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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 2024

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**”, “**us**”, “**Liepin**”, or “**Liepin Group**”) announces certain selected unaudited key financial and performance indicators of the Group for the first quarter of 2024.

The key unaudited financial data during the first quarter of 2024 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 RMB470.8 million in the first quarter of 2024, a 6.4% decrease from RMB503.2 million in the first quarter of 2023.
- Gross profit was RMB365.2 million in the first quarter of 2024, a 4.6% decrease from RMB382.7 million in the first quarter of 2023.
- Net loss was RMB13.2 million in the first quarter of 2024, narrowed by 72.7% from a loss of RMB48.3 million in the first quarter of 2023. Net loss attributable to the equity shareholders of the Company was RMB10.1 million in the first quarter of 2024, narrowed by 76.2% from a loss of RMB42.4 million in the first quarter of 2023.
- Non-GAAP operating loss of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB1.5 million in the first quarter of 2024, narrowed by 90.8% from a loss of RMB16.0 million in the first quarter of 2023.

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

**Consolidated statement of profit or loss
for the three months ended 31 March 2024 — unaudited**
(Expressed in RMB)

	Three months ended 31 March	
	2024	2023
	RMB'000	RMB'000
Revenue	470,813	503,164
Cost of revenue	<u>(105,659)</u>	<u>(120,462)</u>
Gross profit	365,154	382,702
Other income	35,799	28,863
Sales and marketing expenses	(252,284)	(278,011)
General and administrative expenses	(80,244)	(81,664)
Research and development expenses	(81,302)	(88,530)
Loss from operations	(12,877)	(36,640)
Net finance cost	(1,204)	(7,147)
Share of results of associates	655	249
Loss before taxation	(13,426)	(43,538)
Income tax	226	(4,731)
Loss for the period	<u>(13,200)</u>	<u>(48,269)</u>
Attributable to:		
— Equity shareholders of the Company	(10,095)	(42,383)
— Non-controlling interests	(3,105)	(5,886)
Loss for the period	<u>(13,200)</u>	<u>(48,269)</u>

**Consolidated statement of profit or loss and other comprehensive income
for the three months ended 31 March 2024 — unaudited**
(Expressed in RMB)

	Three months ended	
	31 March	
	2024	2023
	RMB'000	RMB'000
Loss for the period	(13,200)	(48,269)
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>2,407</u>	<u>(21,488)</u>
Other comprehensive income for the period	<u>2,407</u>	<u>(21,488)</u>
Total comprehensive income for the period	<u>(10,793)</u>	<u>(69,757)</u>
Attributable to:		
Equity shareholders of the Company	<u>(7,688)</u>	<u>(63,871)</u>
Non-controlling interests	<u>(3,105)</u>	<u>(5,886)</u>
Total comprehensive income for the period	<u>(10,793)</u>	<u>(69,757)</u>

Consolidated statement of financial position
as at 31 March 2024 — unaudited
(Expressed in RMB)

	31 March 2024 RMB'000	31 December 2023 RMB'000
Non-current assets		
Property, plant and equipment	142,313	154,627
Investment properties	22,657	22,915
Intangible assets	99,280	104,280
Goodwill	840,177	840,177
Interests in associates	13,578	12,923
Other equity investments	201,660	201,493
Deferred tax assets	18,158	15,633
Other non-current assets	8,129	13,641
Time deposits with banks	171,179	201,672
	1,517,131	1,567,361
Current assets		
Trade receivables	146,742	146,290
Prepayments and other receivables	170,319	132,244
Receivables from related parties	2,322	2,309
Other current assets	743,771	726,182
Time deposits with banks	1,307,880	1,287,604
Cash and cash equivalents	534,471	666,734
	2,905,505	2,961,363
Current liabilities		
Trade and other payables	306,924	414,099
Contract liabilities	798,969	796,443
Interest-bearing borrowings	38,891	20,224
Lease liabilities	55,551	59,879
Current taxation	2,023	3,335
	1,202,358	1,293,980

Consolidated statement of financial position
as at 31 March 2024 — unaudited *(continued)*
(Expressed in RMB)

