</b>		
Proceeds from exercise of share options	—	111
Proceeds from bank borrowings	140,000	9,020
Repayments of bank borrowings	(99,000)	(14,037)
Payment of lease liabilities	(13,427)	(12,609)
Interest paid	(3,620)	(213)
<b>Net cash generated from/(used in) financing activities</b>	<b>23,953</b>	<b>(17,728)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(120,435)</b>	<b>(167,935)</b>
Cash and cash equivalents at beginning of the period	354,436	638,373
Effects of exchange rate changes on cash and cash equivalents	536	10,220
<b>Cash and cash equivalents at end of the period</b>	<b>234,537</b>	<b>480,658</b>

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 2023

## 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

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

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

The 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 22 August 2023.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

## 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 2022, 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 2023 as described below and disclosed elsewhere in this interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 3 ACCOUNTING POLICIES (Continued)

### (a) New standards, amendments and interpretations of HKFRSs effective for 2023

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2023

- HKAS 1 and HKFRS Practice Statement 2- Disclosure of Accounting Policies (amendments)
- HKAS 8- Definition of Accounting Estimates (amendments)
- HKAS 12- Deferred tax related to assets and liabilities arising from a single transaction (amendments)
- HKAS 12- International Tax Reform— Pillar Two Model Rules (amendments)
- HKFRS 17- Insurance Contracts (new standard)
- HKFRS 17- Amendments to HKFRS 17
- HKFRS 17- Initial Application of HKFRS 17 and HKFRS 9—Comparative Information

The adoption of the above new amendments starting from 1 January 2023 did not give rise to significant impact on the Group's result of operations and financial position for the six months ended 30 June 2023.

### (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 2023 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 2022.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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 2023, 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 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 and restricted cash measured at amortised cost.

The Group's exposure to changes in interest rates is also attributable to its borrowings from banks. Borrowings at variable rates expose the Group to cash flow interest rate risk whereas borrowings at fixed rates expose the Group to fair value interest rate risk, details of which has been disclosed in Note 23. The Group has not hedged its cash flow or fair value interest rate risk.

At 30 June 2023 and 31 December 2022, the Group 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, financial assets at fair value through profit or loss, favourable derivative financial instruments as well as credit exposures to customers, including outstanding receivables.

##### (i) Cash and cash equivalents and restricted cash

As at 30 June 2023 and 31 December 2022, the Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since most of them are deposited at state-owned banks and other multinational medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses are determined based on historical default rates and 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 2023 and 31 December 2022 was determined as follows:

(Unaudited) 30 June 2023	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due from 1 year to 2 year	Past due over 2 years	Total
Expected loss rate	0.26%	1.46%	5.64%	4.04%	5.60%	55.24%	100.00%	
Gross carrying amount	1,017,339	76,023	22,745	14,182	5,610	6,010	2,430	1,144,339
<b>Loss allowance</b>	<b>2,691</b>	<b>1,110</b>	<b>1,283</b>	<b>573</b>	<b>314</b>	<b>3,320</b>	<b>2,430</b>	<b>11,721</b>

(Audited) 31 December 2022	Current	Past due within 3 months	Past due from 4 months to 6 months	Past due from 7 months to 9 months	Past due from 10 months to 12 months	Past due from 1 year to 2 years	Past due over 2 years	Total
Expected loss rate	0.10%	1.21%	2.02%	11.00%	74.19%	100.00%	100.00%	
Gross carrying amount	854,608	65,904	24,822	7,943	3,778	259	2,336	959,650
<b>Loss allowance</b>	<b>884</b>	<b>799</b>	<b>501</b>	<b>874</b>	<b>2,803</b>	<b>259</b>	<b>2,336</b>	<b>8,456</b>

For the notes receivables at amortised cost, the Group applies HKFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance. As at 30 June 2023, the loss allowance of notes receivables at amortised cost were RMB83,000 (31 December 2022: RMB29,000).

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (iii) Other receivables and other non-current assets

For other receivables and other non-current assets, the Group applies the general model for expected credit losses prescribed by HKFRS 9, since credit risk has not significantly increased after initial recognition, provision is provided, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. As at 30 June 2023 and 31 December 2022, the loss allowance of other receivables and other non-current assets were RMB967,000 and RMB962,000 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 2023, the Group assessed the credit risk of notes receivable which either discounted or held for maturity from banks to be low given they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term, and the loss allowance of notes receivables were RMB6,000 (31 December 2022:RMB5,000).

