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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6919)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

SUMMARY OF INTERIM RESULTS

	Six months ended 30 June		
	2020	2019	**Change**
RESULTS	***RMB'000***	*RMB'000*	
	(Unaudited)	*(Audited)*	
Revenue	**1,195,572**	1,077,361	11.0%
Operating profit	**52,586**	57,844	-9.1%
Profit/(loss) for the period	**53,019**	(229,202)	N/A
Net cash generated from operating activities	**18,350**	25,214	-27.2%
NON-HKFRS MEASURES	*(Unaudited)*	*(Unaudited)*	
		(Adjusted)	
Net profit/adjusted net profit (1)	**53,019**	58,476	-9.3%
Net profit margin/adjusted net margin (%) (2)	**4.4**	5.4	-1

Notes:

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

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

	As at 30 June		**Change**
	2020	2019	
Number of flexible staffing employees	**28,257**	20,156	40.2%

The board (the "**Board**") of directors (the "**Directors**") of Renrui Human Resources Technology Holdings Limited (the "**Company**") does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

INTERIM RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 with comparative figures for the six months ended 30 June 2019 as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		RMB'000	*RMB'000*
	Notes	***(Unaudited)***	*(Audited)*
Revenue	4	**1,195,572**	1,077,361
Cost of revenue		**(1,095,862)**	(961,435)
Gross profit		**99,710**	115,926
Selling and marketing expenses		**(18,625)**	(22,989)
Research and development expenses		**(5,928)**	(7,126)
Administrative expenses		**(33,794)**	(33,060)
Net impairment losses on financial assets		**(7,023)**	(455)
Other income	5	**9,531**	5,367
Other gains, net	6	**8,715**	181
Operating profit		**52,586**	57,844
Finance income	7	**8,807**	70
Finance costs	7	**(1,108)**	(2,746)
Fair value losses on hybrid financial instruments	10	**—**	(277,804)
Profit/(loss) before income tax		**60,285**	(222,636)
Income tax expense	8	**(7,266)**	(6,566)
Profit/(loss) for the period attributable to equity holders of the Company		**53,019**	(229,202)
Earnings/(loss) per share (expressed in RMB per share)			
- Basic earnings/(loss) per share	9	**0.35**	(3.95)
- Diluted earnings/(loss) per share	9	**0.31**	(3.95)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**76,149**	84,499
Intangible assets		**660**	768
Other non-current assets		**6,519**	6,005
Deferred income tax assets		**15,241**	14,935
Restricted cash		**3,050**	—
Total non-current assets		**101,619**	106,207
Current assets			
Trade and notes receivables	11	**354,780**	341,452
Prepayments, deposits and other receivables		**8,840**	7,246
Financial assets at fair value through other comprehensive income	10	**67,464**	—
Financial assets at fair value through profit or loss	10	**79,509**	—
Cash and cash equivalents		**959,682**	1,029,456
Total current assets		**1,470,275**	1,378,154
Total assets		**1,571,894**	1,484,361
EQUITY			
Share capital		**52**	51
Share premium		**2,242,254**	2,170,559
Other reserves		**(31,954)**	(30,911)
Accumulated losses		**(1,019,309)**	(1,072,328)
Total equity		**1,191,043**	1,067,371
LIABILITIES			
Non-current liabilities			
Lease liabilities		**46,884**	54,381
Total non-current liabilities		**46,884**	54,381
Current liabilities			
Trade and other payables	12	**287,429**	316,875
Contract liabilities		**22,023**	22,016
Current income tax liabilities		**7,771**	4,669
Lease liabilities		**16,744**	19,049
Total current liabilities		**333,967**	362,609
Total liabilities		**380,851**	416,990
Total equity and liabilities		**1,571,894**	1,484,361

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

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

NOTES TO INTERIM FINANCIAL INFORMATION

1 General information

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

The Group is principally engaged in the provision of flexible staffing services, professional recruitment services and other human resources ("**HR**") solutions services in the People's Republic of China (the "**PRC**"). The ultimate controlling parties of the Company are Mr. Zhang Jianguo, Mr. Zhang Feng and Ms. Zhang Jianmei.

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

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

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

2 Basis of preparation

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

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

3 Accounting policies

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

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

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

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

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

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

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

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

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

4 Segment information and revenue

(a) Description of segments and principal activities

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

Flexible staffing

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

Professional recruitment

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

Other HR solutions

The Group provides other human resource solutions such as business process outsourcing ("**BPO**"), corporate training and labour dispatch.

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

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

(b) Segment results and other information

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

	Six months ended 30 June 2020			
	Flexible staffing	**Professional recruitment**	**Other HR solutions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***
Segment revenue	**1,112,248**	**19,084**	**64,240**	**1,195,572**
Segment gross profit	**79,033**	**3,840**	**16,837**	**99,710**
Unallocated:				
Selling and marketing expenses				**(18,625)**
Research and development expenses				**(5,928)**
Administrative expenses				**(33,794)**
Other income *(Note 5)*				**9,531**
Other gains, net *(Note 6)*				**8,715**
Net impairment losses on financial assets				**(7,023)**
Finance income, net *(Note 7)*				**7,699**
Profit before income tax				**60,285**
Income tax expense *(Note 8)*				**(7,266)**
Profit for the period				**53,019**

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

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

(c) Segment assets and segment liabilities

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

(d) Disaggregation of revenue from contracts with customers

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

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

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

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

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

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

5 Other income

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

6 Other gains, net

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

7 Finance income and costs

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

8 Income tax expense

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

No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended 30 June 2020 and 2019.

