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Tongdao Liepin Group

同道獵聘集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6100)

KEY FINANCIAL AND PERFORMANCE INDICATORS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

To enable shareholders, investors and the general public to better appraise the operational performance of the Group, the board of directors (the “**Board**”) of Tongdao Liepin Group (the “**Company**” together with its subsidiaries, the “**Group**”, “**we**” or “**us**”) announces certain selected unaudited key financial and performance indicators of the Group for the first quarter of 2023.

The key unaudited financial data during the first quarter of 2023 was set out as follows:

- Revenue primarily generated from providing talent acquisition and other Human Resource (“**HR**”) services to our business customers and providing talent development services to individual users was RMB503.2 million in the first quarter of 2023, a 22.4% decrease from RMB648.6 million in the first quarter of 2022.
- Gross profit was RMB382.7 million in the first quarter of 2023, a 26.4% decrease from RMB519.7 million in the first quarter of 2022.
- Net loss was RMB48.3 million in the first quarter of 2023, compared to a net profit of RMB13.2 million in the first quarter of 2022. Net loss attributable to equity shareholders of the Company was RMB42.4 million in the first quarter of 2023, compared to RMB3.7 million in the first quarter of 2022.
- Non-GAAP operating loss of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB16.0 million in the first quarter of 2023, compared to a non-GAAP operating profit of RMB56.1 million in the first quarter of 2022.

**FINANCIAL DATA (EXTRACTED FROM FINANCIAL RECORDS
PREPARED IN ACCORDANCE WITH “INTERNATIONAL FINANCIAL
REPORTING STANDARDS” (THE “IFRS”) AND “HONG KONG
FINANCIAL REPORTING STANDARDS”)**

**Consolidated statement of profit or loss
for the three months ended 31 March 2023 — unaudited**
(Expressed in RMB)

	Three months ended	
	31 March	
	2023	2022
	RMB'000	RMB'000
Revenue	503,164	648,649
Cost of revenue	<u>(120,462)</u>	<u>(128,998)</u>
Gross profit	382,702	519,651
Other income	28,863	23,041
Sales and marketing expenses	(278,011)	(349,492)
General and administrative expenses	(81,664)	(75,857)
Research and development expenses	(88,530)	(89,900)
(Loss)/Profit from operations	(36,640)	27,443
Finance cost	(7,147)	(3,817)
Share of results of associates	249	69
(Loss)/Profit before taxation	(43,538)	23,695
Income tax	(4,731)	(10,520)
(Loss)/Profit for the period	<u>(48,269)</u>	<u>13,175</u>
Attributable to:		
— Equity shareholders of the Company	(42,383)	(3,720)
— Non-controlling interests	(5,886)	16,895
(Loss)/Profit for the period	<u>(48,269)</u>	<u>13,175</u>

**Consolidated statement of profit or loss and other comprehensive income
for the three months ended 31 March 2023 — unaudited**
(Expressed in RMB)

	Three months ended	
	31 March	
	2023	2022
	RMB'000	RMB'000
(Loss)/Profit for the period	(48,269)	13,175
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas group entities	<u>(21,488)</u>	<u>(5,941)</u>
Other comprehensive income for the period	<u>(21,488)</u>	<u>(5,941)</u>
Total comprehensive income for the period	<u>(69,757)</u>	<u>7,234</u>
Attributable to:		
Equity shareholders of the Company	<u>(63,871)</u>	<u>(9,661)</u>
Non-controlling interests	<u>(5,886)</u>	<u>16,895</u>
Total comprehensive income for the period	<u>(69,757)</u>	<u>7,234</u>

Consolidated statement of financial position as at 31 March 2023 — unaudited*(Expressed in RMB)*

	31 March 2023 RMB'000	31 December 2022 RMB'000
Non-current assets		
Property, plant and equipment	218,634	233,116
Investment properties	23,687	23,945
Intangible assets	120,117	125,427
Goodwill	855,651	855,651
Interests in associate	9,257	9,009
Other financial assets	195,107	195,479
Deferred tax assets	16,984	17,577
Other non-current assets	12,117	12,205
Time deposits with banks	212,321	233,287
	1,663,875	1,705,696
Current assets		
Trade receivables	184,275	160,730
Prepayments and other receivables	150,220	110,583
Receivables from related parties	2,201	2,237
Other current assets	489,482	801,351
Time deposits with banks	1,704,623	1,667,132
Cash and cash equivalents	383,406	476,481
	2,914,207	3,218,514
Current liabilities		
Trade and other payables	381,571	542,658
Contract liabilities	819,272	829,204
Interest-bearing borrowings	20,666	8,710
Lease liabilities	67,171	64,682
Current taxation	6,435	9,173
	1,295,115	1,454,427