#### (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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

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 2023					
Borrowings	139,309	—	—	—	139,309
Trade and other payables*	39,682	—	—	—	39,682
Lease liabilities	22,751	7,033	2,894	—	32,678
	201,742	7,033	2,894	—	211,669
(Audited)					
At 31 December 2022					
Borrowings	96,317	—	—	—	96,317
Trade and other payables*	64,644	—	—	—	64,644
Lease liabilities	25,400	15,516	4,164	—	45,080
	186,361	15,516	4,164	—	206,041

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



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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 2023 and 31 December 2022, the Group was in a net cash position (i.e., cash and cash equivalents is higher than borrowing), hence it is not meaningful to present the gearing ratio.

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2023 and 31 December 2022 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 2023, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVPL, investment in joint ventures at FVPL, derivative financial instruments associated with a joint venture, contingent consideration receivable at FVPL, and notes receivables as financial assets at FVOCI.

As at 31 December 2022, the Group had certain financial instruments carried at fair value, including wealth management products purchased from banks recorded as financial assets at FVPL, investment in joint ventures at FVPL, derivative financial instruments associated with a joint venture, contingent consideration receivable and financial liabilities at FVPL, and notes receivables as financial assets at FVOCI.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation (Continued)

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 30 June 2023 (Unaudited)</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	19,167	19,167
Financial assets at fair value through profit or loss (Note 16)	—	58,172	44,452	102,624
Derivative financial instruments (Note 16)	—	—	12,605	12,605
	—	58,172	76,224	134,396

Recurring fair value measurements	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2022 (Audited)</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income (Note 16)	—	—	5,376	5,376
Financial assets at fair value through profit or loss (Note 16)	—	110,491	38,552	149,043
Derivative financial instruments (Note 16)	—	—	12,110	12,110
	—	110,491	56,038	166,529

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 and financial assets at fair value through profit or loss for the six months ended 30 June 2023.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation (Continued)

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Derivative financial instruments RMB'000
<b>At 1 January 2023 (Audited)</b>	38,552	5,376	12,110
Addition	10,000	20,473	—
Maturity	—	(6,682)	—
Fair value change (Note 10)	(4,100)	—	495
<b>At 30 June 2023</b>	<b>44,452</b>	<b>19,167</b>	<b>12,605</b>

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

As at 30 June 2023, the balance of investment in joint ventures in the form of ordinary shares with certain substantive preferential rights amounting to RMB29,648,000 was included in financial assets at fair value through profit or loss included in Level 3. The fair value was determined by market approach, which was estimated based on trading prices of comparable companies to the investee in the similar industries, and incorporated other unobservable inputs, such as liquidity discount. The higher the liquidity discount, the lower the fair value.

As at 30 June 2023, the balance of contingent consideration receivable amounting RMB4,804,000 was included in financial assets at fair value through profit or loss included in Level 3, which is related to acquisition of certain subsidiaries. The fair value of the contingent consideration receivables was determined by expected cash inflows which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the discount rate. The higher the discount rate, the lower the fair value.

As at 30 June 2023, the balance of notes receivables amounting to RMB19,167,000 was included in financial assets at fair value through other comprehensive income included in Level 3. The fair value was based on the discounted cash flows. The significant assumption are the adjusted discount rate of the cash flows. The higher the discount rate or the lower the cash flows, the lower the fair value.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 5 FINANCIAL RISK MANAGEMENT (Continued)

### 5.3 Fair value estimation (Continued)

As at 30 June 2023, the balance of derivative financial instruments mainly included a call option related to acquisition of certain subsidiaries (Note 16) amounting to RMB11,117,000 in Level 3. The fair value of the call option was determined by Black-Scholes model which were estimated based on the terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the risk-free interest rate, expected volatility and the estimated equity value. The higher the risk-free interest rate, expected volatility and estimated equity value, the higher the fair value.

