

---

## INDUSTRY OVERVIEW

---

*The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications, and from the market research report prepared by China Insights Industry Consultancy Limited, which was commissioned by us. We believe that the information has been derived from appropriate sources such as CIC’s database, publicly available information sources, industry reports, and other sources. We believe that we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, or any of our or their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party involved in the, and no representation is given as to the completeness, accuracy, or fairness of such information. Accordingly, such information should not be unduly relied upon.*

### SOURCES OF INFORMATION

We commissioned China Insights Industry Consultancy Limited (CIC), an independent market research consulting firm that is principally engaged in the provision of market research consultancy services, to conduct a detailed study of the human resource service markets in China.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the human resource service markets in China. Primary research involved discussing the status of the industry with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports, and available data based on CIC’s own research database.

The CIC Report was compiled and the expected growth in China’s human resource service market was estimated based on the following assumptions and factors: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) the Chinese economy is expected to grow steadily during the forecast period, and (iii) there will be no extreme unforeseen events, including regulations and government policies, which may materially affect the market during the forecast period. The reliability of the CIC Report may be affected by the accuracy of the foregoing assumptions and factors. For the avoidance of doubt, impacts of the COVID-19 outbreak have been taken into account when compiling information in the CIC Report.

CIC is an independent market research and consulting firm. We have agreed to pay a fee of US\$95,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed “Summary”, “Risk Factors”, “Business”, “Financial Information”, and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate.

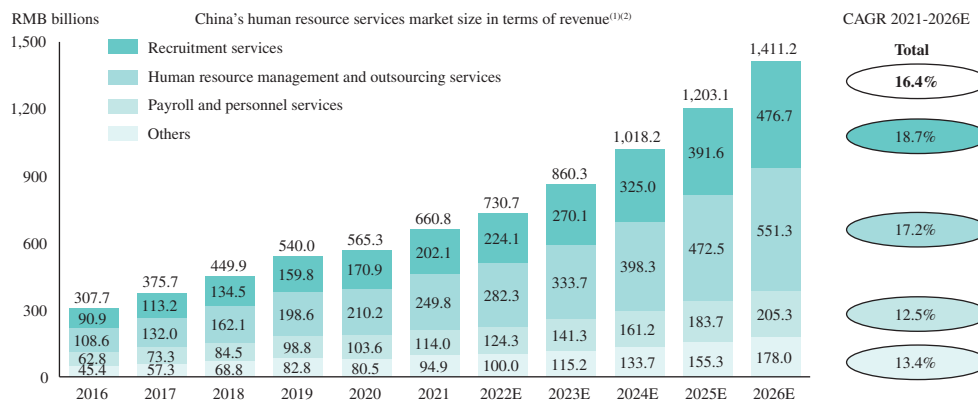
## INDUSTRY OVERVIEW

### MASSIVE AND FAST-GROWING HUMAN RESOURCE SERVICES MARKET IN CHINA

Human resource services market in China can be categorized into four segments: recruitment services, human resource management and outsourcing services, payroll and personnel services, and others. Recruitment services refer to online and offline talent acquisition solutions which help connect recruiters and job seekers, and facilitate the hiring process. Human resource management and outsourcing services include flexible employment, business process outsourcing, and labor dispatch services. Payroll and personnel services include personnel management, and payroll and benefits outsourcing services. Others include talent training and development, human resource information system, human resource consulting, etc.

China’s human resource services market size in terms of revenue reached approximately RMB660.8 billion in 2021, and is expected to continue to grow to reach approximately RMB1,411.2 billion by 2026, representing a CAGR of 16.4% between 2021 and 2026. China’s human resource services market is still at the early stage of development compared with the developed markets, presenting significant growth potential. The human resource services market size as percentage of nominal GDP in China was 0.6% in 2021, lower than that of 1.8% in the UK, 1.7% in Japan, and 0.9% in the US, according to the CIC Report, National Bureau of Statistics, and International Monetary Fund. The human resource services market size as percentage of nominal GDP in both China and these developed markets are expected to see an increase in the next five years.

#### Fast-growing human resource services market in China



Source: CIC Report

Notes:

- Revenues do not include cash flow generated from salary and social insurance collections in the personnel management, payroll and benefits outsourcing, or labor dispatch business. Only service premiums are included. In the flexible employment business, service providers enter into labor contracts with talents, and thus labor costs and service premium received from customers are included in the revenue calculation.
- Human resource services market excludes the gig job platform market.

