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Tongdao Liepin Group

同道獵聘集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6100)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Tongdao Liepin Group (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”, “**we**” or “**us**”) for the year ended 31 December 2020, together with comparative figures for the year ended 31 December 2019.

FINANCIAL HIGHLIGHTS

- Revenue primarily including revenue generated from providing talent acquisition and other HR services to our business customers and providing professional career services to individual users was RMB1,869.7 million in 2020, a 23.5% increase from RMB1,513.5 million in 2019.
- Gross profit was RMB1,457.1 million in 2020, a 24.8% increase from RMB1,167.7 million in 2019.
- Net profit was RMB92.8 million in 2020, compared to RMB126.6 million in 2019. Net profit attributable to the owners of the Company was RMB53.6 million in 2020, compared to RMB120.4 million in 2019.
- Non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB248.6 million in 2020, a 33.9% increase from RMB185.6 million in 2019. Non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB156.4 million in 2020, compared to RMB174.1 million in 2019.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2020.

	For the three months ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
	(unaudited) <i>RMB'000</i>	(unaudited) <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	607,642	411,618	1,869,668	1,513,474
Gross profit	454,830	293,117	1,457,093	1,167,685
Net profit	(18,877)	36,543	92,823	126,628
Net profit attributable to the owners of the Company	(13,483)	36,071	53,627	120,353
Non-GAAP operating profit of the Company	40,978	39,719	248,582	185,567
Non-GAAP profit attributable to equity owners of the Company	10,207	49,980	156,409	174,120

MANAGEMENT DISCUSSION & ANALYSIS

MARKET REVIEW

The PRC Talent Acquisition Services

Since the beginning of this year, the COVID-19 pandemic has swept the world, disrupting our daily work and living routines. The Chinese economy confronted unprecedented challenges in 2020. Since the beginning of 2020, the majority of economic activities in China were suspended, among which hiring activities were mostly postponed. During this challenging time, as a market-leading player, we utilised our platforms and technologies to help our business and individual users to adapt to the new normal via online tools, to support enterprises in conducting online talent acquisition and to broadly contribute to economic recovery. Soon after the outbreak, the Chinese government promptly issued and executed policies including social insurance reduction, employment subsidy, and training subsidy to stabilize employment. Starting from the second quarter of 2020, with policies taking effect and the pandemic getting under control, the hiring sentiment gradually recovered from the bottom, and continued to pick up momentum for the rest of 2020.

The COVID-19 pandemic has brought disruptive changes to the talent acquisition market and there has been a remarkable market transformation since then. The quarantine caused by the COVID-19 pandemic had reshaped the hiring business to a great extent. Many corporates suffered dramatically from the COVID-19 pandemic outbreak starting from the first quarter of 2020. We have witnessed the companies' close-downs, especially among the small-and-medium size enterprises, led to a shrink in the "expansion hiring" demand during the pandemic. The mass recruitment market was therefore under huge pressure. On the other

hand, large scale companies were able to smooth out the negative effect of the pandemic and their demand in “replacement hiring” for mid-to high-end talents are less affected by the crisis. Therefore, the higher-end of the talent recruitment market showed relatively greater resilience through different economic cycles. In addition, more recruitments were accomplished online due to the inconvenience of face-to-face conversation, resulting in a historical high of the online recruitment penetration rate. Although the change might be triggered by the COVID-19 pandemic, the new recruiting pattern brought by online talent acquisition services, with its boosted efficiency and incremental value, may be embraced by more Chinese enterprises in the future.

Another change was the polarization of hiring sentiments among different industries. Throughout the year, biomedical and online service-related industries were more active with the surging user traffic brought by the COVID-19. Therefore, hiring demands from these industries increased in 2020. In contrast, the hiring sentiment in travel, airline and catering industries are at a periodical low. Although industries experienced diverse market sentiments, China’s economic and recruiting activities staged an impressive comeback with the Chinese government’s multi-pronged measures of corporate burden reduction, payroll stabilization and job creation. Benefiting from the supportive government policies, ongoing talent upgrade and economic transformation in China, the application of AI technology and Big Data analytics in the human resources service industry, and the growing talent pool of mid-to high-end job candidates, the size of mid-to high-end market of talent acquisition services is expected to expand sustainably, from RMB167 billion in 2020 to RMB243 billion in 2022, representing a compound annual growth rate (“CAGR”) of more than 20.6%, according to China Insights Consultancy Limited (“CIC”) report.

The Rise of Human Resource Market

Apart from the continuous growth in the talent acquisition services market, the market size of the human resource services market also expands significantly. According to the CIC report, the market size of the human resource market was RMB584 billion in 2020 and is expected to grow to RMB842 billion in 2022, representing a CAGR of 20.1%. The key drivers for the fast growth of human resources market include abundant and increased budget of enterprises for human resources services, especially high-quality customized services such as flexible staffing, corporate training and assessment, as well as continued government and financial support.