Consolidated statement of financial position as at 31 March 2023 — unaudited
(continued)
(Expressed in RMB)

	31 March 2023 RMB'000	31 December 2022 RMB'000
Net current assets	<u>1,619,092</u>	<u>1,764,087</u>
Total assets less current liabilities	<u>3,282,967</u>	<u>3,469,783</u>
Non-current liabilities		
Lease liabilities	98,677	104,773
Deferred tax liabilities	<u>18,126</u>	<u>18,848</u>
	<u>116,803</u>	<u>123,621</u>
NET ASSETS	<u><u>3,166,164</u></u>	<u><u>3,346,162</u></u>
CAPITAL AND RESERVES		
Share capital	342	342
Reserves	<u>2,913,677</u>	<u>3,074,098</u>
Total equity attributable to equity shareholders of the Company	<u>2,914,019</u>	<u>3,074,440</u>
Non-controlling interests	<u>252,145</u>	<u>271,722</u>
TOTAL EQUITY	<u><u>3,166,164</u></u>	<u><u>3,346,162</u></u>

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated results of the Group for the three months ended 31 March 2023 prepared in accordance with the IFRS and to enable the shareholders of the Company and potential investors to make an informed assessment of the Group's performance, the non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortization of intangible assets resulting from acquisition) has been presented in this announcement.

These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with the IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies. The Company's management believes that these non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash and one-off items.

	For the three months ended	
	31 March	
	2023	2022
	(unaudited)	(unaudited)
	RMB'000	RMB'000
(Loss)/Profit from Operations	(36,640)	27,443
Share-based compensation expenses	16,010	16,505
Amortization of intangible assets resulting from acquisition	4,630	12,170
Non-GAAP (Loss)/Profit from Operations	(16,000)	56,118

BUSINESS DATA

The table below summarizes the key operating metrics of the Company as of the dates indicated.

	As of 31 March 2023	2022	Year-on-year change
Individual Users			
Number of registered individual users (<i>in millions</i>)	87.3	76.9	13.6%
Business Users			
Number of verified business users	1,175,433	1,045,468	12.4%
Headhunters			
Number of verified headhunters	215,845	204,544	5.5%

BUSINESS REVIEW AND OUTLOOK

Market Review

In 2023, China has entered a period of economic recovery, and the market confidence and economic performance showed signs of revitalization, but the overall recovery was still in early stages. As the April meeting of the Political Bureau of the CPC Central Committee mentioned, “Currently, the improvement in economic operations is primarily restorative. However, the endogenous driver is not yet robust, and the demand remains insufficient”. In terms of the recruitment market, while the overall recruitment demand in the first quarter of 2023 saw an improvement comparing to the previous quarter, the job market was in the progress of consolidation. Although the national urban surveyed unemployment rate slightly decreased in March 2023 on a quarter-on-quarter basis, the youth unemployment rate remained high, and there is still an obvious structural mismatch in the job market. On the other hand, some industries benefiting from the resumption of offline activities are rapidly recovering, and the marginal rebound in labor demand is also prominent. At the same time, the rapid development of technologies, such as artificial intelligence (AI), will also bring new development opportunities to many industries, including human resources.

Although the overall macroeconomic situation shows a mild recovery trend, with China’s more determined efforts to promote industrial upgrading, industries such as new energy, high-end manufacturing and AI continue to develop rapidly, driving a rising demand for experienced and high-end talents in related fields. These industries have seen significant growth in the number of new job postings on our platform during the first quarter of

2023 and have gradually become our advantageous fields with our key focus. Meantime, local governments and state-owned enterprises have persistently ramped up their talent recruitment efforts this year, particularly focusing on policy-supported emerging industries and hiring young talents. Based on the ten-years' accumulation of a high-quality talent pool, optimization of our precise matching algorithms and expansion of industry coverage, we are well-positioned to support talent construction for all types of enterprises and are confident in contributing to the national industrial transformation by providing comprehensive and high-quality talent services under the principle of “strengthening the nation through human resource development.”