## INDUSTRY OVERVIEW

The following factors are and will continue to be the major drivers of the fast-growing human resource services market in China.

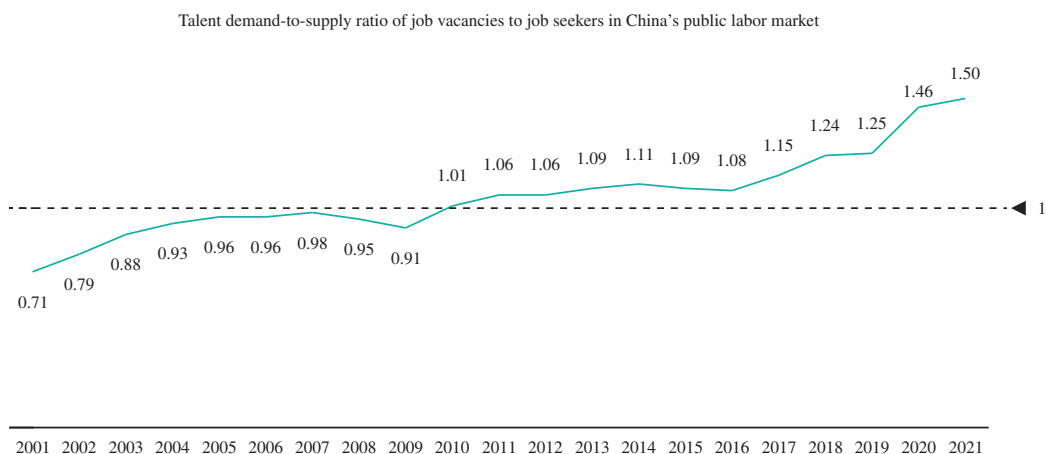
- The number of private sector companies in China increased from 8.5 million in 2010 to 44.6 million in 2021, according to the National Bureau of Statistics and the State Administration for Market Regulation.
- Enterprises in China are facing increasingly fierce competition and higher operational cost, while focusing on business expansion in a growing economy. Therefore, more enterprises are seeking cost effective, efficient, and flexible human resource service solutions which help them improve efficiency and focus on core competencies.
- Favorable government policies and increasing public expenditure on human resources promote the sustainable development of the market.

### EVOLVING RECRUITMENT SERVICES MARKET IN CHINA

Recruitment services market is a major segment of China’s human resource services market, and sits in the upstream of the human resource services value chain. It is also the fastest-growing segment in China’s human resource services market between 2021 and 2026. The size of the recruitment services market in China totaled approximately RMB202.1 billion in 2021 in terms of revenue, and is expected to reach approximately RMB476.7 billion in 2026, representing a CAGR of 18.7% between 2021 and 2026. The growth of the recruitment services market in China is primarily driven by the following factors:

- The growth of China’s economy has outpaced the growth in labor supply. As a result, recruitment has become more difficult and expensive, creating critical opportunities for recruitment services market.

#### Talent demand outstripping supply in China



Source: MOHRSS (Ministry of Human Resources and Social Security of PRC), CIC Report

---

## INDUSTRY OVERVIEW

---

- China’s urbanization rate grew from approximately 50% in 2010 to over 60% in 2021, and is expected to increase to approximately 70% by 2030, according to the CIC Report and National Bureau of Statistics. The ongoing urbanization changes the mix of labor forces structurally, and generates great demands for urban labor forces, especially blue-collar workers in the tertiary sector and white-collar workers.
- The job-switching frequency for non-farm employees continues to increase. The average job-switching frequency for non-farm employees in China is expected to increase from 1.9 times per year in 2021 to 2.1 times per year in 2026.
- Third-party recruitment service vendors provide enterprises with higher flexibility, lower costs, more professional services and broader resources. Enterprises are increasingly turning to recruitment service providers for higher recruitment efficiency.
- Digitalization of recruitment industry meets the enterprises’ demands for being more efficient, cost-effective and user-friendly solutions. The application of technologies, such as artificial intelligence and big data analytics improves the recruitment efficiency.