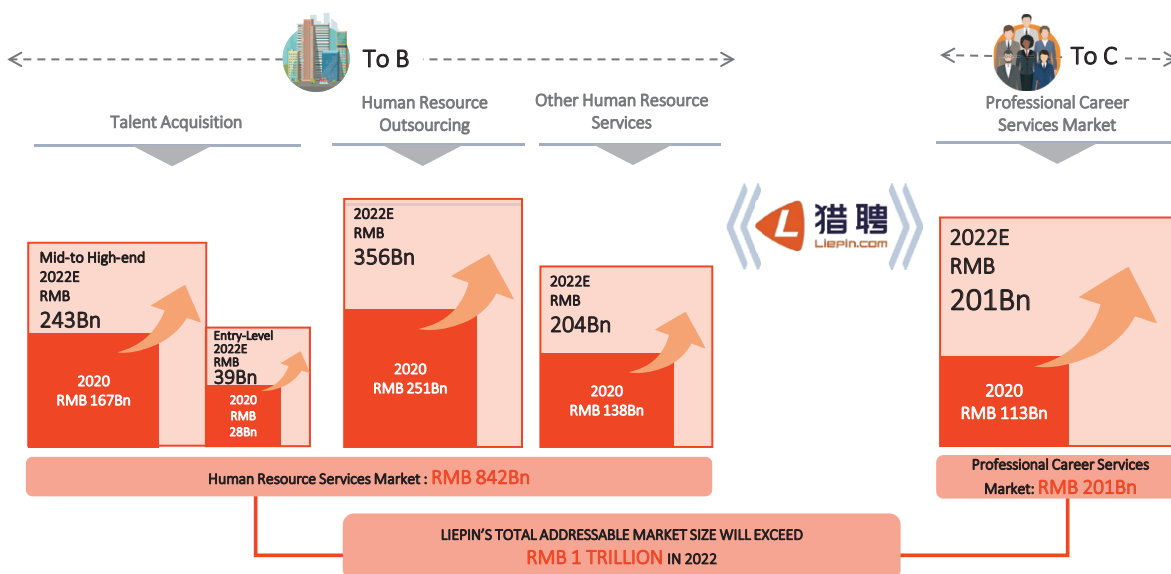
New economic and social conditions led to the transformation of the human resource market in various aspects. Firstly, black-swan events like the COVID-19 pandemic have brought up concerns among employers about fixed labor costs. Many companies, especially large-scale enterprises, recognized flexible staffing as a contingency plan in case of external shocks. We demonstrated our social responsibility by launching ‘employee sharing programme’ between companies and providing professional human resource management consulting. Fueled by the pandemic, the flexible staffing industry is emerging from an early stage in

China. In the near future, we believe China’s flexible staffing business will evolve toward a more mature form where elementary white-collar positions, on top of blue-collar positions, are extensively demanded and well placed.

Secondly, companies gradually acknowledge the importance of staff training, and, as a result, they are willing to allocate more budget on talent development. During the pandemic, online training and follow-up services became a hit among employers. With huge online users and data traffic incoming, training platforms will be able to optimize and upgrade their products, as a result delivering high-quality customized training materials with better user experience. Therefore, we believe the phenomenon is expected to continue in the training industry.

The PRC Professional Career Services Market

The PRC professional career services market in China mainly addresses professionals’ increasing urge for career development and advancement. This market primarily encompasses career coaching, CV advisory services, professional skill training and other related career services. In year 2020, the particular difficulty in job placement boosted high quality talents’ willingness to pay for career services and concerns about career development in long term. The trend drives the continuous growth of the professional career services market. Therefore, the total potential market size in terms of the total revenue of the mid-to high-end professional career services market was expected to grow from RMB113 billion in 2020 to RMB201 billion in 2022, representing a CAGR of 33.4 %.



BUSINESS REVIEW

Liepin (獵聘) pioneered the China online mid-to high-end talent acquisition market in 2011, realized rapid development and kept a dominating position since then. With the ever-changing macro environment, we remain focused on mid-to high-end talent acquisition services while actively expanding along the human resource value chain.

We exhibited strong resilience during this challenging year of 2020. The new initiatives among our total human resource services achieved robust growth against market headwinds, while our core recruitment business kept expanding steadily. The growth mainly attributes to our unique market positioning, high-quality customer base, and the ability to provide well-rounded solutions.