As at 30 June 2023, the balance of wealth management products purchased amounting to RMB58,172,000 was included in financial assets at fair value through profit or loss included in Level 2 and RMB10,000,000 was included in financial assets at fair value through profit or loss included in Level 3. The fair value was determined by the present values and the discount rates used were adjusted for counterparty or own credit risk, terms of the acquisition agreement and the Group's knowledge of the business and how the current economic environment was likely to impact it. The significant assumption for the fair value measurement is the discount rate.

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

#### *Comprehensive flexible staffing*

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

#### *Professional recruitment and other HR solutions*

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

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

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 6 SEGMENT INFORMATION AND REVENUE (Continued)

### (b) Segment results and other information

The segment information provided to the Group's CODM for the reportable segments for the six months ended 30 June 2023 was as follows:

	Six months ended 30 June 2023		
	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment and other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	2,051,202	17,102	2,068,304
Segment gross profit	161,116	6,396	167,512
Unallocated:			
Selling and marketing expenses			(88,264)
Research and development expenses			(26,216)
Administrative expenses			(74,973)
Other income (Note 9)			52,012
Other losses, net (Note 10)			(3,344)
Provision for net impairment losses on financial assets			(3,325)
Finance costs, net (Note 11)			(2,508)
Share of results of joint ventures accounted for using the equity method			1,373
Share of results of associates accounted for using the equity method			(2,195)
Profit before income tax			20,072
Income tax expenses (Note 12)			(1,221)
Profit for the period			18,851

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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 2022 was as follows:

	Six months ended 30 June 2022		
	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment and other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	1,695,163	38,726	1,733,889
Segment gross profit	52,588	13,157	65,745
Unallocated:			
Selling and marketing expenses			(24,447)
Research and development expenses			(13,254)
Administrative expenses			(57,637)
Other income (Note 9)			15,824
Other losses, net (Note 10)			(12,522)
Provision for net impairment losses on financial assets			(3,328)
Finance costs, net (Note 11)			(1,044)
Share of results of joint ventures accounted for using the equity method			2,071
Loss before income tax			(28,592)
Income tax credits (Note 12)			3,977
Loss for the period			(24,615)

### (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 2023

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Comprehensive flexible staffing		
– General services outsourcing	1,193,780	1,461,378
– Digital technology and cloud services	736,087	111,442
– Digital operation and customer services	121,335	122,343
Professional recruitment and other HR solutions	17,102	38,726
	<b>2,068,304</b>	<b>1,733,889</b>

(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 2023	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment and other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition			
At a point in time	9,819	14,002	23,821
Over time	2,041,383	3,100	2,044,483
	<b>2,051,202</b>	<b>17,102</b>	<b>2,068,304</b>

Six months ended 30 June 2022	Comprehensive flexible staffing RMB'000 (Unaudited)	Professional recruitment and other HR solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Timing of revenue recognition			
At a point in time	—	29,209	29,209
Over time	1,695,163	9,517	1,704,680
	<b>1,695,163</b>	<b>38,726</b>	<b>1,733,889</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Employee benefit expenses	1,970,298	1,658,737
Depreciation and amortisation	29,966	29,709
Travelling and entertainment expenses	25,511	13,767
Marketing and promotion expenses	11,980	12,794
Other taxes and surcharges	10,262	10,950
Subcontracting costs	11,299	4,322
Recruitment related communication expenses	315	174
Utilities and office expenses	11,848	9,440
Professional service fee	10,829	12,740
Lease and property management expenses	5,178	5,955
Auditor's remuneration	1,050	2,640
Others	1,709	2,254
<b>Total</b>	<b>2,090,245</b>	<b>1,763,482</b>

## 8 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Wages, salaries and bonus	1,667,837	1,394,127
Social insurance and housing fund	270,790	239,973
Other employee welfares	27,440	22,402
Share-based payments*	4,231	2,235
<b>Total</b>	<b>1,970,298</b>	<b>1,658,737</b>



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 8 EMPLOYEE BENEFIT EXPENSES (Continued)

\* The share-based payments recognised in the unaudited condensed consolidated income statement were approximately RMB4,231,000 and RMB2,235,000 for the six months ended 30 June 2023 and 2022, respectively. The following table set forth a breakdown of the share-based payments:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Pre-IPO share option schemes (a)	—	(8)
Post-IPO share option scheme (b)	4,468	2,978
Post-IPO share award scheme (c)	(237)	(735)
	4,231	2,235

### (a) Pre-IPO share option schemes

Before the Listing, the Group granted share options to eligible senior management and employees. Prior to March 2019, the options granted were vested upon the listing of the Company, on the condition that employees remained in service without any performance requirements.