Business Review

Overall Performance and Highlights

During the first quarter of 2023, we continued to promote business development despite the challenging market environment. The operations of many companies were affected by the prevalence of the pandemic and the Spring Festival holidays at the beginning of the year, and recruitment activities were suspended accordingly. Nonetheless, recruitment activities and demand gradually recovered after the resumption of normal business operations and market activities since February 2023. The number of our verified business users increased from 1,045,468 as of 31 March 2022 to 1,175,433 as of 31 March 2023, representing a year-on-year increase of 12.4%.

In terms of our revenue recognition, our core talent acquisition business mainly comprises pre-paid subscription-based products, and the cash billings in advance therefrom will be recognized as revenue based on customers' actual consumption during the contract period. Therefore, our revenue performance will be deferred compared to our actual business performance. Furthermore, the market remained in the early stages of recovery in the first quarter of 2023, and the recruitment needs of business customers were not yet fully recovered. The above factors resulted in a year-on-year decrease in revenue recognized by the Company in the same period. For the three months ended 31 March 2023, our revenue and gross profit amounted to approximately RMB503.2 million and RMB382.7 million, respectively. This represents a year-on-year decrease of 22.4% and 26.4%, respectively. The revenue generated from providing talent acquisition services and other HR services to our business customers during the same period was RMB451.8 million, compared to RMB551.4 million generated in 2022, representing a year-on-year decrease of 18.1%.

In terms of our individual users, the number of registered individual users increased from 76.9 million as of 31 March 2022, to 87.3 million as of 31 March 2023, representing a year-on-year increase of 13.6%. For the three months ended 31 March 2023, revenue generated from providing talent development services to individual users was RMB51.0 million (compared with RMB96.8 million generated during the same period in 2022), mainly due to the yet-to-be-recovered consumption willingness.

Our non-GAAP loss from operations in the first three months of 2023 was RMB16.0 million. The worsened profitability is mainly attributable to the decrease in profits due to lowered revenue and relatively stable necessary expenses and costs. Meantime, additional marketing resources related to the one-off marketing campaign during the 2022 World Cup have been consumed and recognized as expenses during the first quarter of 2023.

Talent Acquisition Services and Other HR Services

Amidst an uncertain market environment, we are still dedicated to pursuing high-quality development and exploring new business opportunities. With regards to our core talent acquisition services, alongside the continuous efforts in expanding into emerging industries with rapid growth, policy supports, and fund inflow, we are also increasingly seeking partnerships with local governments and state-owned enterprises to develop industrial parks and host specialized recruitment events. In order to achieve a smoother recruitment process and a more user friendly experience, we launched a recruitment Software-as-a-Service (SaaS) sub-product tailored specifically for use in industrial parks administered by the governments during the first quarter of 2023. This sub-product is designed to help coordinate and manage recruitment resources among all participating enterprises within the industrial parks, laying the foundation for more comprehensive collaboration in the future.

With regards to our more widely used SaaS product, Liepin Pro, we have also made several product and technology upgrades to support more convenient user registration, wider product usage, more active platform interactions, and higher coverage of successful matchings. Through the implementation of a more intelligent traffic distribution mechanism, we provide more satisfying results for different types of positions as well as enterprises and individual users with more precise and personalized matching. Additionally, we optimized our online enterprise authentication process in the first quarter, incorporating more user-friendly authentication methods that addressed common pain points encountered during enterprise authentication. As a result, our platform's overall authentication pass rate increased by approximately 30%, providing seamless product using experience and services as enterprises recover and unleash their hiring demands. Last of all, we have been strengthening our AI algorithms in fields such as job description generation, false data detection, and information ranking, in an effort to generate more comprehensive data input and establish more accurate and effective matching algorithms.

The other HR services offered by our Group have sustained a relatively stable business development. (1) Our online survey business has maintained its national market leadership, with both the number of survey samples collected and distributed ranking first in the industry. As the survey SaaS business continued its rapid growth, we are also continuously exploring new opportunities brought by cutting-edge technologies such as large language models for survey services, leading product innovation with technology upgrades. (2) In terms of flexible staffing business, with the resumption of offline activities, the demand for flexible staffing is on the rise, especially in industries that were significantly impacted during the pandemic, such as urban services. The rebound has brought new vitality to the flexible staffing business. In our Company, we remain vigilant in following market trends. We focus on utilizing technology to optimize personnel allocation and management, and prioritizing project quality and service efficiency. We are committed to achieving sustainable growth for our flexible staffing businesses in the long run. (3) Finally, training and assessment services remain an essential element of the human service industrial chain. Therefore, we provide customized professional training content for business customers, providing tailored product sets that cater to their needs and requirements.