China’s recruitment services market can be divided into online and offline recruitment markets. Online recruitment refers to the recruitment process in which job seekers and recruiters obtain recruitment information via third-party job websites, mobile applications or mini programs. For offline recruitment, candidates learn about job opportunities primarily through offline events or offline contacts made by recruiting agencies such as headhunting firms and recruitment process outsourcing agencies.

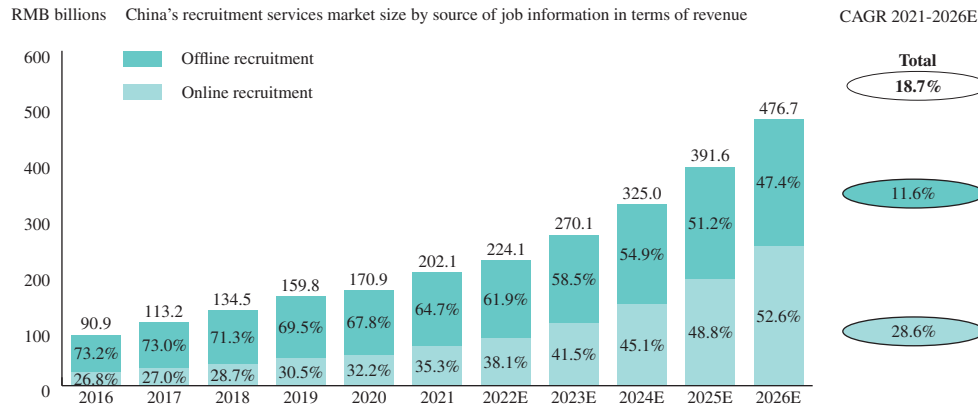
Similar to other industries that are reshaped by the development of mobile internet, the recruitment services market has been gradually moving online. Online recruitment provides a more efficient, cost-effective and user-friendly job hunting and recruiting process. The number of mobile internet users in China increased from 302.7 million in 2010 to 1,028.7 million in 2021, with a CAGR of 11.8% for the same period, according to the CNNIC. The wide adoption of mobile internet has further accelerated the digitalization across the recruitment value chain.

### THE FLOURISHING ONLINE RECRUITMENT MARKET IN CHINA

With job seekers and employers increasingly embarking their job hunting and recruitment journeys online, China’s online recruitment market’s size in terms of revenue is expected to increase from RMB71.4 billion in 2021 to RMB250.8 billion in 2026, representing a CAGR of 28.6% between 2021 and 2026. During the same period, the contribution of online recruitment to the total market size is estimated to increase from approximately 35.3% in 2021 to approximately 52.6% in 2026.

## INDUSTRY OVERVIEW

### China’s online recruitment market outpaces the overall recruitment services market



Source: CIC Report

Note: The online recruitment market size excludes revenue generated from job seekers.

Compared with the developed markets like the U.S., the online recruitment market in China is at an early stage of development. According to the CIC Report, the online recruitment penetration rate for job seekers was approximately 20.3% in China, approximately half of that of the U.S. market in 2021, indicating a significant growth potential.

### Emergence of direct recruitment model

Service providers in China’s online recruitment market primarily include online recruitment platforms, online classifieds, and online portals offered by recruiting agencies. Online recruitment platforms are defined as online marketplaces that focus on talents and jobs matching.

The traditional resume-centric and search-based model cannot fully fulfil users’ needs for a convenient and efficient recruitment process.

- Resume-centric. Job seekers upload resumes to online recruitment platforms, and recruiters then download resumes based on their search results before they contact job seekers for interviews. The recruitment process is characterized by massive resume downloading and one-way communication.
- Search-based. Job seekers and recruiters have to manually conduct job or candidate searches by entering keywords and screening for relevant information. It also requires job seekers and recruiters to have a deep and precise understanding of the type of job or candidate they are looking for.

## INDUSTRY OVERVIEW

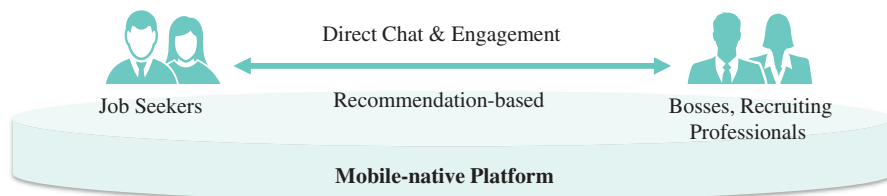
In addition, the traditional model is characterized by an uneven traffic distribution where the online traffic is heavily tilted towards large enterprises and top job seekers. SMEs and many average job seekers therefore receive insufficient exposures, while top job seekers and large enterprises may be distracted by too many reach-outs.