In the fourth quarter of 2020, we recognized RMB607.6 million in revenue, representing 47.6% growth on yearly basis. A robust fourth quarter lifted the overall performance of 2020. The total revenue and gross profit of the year amounted to RMB1,869.7 million and RMB1,457.1 million, respectively, representing an increase of 23.5% and 24.8%, respectively, compared to 2019. A strengthening financial performance is an indication of our scalable business model, successful strategy in diversification, and solidified market-leading position. Set forth below is a summary of major developments of our business in 2020:

Continued Development and Integration of our Group

Leveraging our deep understanding of talents, we foster technology and data-driven platform for individual users, business users, and headhunters to access a variety of human resources services. *Liepin* (獵聘, the brand which means headhunting and recruiting), our mid-to high-end talent platform is still the core and foundation of our business and future growth strategy.

We distinguish ourselves from our competitors by leveraging technology, social features and networks of individual users, headhunters and business users, and our massive and fast-growing talent pool. We operate a full range of proprietary online platforms and software-as-a-solutions (“**SaaS**”) and provide online products and services to (i) registered individual users to find better career opportunities; and (ii) verified business users and headhunters to source talents more effectively.

We continued to leverage on our multi-faceted database and data analytics to empower business growth. Our Galaxy Data Visualization Center, which generates dynamic in-depth dashboard of our talent database and presents our wide talent coverage, plays an important role in our business development and acquisition of key account customers. In 2020, we analyzed our data in more dimensions with a more sophisticated data labeling approach. We obtained a deeper understanding of detailed industrial trends and talents’ employment

intentions. Our system has assisted local governments in visualizing their talent map and local employment. While leveraging our abundant data, we kept ensuring the protection of our data security and user privacy. We actively improved the privacy protection mechanisms by closely monitoring and severely punishing information leakage, as well as enforcing identity verification process.

Attributable to our early and determined business expansion along the human resource value chain, the new initiatives we launched in the past years grew forcefully amid the macroeconomic downturn. During the year 2020, we optimized our video-based talent platform by embedding an artificial intelligence analysis function. This unique feature differentiated us from other online interview platforms. Relying on its product superiority, we captured the surge of online interview demand last year and generated large user traffic. Our flexible staffing segment also expanded dramatically alongside the increasing awareness of the flexible staffing business. We have sufficiently improved our industrial know-how with increasing business demand. Last but not least, our survey platform played a significant role during the pandemic period by providing handy tools for data collection and conducting online exams. The mass demand has augmented its penetration rate, and further reinforced the using habit of users. Overall, we persistently provide one-stop human resource services to our high-quality business customers by integrating various value-added solutions.

In addition to the success of the existing business streams, we recognized the growth potential of individual-certificate-training business and seized favorable timing by strategically investing in Saiyou (賽優), a technology-driven professional education company. Together with the full spectrum of our talent services, we are in a greater position to continuously fulfill our mission of “helping every talent to achieve greater career success”.

Growth of Talent Acquisition Services to Business Users (Vertical Penetration)

Talent acquisition services to business users continued to be our major source of revenue. *Liepintong* (獵聘通) remained our primary platform through which we offered a wide range of basic and advanced talent solutions via personal computers or mobile apps to our verified business users in 2020. We continued to provide free basic talent solutions and tools including job posting services on *Liepintong* (獵聘通), a SaaS-based solution of HR internal synergy tools, AI-driven CV search, recommendation and management services, and enterprise station services.

In addition to our basic talent acquisition services, we offer customized subscription packages for business customers to access advanced talent acquisition services to further optimize their recruitment efficiency. Pricings of our subscription packages are determined based on the talent acquisition services selected by our business customers as well as our relationships with such business customers, which typically range from RMB10,000 to RMB55,000 per package and generally have a term of 12 months. These tools include our 360-degree CV review service, *Express Hiring 2.0* (急聘2.0), invitations to apply for jobs, intent communication with job candidates, instant messaging, training and assessment, salary reports and background checks.

Leveraging on our advanced technology and headhunter resources, we enjoy the dominating advantage in headhunter-assisted, closed-loop talent acquisition services. We provide two unique products namely *Interview Express* (面試快) and *Onboarding Express* (入職快). These products enable our business customers to request talent acquisition services online and obtain customized hiring services at different hiring milestones such as interview or onboarding from AI-selected headhunters with result-driven fee structures. Corporates enjoy increasing recruitment efficiency from directly connecting to the most suitable headhunters and receiving result-driven services. Meantime, headhunters enjoy a larger number of incoming service requests in the field of their best expertise. Benefiting from the valuable insights generated from the transaction data, our technology and Big Data Team has continued to improve the matching algorithm to further enhance our service quality and matching efficiency between job opportunities and candidates.