Talent Development

The first quarter of 2023 marks an surge in both our user registration and user activity. Particularly in February 2023, we witnessed a year-on-year increase of 48.1% in the registration of individual users on our platform, achieving a historical high. This growth can be attributed to the combined effects of the post-pandemic recovery and the peak job-seeking season at the start of the year. It is also worth mentioning that the completeness and richness of information provided by our newly registered users continue to enhance, a testament to their trust in our platform and intelligent product upgrades. This further demonstrates that our platform is evolving to provide a seamless user experience that resonates with talents.

As we continue to attract new users to our platform, we have paid close attention to the importance of maintaining the engagement and activity levels of our existing users. In the first quarter of the year, we dedicated significant efforts towards updating our outreach system and enhancing our recall channels. We also worked on improving the recall scenarios and enriching the materials available to our users, and tailored our precision user recall strategies to address the diverse profiles of our users, all while maintaining the integrity of the user experience. Thanks to these efforts, our platform's monthly active users experienced a remarkable, year-on-year increase of 21.7% in the first quarter of 2023. This data suggests that our focus towards optimizing our user recall and re-engagement strategies has paid off, and we will keep building and improving our platform to better serve our users.

On the other hand, although there was an increase in job-seeking sentiment and activity level among our users in the first quarter of 2023, their willingness and capability to consume are still in the process of slow recovery. As a result, the willingness to invest in the promotion of career development and the improvement of vocational skills remains low. Despite this, we remain committed to closely monitoring market trends and seizing opportunities that arise during the ongoing recovery. As the market recovery trend becomes increasingly apparent, we are confident that our dedication to delivering quality services to our users will position us for long-term success. We will strive to continuously refine and perfect our business development strategies to thrive in the current landscape while creating a foundation for future growth.

Strategic Updates

As the recruitment market sentiment continues to recover and gather steam, we expect to see more industries unleashing recruitment demand gradually, and the supply and demand ratio of positions and talents will also reach a healthier level. During market recovery, we will strive for stable renewals of our existing customers and accelerated coverage of new customers, seizing opportunities while the recruitment market recovers, and providing high-quality talent services for more enterprises.

As a leading player in the mid-to high-end recruitment market, we recognize the importance of a good ecosystem in serving this market. Over the past decade, we have been working tirelessly to enhance our ecological system for enterprises, headhunters, and talents. We have continuously strengthened our BHC model and resources to fully activate passive job-seekers on our platform and supplement job positions, thereby attracting more individual users to make active interactions. This, in turn, drives more enterprises to manage their recruitment processes through various functions of our products.

Based on a mutually beneficial three-party ecosystem, we established transactional closed-loop products assisted by headhunters in the early years. With these products, we extended our services to more complex nodes along the recruitment chain, enhancing the efficiency of the entire recruitment process. Building on years of experience and operational optimization, we continue to explore business models that can further help the headhunting industry improve operational and matching efficiency. This year, we will further strengthen deep cooperation with hunting enterprises through more closed-loop systems, more reasonable business process decomposition, and more refined process management. Our aim is to achieve better matching results and higher matching efficiency for the headhunting industry. By combining cutting-edge technologies, we look forward to initiating a revolutionary product upgrade and opening up greater market space for our future business development.

CAUTION STATEMENT

The Board wishes to remind shareholders of the Company and investors that the above financial and business data are based on the Group's internal records and management accounts and have not been reviewed or audited by the auditors. The Company's shareholders and investors are cautioned not to unduly rely on such data. In the meantime, the Company's shareholders and investors are advised to exercise caution in dealing in the securities of the Company.

Any forward-looking statements contained herein are not guaranteed of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Group and are difficult to predict, that will or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Therefore, such information is provided to shareholders and potential investors as interim information for reference only. The data shown above do not constitute nor should they be construed as invitations or offers to buy or sell any securities or financial instruments of the Group. Nor are they intended as the offer of any investment services or advices. Shareholders of the Company and investors are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.

By Order of the Board
Tongdao Liepin Group
Dai Kebin
Chairman

PRC, 28 May 2023

As at the date of this announcement, the Board of Directors of the Company comprises Mr. DAI Kebin and Mr. CHEN Xingmao as executive Directors; Mr. SHAO Yibo as non-executive Director; and Mr. YE Yaming, Mr. ZHANG Ximeng and Mr. CHOI Onward as independent non-executive Directors.