In March 2019, the Group modified the terms and conditions of the previously granted share options mentioned above. The modified pre-IPO share option schemes have graded vesting terms, and the share options will vest in tranches upon the listing on condition that the employees remain in service without any performance requirements. Such modification has no impact on the subsequent measurement during the remainder of the vesting period, since the modification does not increase the fair value of those previously granted share options.

After March 2019, new pre-IPO Share options have graded vesting terms, and the share options will vest in tranches upon the listing on condition that the employees remain in service without any performance requirements.

### (b) Post-IPO share option scheme

Since 2020, the Group has granted share options to eligible senior management and employees under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on condition that the employees remain in service with or without certain performance requirements.

On 29 October 2020, the Group granted share options to three executive directors which entitled the grantees to subscribe for a maximum of 390,000 shares under the post-IPO share option scheme adopted on 26 November 2019. The share options have a vesting period of 18 months, and will vest upon the fulfilment of certain non - market performance conditions. The exercise price of these share options is HKD30.00 per share.

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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 8 EMPLOYEE BENEFIT EXPENSES (Continued)

### (b) Post-IPO share option scheme (Continued)

On 16 July 2021, the Group granted share options to forty-two eligible grantees which entitled the grantees to subscribe for a maximum of 1,830,000 shares. These share options will vest in tranches on the condition that the grantees remain in service without any performance requirements.

On 17 June 2022, the Company granted share options to two hundred and four eligible grantees (five non-executive directors and one hundred ninety-nine employees) which entitled the grantees to subscribe for a maximum of 11,350,000 shares under the post-IPO share option scheme adopted on 26 November 2019. These share options will vest in tranches on the condition that the grantees remain in service and upon fulfilment of certain non-market performance conditions. The exercise price of these share options is HKD5.99 per share.

On 2 May 2023, the Company granted share options to one hundred and sixty-two eligible grantees (two executive directors and one hundred sixty employees) which entitled the grantees to subscribe for a maximum of 6,993,000 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 HKD4.28 per share. The Group adopted Binomial option-pricing model to determine the fair value of share options. The aggregate fair value of share options granted as at the grant date was approximately RMB10,312,000. Significant assumptions of share options granted on 2 May 2023 were set as below:

	Share options granted under the Post-IPO Share Option Scheme in May 2023
Risk-free interest rates	3.28%
Expected volatility	40.00%
Ordinary share price on grant date (HKD)	4.28
Exercise price (HKD)	4.28
Dividend yield	1.50%

### (c) Post-IPO share award scheme

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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 9 OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grants	47,519	10,035
Additional deduction of input value-added tax ("VAT")	3,259	4,452
Interest from financial assets at FVOCI	—	659
Others	1,234	678
	<b>52,012</b>	<b>15,824</b>

## 10 OTHER LOSSES, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Impairment of goodwill (Note 15)	—	(16,372)
Net losses on disposal of property, plant and equipment	(48)	(1,360)
Exchange (losses)/gains - net	(3,447)	128
Investment income on wealth management products at FVPL	1,304	—
Net fair value gains/(losses) on wealth management products purchased from bank at FVPL	849	(8,518)
Net losses on disposal of wealth management products at FVOCI	—	(2,496)
Net Fair value gains on derivative financial instruments	495	8,702
Fair value gains on contingent consideration receivable at FVPL	552	4,179
Fair value gains on contingent consideration payable at FVPL	—	4,245
Fair value losses from equity investment at FVPL	(4,652)	(790)
Others	1,603	(240)
	<b>(3,344)</b>	<b>(12,522)</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 11 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Finance income</i>		
Interest income on cash and cash equivalents	2,194	1,981
<b>Finance income</b>	<b>2,194</b>	<b>1,981</b>
<i>Finance costs</i>		
Interest expense		
– lease liabilities	(1,078)	(2,811)
– borrowings	(3,624)	(214)
<b>Finance costs expensed</b>	<b>(4,702)</b>	<b>(3,025)</b>
<b>Finance costs, net</b>	<b>(2,508)</b>	<b>(1,044)</b>

## 12 INCOME TAX (EXPENSES)/CREDITS

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 2023 and 2022.