	31 March 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets	<u>1,703,147</u>	<u>1,667,383</u>
Total assets less current liabilities	<u>3,220,278</u>	<u>3,234,744</u>
Non-current liabilities		
Lease liabilities	44,880	53,880
Deferred tax liabilities	<u>9,825</u>	<u>11,343</u>
	<u>54,705</u>	<u>65,223</u>
NET ASSETS	<u><u>3,165,573</u></u>	<u><u>3,169,521</u></u>
CAPITAL AND RESERVES		
Share capital	339	339
Reserves	<u>2,890,907</u>	<u>2,892,448</u>
Total equity attributable to equity shareholders of the Company	<u>2,891,246</u>	<u>2,892,787</u>
Non-controlling interests	<u>274,327</u>	<u>276,734</u>
TOTAL EQUITY	<u><u>3,165,573</u></u>	<u><u>3,169,521</u></u>

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated results of the Group for the three months ended 31 March 2024 prepared in accordance with the International Finance Reporting Standards (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 Group (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	
	2024	2023
	(unaudited)	(unaudited)
	RMB’000	RMB’000
Loss from Operations	(12,877)	(36,640)
Share-based compensation expenses	6,845	16,010
Amortization of intangible assets resulting from acquisition	4,554	4,630
Non-GAAP Loss from Operations	(1,478)	(16,000)

BUSINESS REVIEW AND OUTLOOK

Market Review

In the first quarter of 2024, the total economic value of China continued its positive trend, but the structural differences in economic development remained relatively significant, with real estate-related investments and sales still under pressure, while the service sector and high-tech industries were growing relatively faster. In 2024, national surveyed urban unemployment rate is expected to be set at around 5.5%, higher than the level for the full year of 2023, and the pressure on employment in China this year will still be relatively high in general. In the first quarter of 2024, the demand for mid-to high-end recruitment in our country has seen limited recovery and remains on shaky ground. The mid-to high-end positions released by enterprises in first-tier cities were still mainly fragmented replacement recruitment demand, with a small amount of expansion recruitment demand continuing to shift to non-first-tier cities.

Under the general environment of limited recovery of the recruitment market, the performance of various industries varied. According to the data of new job postings on the Liepin platform, transportation & trade, film television & education and automobile & machinery manufacturing were the three primary industries with the fastest growth in the number of new job postings in the first quarter of 2024. However, industries with a higher absolute number of new job postings, such as the finance and real estate, were still contracting, exerting significant pressure on the total demand. Since 2024, our national policies in the areas of fiscal, monetary, employment and industries have been focused and exerted, laying the foundation for stabilizing the employment environment and boosting the confidence of entrepreneurs, and also providing support for a smooth and steady economic recovery this year and in the future. At the same time, some key industries representing new quality productivity, such as the information technology, high-end manufacturing and new energy, have also received strong policy support and promotion. We will follow the industrial structure transformation to actively capture the demand for related mid-to high-end recruitment.

Business Review

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

	As of 31 March		Year-on-year change
	2024	2023	
Individual Users			
Number of registered individual users (in millions) ¹	97.8	88.2	7.6%
Business Users			
Number of verified business users	1,326,709	1,175,433	12.9%
Headhunters			
Number of verified headhunters ²	214,023	215,845	-0.8%

- In previous reports, the data of “individual user” was sourced from Liepin’s recruitment platforms. In order to achieve a more accurate presentation of the total number of individual users of Liepin Group, from the Company’s 2023 annual report onwards, the data regarding individual users have been, and will be, consolidated to include figures from both the recruitment platforms and the online professional certification training service (Saiyou) of Liepin.*
- In the third quarter of 2023, our Group conducted its first clean-up of abnormal headhunter accounts. Excluding this measure, the number of verified headhunters as of the first quarter of 2024 continued to increase on a year-over-year basis.*