Adapting to the preference of young talents and the pandemic prevention policies of schools, we improved campus online recruitment services by leveraging our technology capability and product innovation. Specifically, we provided online interview services with AI analysis functions. Recruiters' efficiency is highly boosted with clear visibility of candidates' performance. Meantime, by conducting interviews online, we have accumulated valuable behavioral data for further optimization and monetization of the platform.

Overall, we kept enriching our spectrum of talent acquisition solutions for different demographics of talents to our business customers with (i) our core platform *Liepin* (獵聘) which services mid-to high-end talents with annual income starting from RMB100,000; (ii) *Consultants for Global Leadership*, our executive search services which serves senior executives with annual income starting from RMB800,000; and (iii) the integration of campus recruitment and video-based talent platform for young professionals.

Growth of Total Human Resource Solutions (Horizontal Expansion)

In 2020, we continued to execute our long-term and well-rounded strategy of penetrating the human resources market to further cater to the diversified needs of business customers by leveraging the synergies from our existing talent acquisition platform.

Flexible Staffing Platform

Our mass recruiting and flexible staffing service platform, *Xunhou* (勛厚), achieved strong growth benefiting from industrial development and synergies from *Liepin* (獵聘). In 2020, the flexible staffing industry was gaining tremendous awareness and recognition owing to the conceptual and behavioral refinement in recruiting business after the COVID-19 pandemic outbreak. More specifically, many corporates adopted flexible staffing services as alternatives of fixed employment when facing the fluctuated recruiting needs and short-term shocks. We were able to dive deep into this fast-expanding segment and developed as a competitive player in a short time.

Moreover, by utilizing the innovative technology of the precise talent matching system of *Liepin* (獵聘), *Xunhou* (勛厚) differentiates itself by introducing a proprietary SaaS-based platform for business customers to access real-time information about job vacancies as well as to monitor and to analyze job performance of their flexible employees. As the platform continues to grow and mature, it will also be able to leverage *Liepin*'s high-quality customer base and brand reputation by providing flexible staffing services of mid-to high-end positions.

The above positive external and internal improvements contributed to the tremendous increase in the business size of our flexible staffing services throughout the year. With the expanding flexible staffing market and continuous supports from our Group, we are confident in building a further scalable and upgraded business segment.

Assessment and Training Platform

In 2020, we upgraded our proprietary assessment and training app and SaaS platform. These innovative products can provide video-based training, such as leadership training and professional skillsets courses to employees. Direct managers and HR department can assign training schedule, conduct assessment questionnaires, and track the employee training completion status. Employees can leverage the mobile app to conduct online training and take exams in their spare time. This becomes a handy tool for both the HR department to organize online training and the employees to attend training and assessments.

Survey SaaS Platform

Wenjuanxing (問卷星), our survey SaaS platform, exhibited an enormous growth spurt in 2020. The changes caused by the COVID-19 pandemic have provided us with an opportunity to solidify the market-leading position of our survey SaaS platform and further cultivate user habits.

The massive information collection needs under the pandemic are the primary drivers of the growth in 2020. Since the COVID-19 pandemic outbreak, local governments, communities and corporates have tracked travel and COVID-19 related information using online tools on daily basis. As a market leader with 15 years of operational experience, *Wenjuanxing* (問卷星) responded instantly to the surging market demand through providing customized pandemic-related survey templates, upgrading user interfaces and improving support services. Furthermore, many schools adopted our survey platform as an online exam platform. Teachers can efficiently distribute tests, check responses and analyze results with full visibility of the process. Various value-added tools such as cheating precaution measures and exercise question pool were launched.

Credit to *Wenjuanxing*'s (問卷星) first-mover advantage and user-friendly product design, the amount of total survey collection in 2020 exceeded 4 billion, which almost quadrupled the volume of 2019, and the amount of survey distribution surged over 100 million. More notably, we were able to preserve the traffic after the pandemic outbreak by rapidly developing high-frequent users' using habit. As a company mainly driven by product developments instead of selling forces, the product superiority enables *Wenjuanxing* (問卷星) to build positive word of mouth and strong user relationships. Given that, our survey platform exponentially expanded its SaaS services which embed functions like survey, test, and assessment. The user experience was hence reinforced.

With the success in broadly introducing the SaaS subscription package, a more profound integration plan with our Group is mapped and will be initiated in 2021. Diverse monetization strategies supported by better utilization of in-depth data will be promoted. We look forward to more individual user traffic sharing between the platforms within *Liepin* (獵聘) and value creation through synergies.