The surge of mobile internet enables the transition of online recruitment service from desktop to mobile, which is a more hospitable environment for direct chatting functionality. BOSS Zhipin is the first to introduce the direct recruitment model at scale among online recruitment platforms in China.

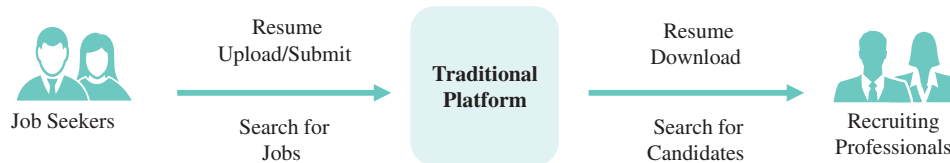
In contrast to the traditional resume centric and search-based model, the direct recruitment model features (i) mobile-native product design, (ii) direct chat between job seekers and recruiters, and resume delivery upon mutual consent, and (iii) algorithm-powered recommendation system. The direct recruitment model propels meaningful interaction between job seekers and recruiters, and as a result, delivers better user experience and high job hunting and recruitment efficiency.

### Comparison of direct recruitment model and traditional resume centric, search-based model

#### Direct Recruitment Model



#### Traditional Model



### *China's online recruitment market continues to expand for all types of job seekers*

By 2021, the population of white-collar workers, blue-collar workers and gold-collar workers in China reached approximately 168.3 million, 395.5 million and 12.0 million respectively. White-collar workers and gold-collar workers refer to people who perform professional, desk, managerial, or administrative work, among which gold-collar workers earn an annual salary above RMB250,000. Blue-collar workers usually refer to people who perform manual or service-related work in the secondary sectors such as manufacturing and construction industry and the tertiary sector such as accommodation and catering industry, and local life service industry.

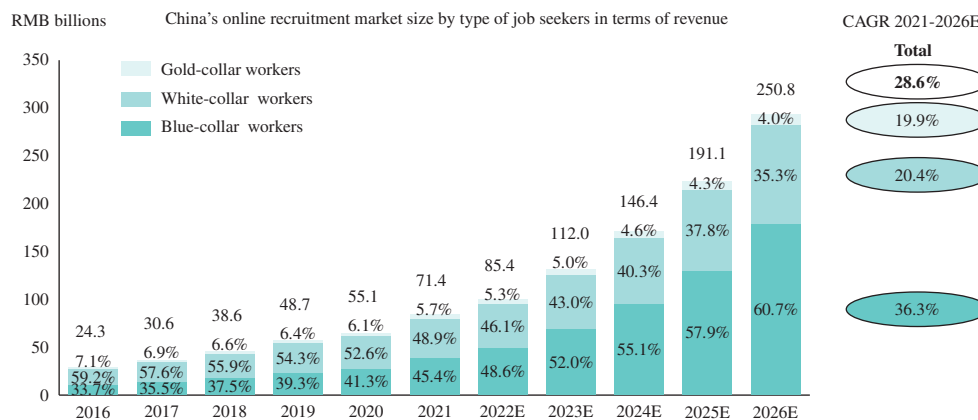
## INDUSTRY OVERVIEW

The recruitment market for white and gold-collar workers remain resilient with robust growth momentum. Employers recruiting white and gold-collar job seekers are also less cost sensitive and generally have higher requirement budget. In particular, white-collar workers, traditionally the largest user group for online recruitment, are still experiencing a rising service penetration rate, which is expected to grow from 53.7% in 2021 to 69.5% in 2026. The market size of China’s online recruitment for white-collar workers in terms of revenue is expected to increase to RMB88.4 billion in 2026, representing a CAGR of 20.4% between 2021 and 2026.

Blue-collar recruitment is a market with massive opportunities. Blue-collar workers feature a larger population base, higher job-switching frequency, and higher growth potential for the penetration of recruitment services. In the past, blue-collar workers in China conduct job hunting mainly through referrals by acquaintances or walk-ins, which resulted in asymmetry and limitation in recruitment information. Blue-collar workers value the authenticity of and easy access to job information, abundant opportunities, and immediate feedback provided by employers when they look for a new job, while recruiters of blue-collar jobs are usually cost sensitive.