Talent Acquisition Services and Other HR Services

In the first quarter of this year, under the environment where mid-to high-end recruitment was still under pressure, Liepin has maintained stable brand influence by virtue of its differentiated positioning. At the same time, we continued to optimize our products, further broaden our business leads acquisition channels and promote lightweight packages to stabilize our market share. In the first quarter of 2024, our Group continued to attract more enterprises to join our platform, with a steady increase in activity rate of enterprises. As of 31 March 2024, the number of Liepin’s verified business users reached approximately 1.327 million, representing a year-on-year increase of 12.9%. However, the Group’s average revenue per user (“ARPU”) of business customers declined due to the downturn in recruitment demand and the active promotion of lightweight packages. In terms of revenue, the combined effect of declining cash billings in 2023 and the limited recovery of confidence in the mid-to high-end recruitment market in the first quarter of 2024, led to a year-on-year decrease of 11.2% in the revenue from business customers this quarter, amounting to RMB401 million.

Although the business operation was still under pressure, Liepin adhered to its original aspiration of providing users with quality recruitment products. Based on the characteristics of the current market demand, Liepin continued to optimize its products and improve the matching efficiency, with an aim to meet the market recovery with a more comprehensive product matrix. In the first quarter of 2024, we continued to deepen the application of “recruitment + AI” on our products, utilizing the capabilities of the redeveloped large language model to achieve in-depth precise recommendations, natural language search, and intelligent intent communication functions. Among them, “Super Chat”, an AI product that helps recruiters reach their ideal candidates and obtain accurate intentions in an intelligent, convenient and fast manner, has gained widespread favor from enterprises since its full launch this year. As of 31 March 2024, more than 160,000 cumulative orders have been initiated using the product by the enterprises, serving approximately 26% of contracted customers, with consistently high delivery rates. The product not only helped enterprises improve recruitment efficiency, but also increased the activity level of the platform through the embedded multi-channel user retrieval strategy, forming a positive cycle of user activity and recruitment efficiency.

In addition to empowering the AI function of Liepin Pro, we also upgraded our standalone commercialized AI product, AI intelligent interviewer-Doris, in the first quarter of 2024 to help enterprises improve the efficiency of interviews in bulk recruitment. In recent years, with the increasing emphasis on the employment of young talents and the practical demand of enterprises for cost reduction and efficiency enhancement, the demand for campus recruitment has been on the rise. The launch of Doris not only fit well with campus scenarios, but was also capable of providing efficient interviews for enterprises in the consumer goods industry, urban service industry, and manufacturing industry, among others, that have bulk recruitment needs. This year, we will continue to refine the core function of the product to enhance our competitiveness in the industry, and leverage the product to cover more types of enterprises to explore a wider market space.

In the first quarter of 2024, the headhunting market was still in the bottoming-out stage, and we continued to refine and upgrade the Duolie RCN product, facilitating headhunting companies and headhunters to close more cases. As of 31 March 2024, Duolie RCN has covered more than 1,900 headhunters, and more than 77% of the cooperating headhunting firms have participated in order delivery. In addition, our exploration in the field of AI extended to the Duolie RCN product. By harnessing Liepin’s capability to deploy the redeveloped large language model in recruitment, Duolie RCN has developed a digital assistant feature. This feature not only enhances headhunters’ interactive experience with the platform but also empowers headhunters to intelligently filter resumes, gauge job seekers’ interests, and obtain contact details. It significantly reduces the time and costs associated with the search process, enabling headhunters to concentrate more on effectively matching positions with the right talent. The launch of the product will help improve the delivery efficiency of the headhunters, thereby increasing revenue and reducing costs for headhunting firms. During the internal testing stage, the efficiency of the headhunter’s order delivery has been improved by approximately 25% due to the digital assistant. This product will be officially promoted in the second quarter of 2024 to empower more cooperating headhunting firms.

In terms of sub-businesses, our online survey business still maintains a strong competitive advantage and a leading position in the industry. In the first quarter of this year, we continued to update our existing survey product modules, and optimized several intelligent functions including questionnaire generation, automatic follow-up and data analysis by leveraging on our AI capabilities to enhance the convenience of customer use. As of 31 March 2024, we have published 265 million questionnaires and collected 19.4 billion responses. Due to the impact of a downturn in the online survey industry's advertising business, related revenues have declined. However, the survey SaaS business has maintained solid growth and its proportion of revenue has further increased. On the other hand, our Group's flexible staffing business remained highly dynamic, continuing to gain market share in catering, new retail and other industries, and gradually exploring new market space.