Recap of Talent Acquisition and Other HR Services to Business Users

For the year ended 31 December 2020, we generated revenue of RMB1,723.2 million (compared with RMB1,431.3 million generated during the same period in 2019) from talent acquisition services and other HR services. The number of our verified business users increased from 559,568 as of 31 December 2019 to 725,059 as of 31 December 2020. The number of job postings on our online platform also grew from 5.2 million as of 31 December 2019 to 6.9 million as of 31 December 2020.

Expansion of Talent Pool

We build our ecosystem which connects our massive, active and high-quality talent base with individual users, business users, headhunters, and other talent service providers to maximize their values throughout their career and business cycles. Through this ecosystem, we have fundamentally transformed how talent is connected to career opportunities and built a reputation as a trusted talent service platform for all participants in our ecosystem.

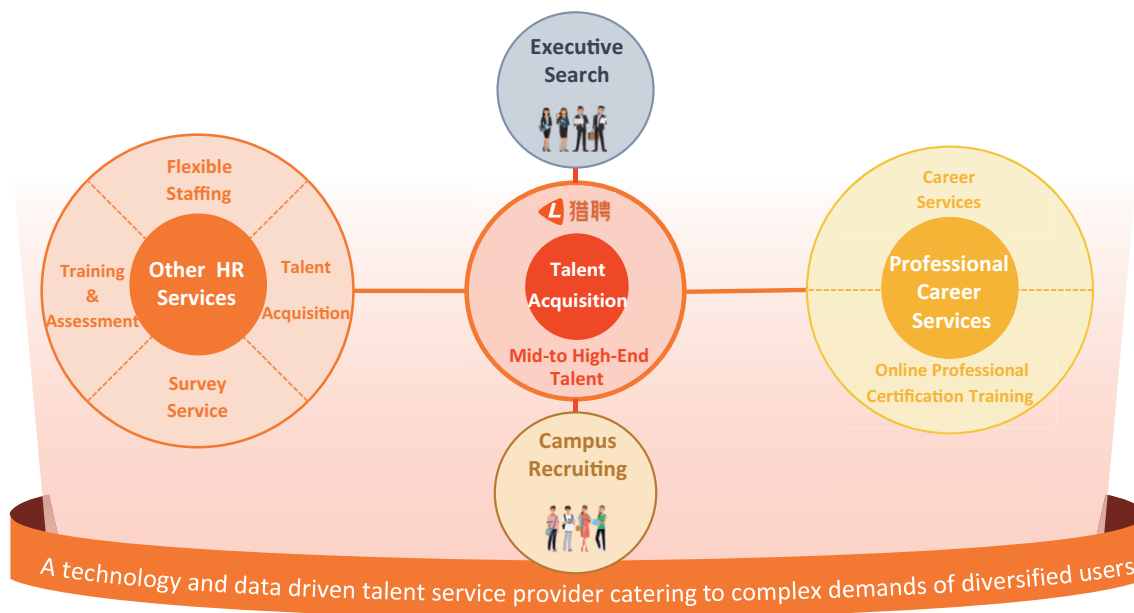
The number of registered individual users increased from 54.2 million as of 31 December 2019 to 63.2 million as of 31 December 2020. Our traffic reached record high in April 2020. We observe a strong level of activeness among our individual users and the level of engagement of our registered individual users continues to grow as the pandemic gradually eased. We continue to offer products and services for free to our registered individual users, including the creation of professional profiles with customized privacy setting on our platforms, personalized job and headhunter recommendations powered by Big Data and AI technology, as well as social network and career content services provided through our *Liepin* (獵聘) mobile app.

Our services to individual users, include value-added services to our individual users who require from us career services in addition to the aforesaid free basic services and premium membership packages under different pricing plans for which individual users can subscribe on a monthly, quarterly, semi-annually and annual basis to access to a variety of enhanced functions and tools (e.g. top placement of their professional profiles and Group messaging to a large number of headhunters and business HRs). CV advisory services are provided tailored to the different needs of individual paying users based on the length of their work experience by leveraging on third-party professional advisors. We also offer *Career Advisory Services* (生涯諮詢) which helps individuals clarify career development questions, conduct career positioning and achieve better career development, and *Professional Skills Training* (面試教練) which provides one-on-one interview coaching and mock interviews and helps talents practice interview skills and improve interview passing rate. By leveraging our ecosystem partners, we were able to provide such personalized career services at affordable prices and at large scale to help our individual users to pursue their ideal jobs.

Following our strategy in forming a one-stop talent service platform, we continuously enrich and expand our services. Based on our observation during daily operations, the increase in corporate and individual training demand and spending has been a trend. To capture the market potential, we embraced the opportunity by investing in approximately 51.58% equity interest in Saiyou, a technology-driven education company incorporated in China that provides online training for professional certification and skills.