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 (expenses)/credits for the period is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current income tax	(7,680)	(8,197)
Deferred income tax	6,459	12,174
	<b>(1,221)</b>	<b>3,977</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 13 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding shares held for share-based payment scheme (Note 20).

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	10,058	(25,425)
Weighted average number of ordinary shares in issue (thousands)	153,044	153,021
Basic earnings/(loss) per share attributable to the equity holders of the Company (RMB per share)	0.07	(0.17)

### (b) Diluted earnings/(loss) per share

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

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

For the six months ended 30 June 2023 and 2022, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings/(loss) per share.

For the six months ended 30 June 2023, share options granted to employees were assumed to be potential ordinary shares and have been considered in the determination of diluted earnings per share, among which 12,255,700 share options granted before 31 December 2019 in total under Pre-IPO share option schemes, 500,200 share options granted on 22 January 2021, 1,479,700 share options granted on 16 July 2021, 4,474,500 share options granted on 17 June 2022, and 6,953,000 share options granted on 2 May 2023 were not included in the calculation of diluted earnings per share because they were anti-dilutive for the six months ended 30 June 2023. 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 2023

## 13 EARNINGS/(LOSS) PER SHARE (Continued)

### (b) Diluted earnings/(loss) per share (Continued)

As the Group incurred losses for the six months ended 30 June 2022, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution. Accordingly, diluted loss per share for the period ended 30 June 2022 was the same as basic loss per share of the period.

The diluted earnings/(loss) per share for the six months ended 30 June 2023 and 2022 was as following:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (RMB'000)	10,058	(25,425)
Weighted average number of ordinary shares in issue (thousands)	153,044	153,021
Adjustments for calculation of diluted earnings per share (thousands): – Share options	3,326	—
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	156,370	153,021
Diluted earnings/(loss) per share attributable to the equity holders of the Company (RMB per share)	0.06	(0.17)

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 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	Vehicle RMB'000	Total RMB'000
<b>At 1 January 2022 (Audited)</b>							
Cost	113,202	22,574	1,419	8,443	26,091	—	171,729
Accumulated depreciation	(36,605)	(9,417)	(515)	(2,615)	(9,364)	—	(58,516)
Net book amount	76,597	13,157	904	5,828	16,727	—	113,213
<b>Half-year ended June 2022</b>							
Opening net book amount	76,597	13,157	904	5,828	16,727	—	113,213
Additions	10,092	2,281	107	738	5,642	—	18,860
Disposals	(15,606)	(2,403)	(10)	(231)	(1,052)	—	(19,302)
Depreciation charge	(13,645)	(3,356)	(236)	(808)	(7,549)	—	(25,594)
Closing net book amount	57,438	9,679	765	5,527	13,768	—	87,177
<b>At 30 June 2022 (Unaudited)</b>							
Cost	99,122	20,542	1,732	8,347	29,310	—	159,053
Accumulated depreciation	(41,684)	(10,863)	(967)	(2,820)	(15,542)	—	(71,876)
Net book amount	57,438	9,679	765	5,527	13,768	—	87,177
<b>At 1 January 2023 (Audited)</b>							
Cost	68,548	26,309	1,735	7,190	30,649	519	134,950
Accumulated depreciation	(30,268)	(17,482)	(1,184)	(3,086)	(17,787)	(27)	(69,834)
Net book amount	38,280	8,827	551	4,104	12,862	492	65,116
<b>Half-year ended 30 June 2023</b>							
Opening net book amount	38,280	8,827	551	4,104	12,862	492	65,116
Additions	986	178	3	53	310	—	1,530
Disposals	—	(176)	—	(22)	(72)	—	(270)
Depreciation charge	(11,007)	(2,860)	(220)	(673)	(2,920)	(54)	(17,734)
Closing net book amount	28,259	5,969	334	3,462	10,180	438	48,642
<b>At 30 June 2023 (Unaudited)</b>							
Cost	69,534	25,946	1,730	7,200	26,005	519	130,934
Accumulated depreciation	(41,275)	(19,977)	(1,396)	(3,738)	(15,825)	(81)	(82,292)
Net book amount	28,259	5,969	334	3,462	10,180	438	48,642