Talent Development

In the first quarter of 2024, Liepin Group's talent development services achieved solid growth, with revenue reaching RMB69.2 million, representing a year-on-year increase of 35.7%. The number of individual users grew to 97.8 million, representing a year-on-year increase of 7.6%. In this quarter, we continued to focus on recalling platform users and enhancing their activity levels. Through meticulous control over demographics, channels, and content, we precisely recall scarce talents and revitalize the high-quality existing talent pool. This facilitates more efficient job-candidate matching, thereby optimizing the platform experience for both business and individual users and further perfecting the platform's interactive ecosystem.

Since the second half of 2023, our online professional certification training services have continued to recover, benefiting from the growth of the psychological counsellor training business. In recent years, we have observed a gradual increase in residents' concern for mental health, and more people have started to explore and learn about psychology-related knowledge and seek assistance from external forces. In view of this, we have expanded our psychological counsellor training program to provide a range of courses in psychological counselling and family education to help solve or alleviate related problems, and also to provide talents for the pan-psychological industry. The expansion of such business has led to a better growth in our online professional certification training services in the first quarter of 2024, playing a key role in driving the revenue growth of our overall talent development services. We will also continue our efforts in this area during the year to enhance our professionalism and market competitiveness, with a view to meeting the diversified demands of more clients.

FUTURE OUTLOOK AND STRATEGIES

Looking ahead to the whole year of 2024, high-quality development as well as cost reduction and efficiency enhancement will remain the core demands of many enterprises. With the vigorous and intensive introduction of China's AI-related policies in the past two years, the application of AI in the field of recruitment has gradually been the focus and active attempts of more and more enterprises. As a technology and data-driven human resources service provider, Liepin will also continue to explore the empowerment of AI capabilities on the recruitment industry in various businesses, aiming to provide more convenient tools to help enterprises improve recruitment efficiency.

At the same time, we will continue to focus on the optimization of the platform's ecosystem to drive the stable development of our business. In terms of talent, we will continue to attract and recall specialized talents in a targeted manner to promote the accumulation and activeness of the high-quality talents on our platform and facilitate their employment. In terms of enterprises, we will closely monitor the structural changes of enterprises' recruitment needs. While enhancing the penetration rate of online recruitment products, we will also strengthen the professional service capabilities in campus recruitment, project-based recruitment, and other business areas to fully meet customer demands. In addition, with the continuous promotion of lightweight packages, Liepin will continue to expand customer coverage this year and pry the incremental market space.

The incubation and growth of new business will also be an important focus for Liepin Group this year. 2024 is the first full fiscal year of the Duolie RCN business since its official launch. With the gradual expansion of scale and the increase of cooperating orders, we look forward to the perfection of this business and to forming a word-of-mouth effect in the industry, striving to realize rapid expansion and market occupation. On the other hand, we are also confident in our newly launched AI intelligent interview assistant products this year. We anticipate that the promotion of this product will not only bolster our Group's business appeal and conversion efficiency for customers but also contribute to the expansion into diverse markets across various industries and regions for Liepin Group.

Overall, in the relatively pressurized environment in the short term, Liepin will continue to focus on refining the service capacities to consolidate our competitive strengths, as well as conducting the strategy of cost reduction and efficiency enhancement to ensure stable operating profit and cash flow. We will also continue to explore incremental businesses to accumulate energy for resumption. Based on the long-term and stable economic development environment, we expect that with the stimulation of the more rigorous supporting policy, the accumulation of enterprises' confidence will realize a transformation from quantity to quality, thus promoting a new round of rapid growth in the mid-to high-end recruitment market.

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, 24 May 2024

As at the date of this announcement, the executive directors of the Company are Mr. DAI Kebin and Mr. TIAN Ge; and the independent non-executive directors of the Company are Mr. YE Yaming, Mr. ZHANG Ximeng and Ms. FAN Xinpeng.