By strategically invested in Saiyou, we would be able to expand our business coverage and to provide training for professional certification and skills to our individual users. More individual users can be attracted to our platform by this closed-loop professional services starting from training to job seeking, which can ultimately lead to an increase in our individual user traffic. Furthermore, Saiyou has a proven track record in trainings for teaching, counselling and other professional certifications. The individual users on Saiyou's professional training platform are potential jobseekers upon their completion of certified examinations, so this strategic investment and the partnership is expected to help promote our talent service platform and raise our brand awareness among these users. Therefore, the Group will be able to access the large number of individual user traffic from an early stage of these talents' professional careers. We also expect cross-sale opportunities of providing training service for professional certification and skills to the employees of our existing business customers in the future.

In 2020, we generated RMB144.1 million of revenue from individual users (compared with RMB80.0 million in 2019). Leveraging on our talent networks and AI technology, we have mapped out a comprehensive and expanding talent graph and accumulated data insights that are difficult to replicate. Our talent database accumulates a vast and growing amount of rich, up-to-date and relevant information of recruitment activities. Such information reflects individual users' behaviors and social interactions, mutual endorsement, variation and transactions. The networking and social features of our online professional community enable us to capture users' behavioral data. We collected and analyzed the data to model and predict user intentions and behaviors.



Strengthened Partnership with Headhunters

Headhunters are critical partners in our ecosystem. Fundamentally different from any other online recruiting platforms, not only can headhunters source candidates for free, but they can manage their candidate sourcing process in customized ways via *Chenglietong* (誠獵通) for free.

This SaaS-based headhunter platform can streamline and optimize headhunters' sourcing process, internal management and dashboard throughout their service process including posting jobs, downloading and managing candidate CVs and initial contacts with candidates on *Chenglietong* (誠獵通) SaaS platform. We categorize headhunters base on their activeness, past performance, and years of experience. Top headhunters can post more jobs for free and are matched to suitable high-end individual users. Hence, headhunters become more dependent on our platform as they move up the hierarchy. We also avoid disturbance to individual users by only exposing them to headhunters who can provide suitable positions.

The number of our verified headhunters increased from 158,365 as of 31 December 2019 to 168,108 as of 31 December 2020. The total number of contacts with registered individual users by our verified headhunters temporarily decreased from 851.5 million to 816.6 million over the same period due to lower contacts in the first quarter of 2020 as the outbreak of the pandemic. However, as always, headhunters significantly boosted up the level of activity and engagement of registered individual user.

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

	As of 31 December	
	2020	2019
Individual Users		
Number of registered individual users (<i>in millions</i>)	63.2	54.2
Number of individual paying users (<i>accumulative</i>)	367,984	273,744
Average annual salary of registered individual users (<i>in RMB</i>)	182,573	179,114
Number of CVs (<i>in millions</i>)	63.2	54.2
Business Users and Customers		
Number of verified business users	725,059	559,568
Number of business customers	55,036	51,773
Number of job postings (<i>in millions</i>)	6.9	5.2
Headhunters		
Number of verified headhunters	168,108	158,365
Number of contacts with registered individual users by our verified headhunters (<i>in millions</i>)	816.6	851.5

FUTURE OUTLOOK AND STRATEGIES

Looking into 2021, we expect that the approval and administration of vaccines and ongoing stimulus policies could bring a forceful recovery to the global economy. According to the “World Economic Outlook Update” by International Monetary Fund (“IMF”) released in January 2021, the global economy is projected to grow 5.5% in 2021 compared to a contraction of 3.5% in 2020. China is the only major world economy that reported positive growth in 2020 with a rise of 2.3%, and is expected to register a rise of 8.1% in 2021 according to the report. Many measures that issued by the Chinese government were proven to be effective in preventing a new outbreak and easing the negative effects of the pandemic.

During the spring festival of 2021, a major portion of the population in PRC was staying put as suggested by the Chinese authorities. Low population mobility dented the possibility of virus infection on one hand and increase recruitment activeness on the other hand. Based on our data, the workforce return rate and the number of job openings within the first week in 2021 after the spring festival holiday increased dramatically compared to 2020 and even the year before, suggesting a stable working environment and a retaliatory rebound of market demand.

In addition to the anticipated market recovery, we noticed the remarkable increase in online recruitment penetration rate over the year. Remote working was more widely accepted. Recruiters and job seekers adopted online recruitment tools and kept an open mind to value-added talent recruitment solutions. We believe the efficiency enhancement brought by online recruitment platforms will be able to foster users' long-term using habits.