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

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

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

9 Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

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

(b) Diluted earnings/(loss) per share

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

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

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

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

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

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

10 Financial instruments by category

The Group held the following financial instruments:

Financial assets

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

Financial liabilities

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

(i) As at 30 June 2020, the Group held certain investments in corporate bonds of approximately RMB67,464,000 (31 December 2019: nil), which will be due within one year. For the six months ended 30 June 2020, interest income with an amount of approximately RMB743,000 (six months ended 30 June 2019: nil) was recognised in profit or loss as part of finance income (Note 7), and fair value gains with an amount of approximately RMB74,000 (six months ended 30 June 2019: nil) were recognised through other comprehensive income.

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

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

11 Trade and notes receivables

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

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

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

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

Impairment and risk exposure

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

12 Trade and other payables

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

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

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

	As at 30 June 2020 ***RMB'000*** ***(Unaudited)***	As at 31 December 2019 *RMB'000* *(Audited)*
Trade payables		
– Within 6 months	**12,710**	9,996
– 7 months to 12 months	**3,006**	3,500
– 1 year to 2 years	**611**	—
	16,327	13,496

13 Dividends

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

14 Events occurring after the reporting period

In July 2020, the Company repurchased 1,303,500 of its own shares through the trustee for the purpose of the post-IPO share award scheme (the "**Post-IPO Share Award Scheme**") from the open market. The total amount paid to acquire these shares was approximately Hong Kong dollars ("**HKD**" or "**HK$**") 39,834,000 (equivalent to approximately RMB36,028,000) and were deducted from shareholders' equity.

MARKET REVIEW

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

BUSINESS REVIEW

The number of our flexible staffing employees increased from 25,118 as at 31 December 2019 to 28,257 as at 30 June 2020, representing an increase of 8,101 or a growth rate of approximately 40.2% as compared to 20,156 as at 30 June 2019. We recruited a total of 24,499 employees for all of the Group's business segments for the first half of 2020, representing a decrease of approximately 32.6% in our total number of employees recruited as compared to 36,338 employees recruited for the first half of 2019.

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

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

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

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

Flexible Staffing

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

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

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

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

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

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

Notes:

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

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

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

Professional Recruitment

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

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

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

Other HR Solutions

BPO

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

Corporate Training

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

Labour Dispatch Services

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

Other Miscellaneous Services

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

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

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

(a) Optimisation of existing systems and platforms:

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

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

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

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

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

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

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

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

Our Suppliers

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

Human Resources

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

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

Notes:

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of Revenue

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Selling and Marketing Expenses

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

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

R&D Expenses

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

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

Administrative Expenses

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

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

Other Income

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

Other Gains, Net

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

Net Impairment Losses on Financial Assets

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

Operating Profit

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

Finance Income

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

Finance Costs

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

Fair Value Losses on Hybrid Financial Instruments

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

Profit/Loss before Income Tax

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

Profit/Loss for the Period

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

Non-HKFRS Measures

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

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

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

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

Net Current Assets

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

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

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

Trade and Notes Receivables

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

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

Notes:

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

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

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

Prepayments, Deposits and Other Receivables

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

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

Financial Assets at Fair Value through Other Comprehensive Income

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

Financial Assets at Fair Value through Profit or Loss

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

Property, Plant and Equipment

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

Other Non-current Assets

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

Deferred Income Tax Assets

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

KEY FINANCIAL RATIOS

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

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

	30 June 2020	31 December 2019	31 December 2018
Current ratio (times)	**4.4**	3.8	1.2

Notes:

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

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

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

Net Profit/Adjusted Net Profit

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

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

Net Profit Margin/Adjusted Net Profit Margin

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

Current Ratio

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

Liquidity and Capital Resources

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

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

CASH FLOWS

Net Cash Generated from Operating Activities

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

Net Cash Used in Investing Activities

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

Net Cash Generated from/(Used in) Financing Activities

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

CAPITAL STRUCTURE

Indebtedness

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

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

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

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

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

CAPITAL EXPENDITURE

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

OUTLOOK AND FUTURE STRATEGIES

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

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

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

Focusing on Serving New Economy Companies and Large Clients Strategies

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

Expanding Industry Coverage and Geographical Support Network of Our Customer Service

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

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

Strengthening the Introduction and Training of Outstanding Talents

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

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

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

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

Upgrading Our Existing Integrated HR Ecosystem

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

Further Expanding the Scale of BPO Services

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

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

Establish Source of Talents through Integration of Industry and Education

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

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

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

FUTURE PLANS ON SIGNIFICANT INVESTMENTS

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

USE OF NET PROCEEDS FROM THE LISTING

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

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

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

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Board is committed to maintaining a high level of corporate governance. The Board believes that a high level of corporate governance is essential in providing a framework for the Company to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

On 6 July, 7 July, 9 July and 13 July 2020, the Trustee, via a limited liability company established by the Trustee to hold the trust fund of the Trust, purchased in aggregate 1,303,500 Shares on the market for the purpose of the Post-IPO Share Award Scheme at a total consideration (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) of approximately HK$39.8 million (equivalent to approximately RMB36.0 million).

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.renruihr.com). The interim report of the Company for the six months ended 30 June 2020 containing all information required by the Listing Rules will be dispatched to the Shareholders and published on the same websites in due course.

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

The PRC, 26 August 2020

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