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 15 INTANGIBLE ASSETS

	Software RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Total RMB'000
<b>At 1 January 2022 (Audited)</b>				
Cost	7,733	58,673	28,000	94,406
Accumulated amortisation	(2,251)	—	(844)	(3,095)
Net book amount	5,482	58,673	27,156	91,311
<b>Half-year ended 30 June 2022</b>				
Opening net book amount	5,482	58,673	27,156	91,311
Impairment of goodwill	—	(16,372)	—	(16,372)
Amortisation charge	(1,315)	—	(2,800)	(4,115)
Closing net book amount	4,167	42,301	24,356	70,824
<b>At 30 June 2022 (Unaudited)</b>				
Cost	7,733	42,301	28,000	78,034
Accumulated amortisation	(3,566)	—	(3,644)	(7,210)
Net book amount	4,167	42,301	24,356	70,824
<b>At 1 January 2023 (Audited)</b>				
Cost	9,403	324,234	116,899	450,536
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(3,288)	—	(10,889)	(14,177)
Net book amount	6,115	307,862	106,010	419,987
<b>Half-year ended 30 June 2023</b>				
Opening net book amount	6,115	307,862	106,010	419,987
Additions	1,293	—	—	1,293
Amortisation charge	(542)	—	(11,690)	(12,232)
Closing net book amount	6,866	307,862	94,320	409,048
<b>At 30 June 2023 (Unaudited)</b>				
Cost	10,696	324,234	116,899	451,829
Impairment loss	—	(16,372)	—	(16,372)
Accumulated amortisation	(3,830)	—	(22,579)	(26,409)
Net book amount	6,866	307,862	94,320	409,048



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 15 INTANGIBLE ASSETS (Continued)

### (a) Goodwill

Goodwill of RMB 307,862,000 (31 December 2022: RMB 307,862,000) has been allocated to the subsidiaries acquired as a whole for impairment testing as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Lingshi Yuntian and Shanghai Lingshi	42,301	42,301
Shanghai Sirui Information Technology Co., Ltd. ("Shanghai Sirui")	265,561	265,561

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

The following table set out the key assumptions for those CGUs that have significant goodwill allocated to them as at 30 June 2023:

	Annual revenue growth rate for the 5-year period (%)	Gross profit rate (%)	Terminal revenue growth rate (%)	Pre-tax discount rate (%)
Lingshi Yuntian and Shanghai Lingshi	6%-33%	8%-9%	2.5%	23%
Shanghai Sirui	7%-18%	14%-15%	2.5%	17%

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

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 15 INTANGIBLE ASSETS (Continued)

### (a) Goodwill (Continued)

According to the management's estimation of the recoverable amount of the Lingshi Yuntian and Shanghai Lingshi with the assistance of independent valuers as at 30 June 2023, the directors of the Company determined that no impairment provision on goodwill allocated to Lingshi Yuntian and Shanghai Lingshi (six months ended 30 June 2022: impairment provision of RMB16,372,000).

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

According to the management's estimation of the recoverable amount of Shanghai Sirui with the assistance of independent valuers as at 30 June 2023, the directors of the Company determined that no impairment provision on goodwill allocated to Shanghai Sirui for the six months ended 30 June 2023.

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

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group held the following financial instruments:

### Financial assets

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<i>Financial assets at amortised cost</i>			
Trade and notes receivables	18	1,146,788	955,940
Deposits and other receivables	17	31,284	11,502
Other non-current assets (i)		46,970	63,382
Restricted cash	19	6,620	6,858
Cash and cash equivalents	19	234,537	354,436
<i>Financial assets at fair value through other comprehensive income</i>			
Notes receivables (iii)		19,167	5,376
<i>Financial assets at fair value through profit or loss</i>			
Wealth management products purchased from banks (ii)		68,172	110,491
Investments in joint ventures at fair value through profit or loss (v)		29,648	34,300
Contingent consideration receivable (iv)		4,804	4,252
Derivative financial instruments (iv)		12,605	12,110
		<b>1,600,595</b>	<b>1,558,647</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 16 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

### Financial liabilities

	Note	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 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)	21	39,682	64,644
Borrowings		136,167	95,164
Lease liabilities	22	31,190	42,553
		<b>207,039</b>	202,361

- (i) Other non-current assets mainly included long-term loans to employees of approximately RMB34,465,000 (31 December 2022: RMB54,303,000) and deposits paid for lease contracts of approximately RMB8,482,000 (31 December 2022: RMB8,628,000) that would be repaid at the end of the relevant leasing periods.