Urbanization has brought structural changes that create even more growth opportunities for blue-collar online recruitment. The online recruitment penetration rate for blue-collar workers in China is estimated to grow from 15.6% in 2021 to 35.5% in 2026. Meanwhile, the market size of China’s online recruitment for blue-collar workers in terms of revenue is expected to reach RMB152.4 billion in 2026, representing a CAGR of 36.3% between 2021 and 2026, outgrowing the overall online recruitment market.

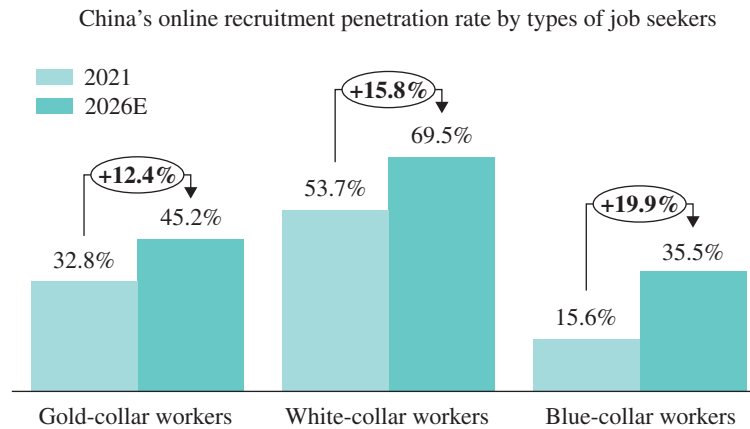
### Strong growth among all groups within China’s online recruitment market



Source: CIC Report

## INDUSTRY OVERVIEW

### Increasing penetration for all groups, while blue-collar job seekers have highest growth potential



Source: CIC Report

Note: The online recruitment penetration rate for job seekers refers to the percentage of job changes in which the job seekers provide complete personal information and obtain job information online (i.e., via third-party job websites, mobile applications or mini programs).

### High growth potential in online penetration among employers

The number of enterprises in China, according to the State Administration for Market Regulation, increased from approximately 26.0 million in 2016 to approximately 48.4 million in 2021, representing a CAGR of 13.3% between 2016 and 2021. As a result of China's rapid economic growth and the increasing disparity between supply and demand in the labor markets, offline recruitment service providers are typically less efficient, while online recruitment service providers significantly improve the recruitment efficiency and reduce the recruitment cost through technology and innovation. According to the CIC Report, cost per hire for online recruitment was approximately one fifth of that for offline recruitment in 2021. Therefore, more and more businesses begin to turn to online recruitment platforms. COVID-19 also accelerated existing trends in bringing the recruitment process online and increased the market penetration of online recruitment platforms. The online recruitment penetration rate for enterprises in China is expected to continue to grow from 26.8% in 2021 to 39.0% in 2026. Penetration rates of online recruitment for large-sized, medium-sized, and small-sized enterprises were approximately 87.6%, 61.8% and 26.2% by 2021.

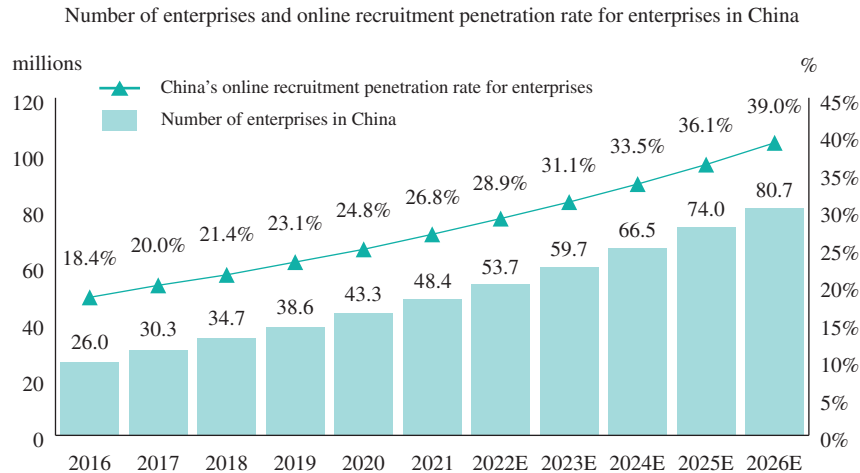
In addition to the wider adoption across enterprises for online recruitment services, the emerging direct recruitment model is SME-friendly and allows more managerial people to participate in the recruitment process early on. SMEs, as the largest segment of China's enterprises in terms of entity number, were historically underserved and have a massive demand for cost-effective talent acquisition services. With growing number of companies adopting flat organizational structures, more traditionally non-professional recruitment personnel are becoming recruitment decision makers, which creates significant incremental demand for efficient online recruitment services.