This year, we will make greater efforts on business and individual user segmentation to realize and capture diverse commercialization opportunities. On the business user front, we carefully labeled and segmented our registered business users. For each segmented user group, we will promote diversified products and implement unique sale strategies. We look forward to generating incremental revenue from detecting and fulfilling different users' needs. On the individual user front, the trend towards a younger mid-to high-end talent pool created tremendous growth potential for us. As younger talents are generally more adaptive to emerging technologies and online tools, the rising of young talents fuels the digitalization of talent services in the long run. Under this favorable trend, we have formulated and implemented various measures to capture younger talents' minds and reinforce our brand positioning. In January 2021, we unlocked our new logo to emphasize the interactive features of our recruitment platform. Our new brand ambassador, as part of the brand upgrade, also leads to deeper penetration into young populations. Alongside the marketing campaigns, we will continue to refine our products to better accommodate the needs of young talents. For example, we emphasize our platform's real-time interactive features through improved instant messaging functions, which will drive up the platform activeness and eventually further improve matching efficiency.

2021 marks the tenth anniversary of *Liepin* (獵聘). We will continue to focus on users and technological innovation, and remain committed to our initial mission of helping every talent achieve greater career success by providing a technology-driven talent service platform catering to complex demands from both the business and individual users. Underpinned by our well-rounded and further expanding talent services, we are determined and confident in our sustainable competitiveness and forceful growth.

FINANCIAL REVIEW

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	1,869,668	1,513,474
Cost of revenue	<u>(412,575)</u>	<u>(345,789)</u>
Gross profit	1,457,093	1,167,685
Other income	97,739	120,067
Sales and marketing expenses	(848,608)	(723,341)
General and administrative expenses	(320,554)	(247,409)
Research and development expenses	(239,870)	(185,202)
Profit from operations	145,800	131,800
Net finance (cost)/income	(38,252)	1,895
Share of results of associates	452	(2,911)
Deemed disposal of associate	<u>—</u>	<u>10,522</u>
Profit before taxation	108,000	141,306
Income tax	<u>(15,177)</u>	<u>(14,678)</u>
Profit for the year	<u>92,823</u>	<u>126,628</u>
Attributable to:		
— Equity shareholders of the Company	53,627	120,353
— Non-controlling interests	39,196	6,275
Non-GAAP Profit from Operation	<u>248,582</u>	<u>185,567</u>
Non-GAAP Profit attributable to equity owners of the Company	<u>156,409</u>	<u>174,120</u>

Revenue

Our revenue was RMB1,869.7 million in 2020, a 23.5% increase from RMB1,513.5 million in 2019, which was primarily due to (i) the increase in the number of paying customers, driven by the improvement of online talent service penetration and brand recognition; and (ii) the increase of average revenue per user, driven by up-sell and cross-sell opportunities brought by high-quality customers' diverse and resilient demands. During the period under review, approximately 92.2% of our revenue was generated from providing talent acquisition and other HR services to our business users, primarily in the forms of (1) customized subscription packages that include various talent services charging various fixed rates, and (2) transaction-based talent acquisition services that charge a fixed rate based on the offered annual salary of a particular job upon completion of certain hiring milestones. We also generated a small portion of our revenue by providing professional career services to individual paying users, such as premium membership services, career coaching, CV advisory and certificate training services to our registered individual users. The table below sets forth a breakdown of sources of our revenue for the periods indicated:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Talent acquisition and other HR services to business users	1,723,169	92.2	1,431,285	94.6
Professional career services to individual paying users	144,118	7.7	79,967	5.3
Rental income from investment property	2,381	0.1	2,222	0.1
Total	<u>1,869,668</u>	<u>100.0</u>	<u>1,513,474</u>	<u>100.0</u>

Revenue from talent acquisition and other HR services to business users was RMB1,723.2 million in 2020, a 20.4% increase from RMB1,431.3 million in 2019, primarily due to the increase in number of business customers and increase in average revenue per user.

Revenue from professional career services to individual paying users was RMB144.1 million in 2020, a 80.1% increase from RMB80.0 million in 2019, primarily due to more innovative products provided to mid-to high-end talents and the revenue generated from certificate training. Revenue from rental income from investment property was RMB2.4 million in 2020, a 7.2% increase from RMB2.2 million in 2019, which remained relatively stable.

Cost of Revenue

Our cost of revenue primarily comprises service and project expenses, salaries and benefits for our talent service personnel, IT infrastructure and maintenance costs. Our cost of revenue was RMB412.6 million in 2020, a 19.3% increase from RMB345.8 million in 2019. The amortisation of intangible assets resulting from acquisition was RMB10.9 million in 2020 (2019: nil). The percentage increase in cost of revenue was lower than the percentage increase in revenue, which was mainly driven by the change in product mix as a result of customers' preference in using online services causing a decrease in project expenses, and the improvement of operation efficiency.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company's gross profit was RMB1,457.1 million in 2020, a 24.8% increase from RMB1,167.7 million in 2019. Gross profit margin increased to 77.9% in 2020 from 77.2% in 2019 due to the change in product mix as a result of customers' preference in using online services with higher profit margin due to less project expenses, and the improvement of operation efficiency.