The long-term loans to employees were repayable in the year ended 31 December 2024 and 2025. The interest rate on the loans during the year was 2%.

- (ii) As at 30 June 2023, the Group held certain wealth management products purchased from banks with the amount of approximately RMB68,172,000 (31 December 2022: RMB110,491,000), which will be due within one year.
- (iii) As at 30 June 2023, the Group held total notes receivables from bank of approximately RMB33,420,000, which will be due within one year, of which RMB 19,167,000 are measured at FVOCI, as the notes receivables are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principle and interest (31 December 2022: approximately RMB10,151,000, which will be due within one year, of which RMB 5,376,000 are measured at FVOCI).
- (iv) As at 30 June 2023, derivative financial instruments mainly included a call option of approximately RMB11,117,000 (31 December 2022: RMB10,584,000).

In September 2021, the Group entered into sale and purchase agreements ("SPA") with certain third parties, which previously owned 100% equity interest in Jiangnan Finance Technology and Shanghai Lingshi respectively. According to the SPA, the Group would acquire 51% equity interest in Jiangnan Finance Technology and Shanghai Lingshi respectively. The acquisition was completed on 6 November 2021.

Based on the terms of the SPA, the Group was entitled to a call option to acquire additional shares of Lingshi Yuntian and Shanghai Lingshi based on the financial performance for the 24 months ended 30 June 2023. As at 30 June 2023, the fair value of the call option was approximately RMB11,117,000 (31 December 2022: RMB10,584,000).

Based on the terms of the SPA, the Group was obliged to pay or receive a contingent consideration based on Lingshi Yuntian and Shanghai Lingshi's financial performance for the 24 months ended 30 June 2023. As at 30 June 2023, the fair value of the contingent consideration receivable was approximately RMB4,804,000 which was booked as financial assets at fair value through profit or loss (31 December 2022: RMB4,252,000).

- (v) As at 30 June 2023, the Group held certain investment in ordinary shares with preferential rights issued by two investee companies. The Group maintained joint control in the companies.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Prepayments	14,216	15,157
Deposits	9,034	7,186
Input VAT deductible	6,905	13,776
Other receivables	22,648	4,655
Less: provision for impairment	(398)	(339)
	<b>52,405</b>	<b>40,435</b>

As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022, the carrying amounts of prepayments, deposits and other receivables were primarily denominated in RMB.

## 18 TRADE AND NOTES RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	1,144,339	959,650
Less: provision for impairment of trade receivables	(11,721)	(8,456)
Trade receivables - net	<b>1,132,618</b>	951,194
Notes receivables at amortised cost	14,253	4,775
Less: provision for impairment of notes receivables	(83)	(29)
Notes receivables at amortised cost-net	<b>14,170</b>	4,746
	<b>1,146,788</b>	<b>955,940</b>

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 2023 and 31 December 2022.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 18 TRADE AND NOTES RECEIVABLES (Continued)

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables		
– within 3 months	872,123	786,257
– 4 months to 6 months	184,403	113,125
– 7 months to 9 months	38,066	23,993
– 10 months to 12 months	23,991	22,145
– Over 12 months	25,756	14,130
	<b>1,144,339</b>	<b>959,650</b>

### 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).

## 19 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash on hand	21	20
Cash at banks	241,136	361,274
Less: restricted cash - current (i)	(3,420)	(6,858)
restricted cash - non-current (i)	(3,200)	–
Cash and cash equivalents	<b>234,537</b>	<b>354,436</b>

(i) As at 30 June 2023 and 31 December 2022, restricted cash mainly represented deposits held at bank in relation to provision of bank guarantee for the application of certain operational qualification certificates.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

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

Authorised:	Number of ordinary shares	Nominal value of ordinary shares USD
(Unaudited) At 1 January 2023 and 30 June 2023	2,000,000,000	100,000
(Unaudited) At 1 January 2022 and 30 June 2022	2,000,000,000	100,000