## INDUSTRY OVERVIEW

Leveraging industry knowhow developed in the online recruitment industry, recruitment platforms are also extending the services they provide along the recruitment value chain and into the broader human resource services market, thereby generating more cross-selling opportunities.

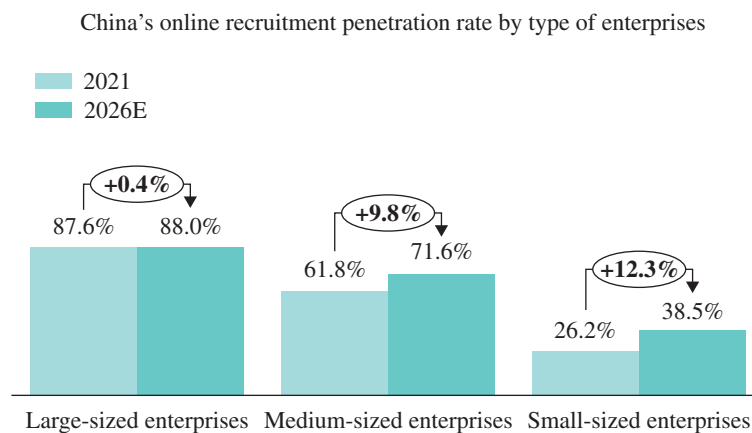
### Enterprises’ increasing adoption of online recruitment services in China



Source: State Administration for Market Regulation, CIC Report

Note: The online recruitment penetration rate for enterprises refers to the percentage of online recruitment users among the total number of enterprises, excluding individual businesses.

### Increasing penetration for all groups, while small-sized enterprises have highest growth potential



Source: CIC Report

Note: The online recruitment penetration rate for enterprises refers to the percentage of online recruitment users among the total number of enterprises, excluding individual businesses.

## INDUSTRY OVERVIEW

---

### FUTURE TRENDS OF ONLINE RECRUITMENT MARKET

*Incremental demand better supported by the direct recruitment model.* The new direct recruitment model has unleashed incremental online recruitment service demand from businesses. Players that have embraced this model are best positioned to capture such demand, thereby deepening their competitive moat and reinforcing their market leading position.

*Increasing emphasis on user privacy and authenticity of job postings.* As the current demand for talents exceeds the number of talents available in the job market in China, job seekers now have more bargaining power in the recruitment process. Online recruitment platforms thus increasingly focus on providing a more job-seeker-centric experience and ensuring the authenticity of the information posted and better protect user privacy.

*Increasing management engagement in recruitment.* Nowadays, more individuals within a company join the recruitment process, including executives or middle-level managers of large enterprises and SME and micro business owners, who are themselves supervisors. Their involvement simplifies the recruitment process, and allows candidates to directly communicate with the final decision-makers. Compared to recruiting professionals, the management team and supervisors can better and more effectively assess the candidates’ capabilities.

*Digitalization across the recruitment value chain.* Digitalization has led to new technology and created new mode of interaction between people, unlocking untapped potential in the recruitment value chain. Nowadays, many steps within the recruitment process are still carried out offline, presenting significant opportunities to digitalize the entire job hunting and recruitment process.

*Closed-loop and comprehensive service offerings.* Online recruitment service providers have been actively collaborating with other market participants, including headhunters and traditional agencies to enhance recruitment efficiency and provide a closed-loop recruitment service. Moreover, online recruitment service providers can provide ancillary human resource services such as flexible employment, payroll and benefits outsourcing, and talent training and development.

### ENTRY BARRIERS FOR THE ONLINE RECRUITMENT MARKET

*Large job seeker and employer user base.* The ability to develop a large job seeker and employer user base forms one of the key entry barriers to China’s online recruitment market. Recruitment platforms with large job seeker and employer user base can accumulate more talents with different career development goals, occupation inclination and job position preferences and employers offering diverse job opportunities. This enables the platform to expand its presence in more geographic areas, serve users from diverse industries, cover expansive recruitment scenarios and achieve high brand awareness. As the accumulation of job seekers and employers takes substantial time and investment, online recruitment platforms with large and active user base enjoy sustained competitive edge that help them stay ahead of the competition.

---

## INDUSTRY OVERVIEW

---

*Deep vertical industry know-how and expertise.* Accurate job and candidate matching is challenging given the complexity of job classification, continuous changes of the labor market and unique preferences of each individual job seeker and employer. Online recruitment platforms with profound understanding of the industry and industry participants can better collect and label data, train and iterate recommendation algorithm and design services and features that best tailor to user needs and help users increase job hunting and recruitment efficiency. Extensive know-how and expertise working with employers also provide online recruitment platforms with competitive advantages in designing mechanisms to verify job seeker and employer identity, protect user privacy, detect fraudulent information and prevent employer misconduct during the recruitment process.

*Robust technological capabilities.* Cutting-edge technologies such as cloud computing and big data analysis have been redefining the way online recruitment platforms provide job and candidate recommendation and encourage user interaction. For instance, online recruitment platforms with advanced data analytics and robust technical architecture can pick up tiny changes of preference demonstrated through each user’s interaction on the platform and provide more customized and accurate job and candidate matching recommendations. Enterprise users and job seekers are thus more inclined to use recruitment platforms with robust technological capabilities to enjoy a more efficient and fulfilling recruiting and job hunting experience. As technology has been playing an instrumental role in improving recruiting and job hunting efficiency, established players with leading technology capacity are best positioned to maintain competitive advantages.

*Cost-effective and highly efficient recruitment services.* Employers are increasingly looking for comprehensive recruitment solutions that can help them recruit talents in a cost-effective and efficient way. It is usually time consuming and costly for employers to post and promote jobs, source ideal candidate through a large candidate pool and communicate with desirable job seekers. Established players in the industry are better poised to make the hiring process more efficient and affordable leveraging large user base, advanced recommendation algorithm and deep industry know-how. The capability to deliver cost-effective and efficient recruitment services make it difficult for new entrants to enter the market.

## COMPETITIVE LANDSCAPE OF ONLINE RECRUITMENT MARKET

China’s online recruitment market remains fragmented. Market participants in China’s online recruitment market primarily include online recruitment platforms, online classifieds, and online portals offered by recruiting agencies.

The online recruitment platforms with a direct recruitment model are usually able to bring more interaction, higher hiring efficiency, and better user experience, so as to attract more users. As the pioneer of the direct recruitment model in China, we are the largest online recruitment platform in China in terms of average mobile MAU and market share in 2021 and the six months ended June 30, 2022.

## INDUSTRY OVERVIEW

Ranking	Platform	In 2021			In the Six Months Ended June 30, 2022		
		Average mobile MAU (in millions)	Average mobile DAU/Average mobile MAU	Market share in online recruitment industry <sup>(1)</sup>	Average mobile MAU (in millions)	Average mobile DAU/Average mobile MAU	Market share in online recruitment industry <sup>(1)</sup>
1	Our Company	27.1	26.7%	5.9%	25.9	27.8%	6.1%
2	Platform A <sup>(2)</sup>	14.0	18.0%	2.9%	19.8	20.5%	2.7%
3	Platform B <sup>(3)</sup>	10.9	18.5%	3.9%	16.7	19.5%	3.6%
4	Platform C <sup>(4)</sup>	6.4	19.7%	3.2%	7.4	20.6%	3.3%

Source: CIC Report

Notes:

- (1) Market share in terms of online recruitment revenue.
- (2) Platform A is a webpage-native online recruitment platform, that mainly provides online recruitment services and other HR services. It is owned by a private company incorporated in 1994 and headquartered in Beijing, China.
- (3) Platform B is a webpage-native online recruitment platform, that mainly provides online recruitment services and other HR services. It is owned by a private company incorporated in 1998 and headquartered in Shanghai, China.
- (4) Platform C is a webpage-native online recruitment platform, that mainly provides online recruitment services. It is owned by a Hong Kong-listed company incorporated in 2011 and headquartered in Beijing, China.