Issued:	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
(Unaudited) At 1 January 2022	156,543,279	7,828	53	2,199,102	(87,887)
Exercise of share options (i)	156,600	8	—	111	—
Dividends declared (Note 24)	—	—	—	(32,130)	—
At 30 June 2022	156,699,879	7,836	53	2,167,083	(87,887)
(Unaudited) At 1 January 2023	156,699,879	7,836	53	2,167,837	(87,887)
Exercise of share options (i)	—	—	—	—	—
Dividends declared (Note 24)	—	—	—	—	—
At 30 June 2023	156,699,879	7,836	53	2,167,837	(87,887)

- (i) On January 2022, part of the share options granted under the pre-IPO share option scheme of 156,600 shares at USD0.00005 each were exercised at a weighted average exercise price of USD0.11 per share. Proceeds of approximately USD17,000 (equivalent to approximately RMB111,000) were raised and the excess over the par value of approximately RMB0 for the 156,600 shares exercised was credited to share premium account subsequently with an amount of approximately RMB111,000.
- (ii) 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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 21 TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables due to third parties	16,448	37,476
Trade payables due to a joint venture	784	645
Accrued payroll and welfare	359,051	376,615
VAT and surcharges	62,761	56,729
Risk deposit due to customers	7,485	9,902
Others	14,965	16,621
	<b>461,494</b>	<b>497,988</b>

As at 30 June 2023 and 31 December 2022, all trade and other payables of the Group were unsecured and non-interest bearing. The fair value of trade and other payables, except for accrued payroll and welfare and VAT and surcharges, which were not financial liabilities, approximated their carrying amounts due to short maturities.

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables		
– Within 6 months	16,940	38,121
– 7 months to 12 months	292	–
	<b>17,232</b>	<b>38,121</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 22 LEASE LIABILITIES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>Minimum lease payments due:</b>		
Within 1 year	22,751	25,400
Between 1 and 2 years	7,033	15,516
Between 2 and 5 years	2,894	4,164
	<b>32,678</b>	45,080
Less: future finance charges	<b>(1,488)</b>	(2,527)
	<b>31,190</b>	42,553
<b>Present value of lease liabilities</b>		
Within 1 year	21,632	23,441
Between 1 and 2 years	6,773	15,149
Between 2 and 5 years	2,785	3,963
	<b>31,190</b>	42,553

As at 30 June 2023 and 31 December 2022, the fair value of lease liabilities approximated their carrying amounts.

## 23 BORROWINGS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Bank borrowings	136,167	95,164

As at 30 June 2023, the balance of bank borrowings with RMB24,000,000 were guaranteed by a subsidiary of the Company and the remaining balance of bank borrowings were unsecured (31 December 2022: unsecured).

As at 30 June 2023, the balance of bank borrowings were matured within one year with annual interest rates of 3.65% to 4.22% (31 December 2022: matured within one year with annual interest rates of 3.4% to 4.74%).

As at 30 June 2023 and 31 December 2022, the carrying amounts of borrowings were denominated in RMB.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 24 DIVIDENDS

No dividends were paid or declared by the Company for the six months ended 30 June 2023.

As at 20 June 2022, the proposal of a final dividend for the year ended 31 December 2021 of HK\$0.24 per ordinary share was approved by the shareholders at the annual general meeting of the Company. The final dividend of approximately HKD37,570,000 (equivalent to approximately RMB32,130,000) was distributed from the share premium account and was paid in July 2022.

## 25 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Basic salaries, housing allowances, share options, other allowances and benefits in kind	4,372	3,385
Contribution to pension scheme	23	22
Discretionary bonuses	373	229
	4,768	3,636

### (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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 25 RELATED PARTY TRANSACTIONS (Continued)

### (c) Transactions with related parties

The following transactions occurred with related parties:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchase of subcontracting services from a joint venture		
Xunteng Group	42	1,461
Zhcheng Group	—	3,225
	42	4,686
Provide consulting services to an associate		
Shanghai Wanmahui	611	—
	611	—

### (d) Balances with related parties

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	Trade payables to a joint venture	
Xunteng Group	784	645
Trade receivables from an associate		
Shanghai Wanmahui	200	24

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2023

## 26 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchase of property, plant and equipment	285	1,309

### (c) Investment commitments

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

	As at 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Committed investments	2,000	—

## 27 CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group had no material contingent liabilities.

## 28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There was no significant event of the Group occurred after the balance sheet date.