Sales and Marketing Expenses

Our sales and marketing expenses primarily comprised salaries and benefits (including share-based compensation expenses) for sales, sales support services and marketing personnel, advertising and promotion expenses and other expenses associated with our sales and marketing activities. Our sales and marketing expenses were RMB848.6 million in 2020, a 17.3% increase from RMB723.3 million in 2019. The share-based compensation expenses were RMB12.2 million in 2020 and RMB8.3 million in 2019. The amortisation of intangible assets resulting from acquisition was RMB31.9 million in 2020 (2019: nil). Our sales and marketing expenses as a percentage of revenue decreased from 47.8% in 2019 to 45.4% in 2020, primarily due to improving operation leverage driven by the increase in efficiency of our sales and service team.

General and Administrative Expenses

Our general and administrative expenses primarily encompassed salaries and benefits (including share-based compensation expenses) for our general and administrative personnel, office expenses (including rental expense) and other operating expenses which include impairment losses for doubtful accounts receivable and other receivables. Our general and administrative expenses were RMB320.6 million in 2020, a 29.6% increase from RMB247.4 million in 2019, which was primarily due to the increase in management personnel costs driven by the group expansion, the increase in loss allowance for expected credit losses as the management were more prudent on the recoverable rate due to the outbreak of pandemic, such as the recoverability of the government grant, and the increase in the share-based compensation expenses from RMB27.3 million in 2019 to RMB31.0 million in 2020. Our general and administrative expenses as a percentage of revenue increased from 16.3% in 2019 to 17.1% in 2020, primarily due to the increase in management personnel expenses due to group expansion and the increase in loss allowance due to more prudent estimation on recoverability of receivables.

Research and Development Expenses

Our R&D expenses primarily comprised salaries and benefits (including share-based compensation expenses) for R&D personnel and other R&D related expenses, such as office rental and depreciation of equipment associated with R&D activities. Our R&D expenses were RMB239.9 million in 2020, a 29.5% increase from RMB185.2 million in 2019. In order to seize the significant long-term growth opportunities, we invested aggressively in R&D headcounts and personnel costs. The share-based compensation expenses decreased from RMB18.2 million in 2019 to RMB16.8 million in 2020, primarily due to the net impact of new share options granted in 2020 and a batch exercised in the end of 2019. As a percentage of revenue, our R&D expenses increased from 12.2% in 2019 to 12.8% in 2020, primarily as a result of investment in product innovations, upgrade of existing products and integration of the systems developed for those newly acquired subsidiaries with the Group's existing system in order to achieve future synergy.

Other Income

Other income primarily comprised income derived from interest income from bank deposits. Our other income decreased by 18.6% from RMB120.1 million in 2019 to RMB97.7 million in 2020, primarily as a result of (1) the decrease of interest income from bank deposit due to the cash consideration settled in 2019 to acquire Changsha Ranxing Information Technology Co., Ltd. (長沙冉星信息科技有限公司) (“**Changsha Ranxing**”) and the decrease of interest rate; and (2) fair value changes of other financial assets.

Profit from Operations

As a result of the foregoing, our profit from operations was RMB145.8 million in 2020, a 10.6% increase from RMB131.8 million in 2019, primarily attributable to (i) the increase in gross profit as a result of the higher average revenue per user and the increase in number of paying customers; (ii) the improvement of sales efficiency, i.e. the decrease in sales bonus payout ratio as a result of the higher proportion of recurring revenue and the strict spending control as the average size of our sales and service team remained stable even after the outbreak of COVID-19.

Net Finance (Cost)/Income

Net finance cost primarily consists of interest on lease liabilities rising from the adoption of IFRS 16, bank charges and foreign currency exchange loss due to depreciation of USD against RMB. Our net finance cost was RMB38.3 million in 2020, compared to a net finance income of RMB1.9 million in 2019, primarily as a result of the increase in foreign currency exchange loss.

Profit before Tax

As a result of the foregoing, profit before tax was RMB108.0 million in 2020, compared to a profit before tax of RMB141.3 million in 2019, primarily as a result of the increase in foreign currency exchange loss.

Income Tax Expenses

Income tax expenses was RMB15.2 million in 2020, compared to income tax expenses of RMB14.7 million in 2019.

Profit for the Year

As a result of the aforementioned factors, profit for the year was RMB92.8 million in 2020, decreasing from RMB126.6 million in 2019, primarily as a result of the increased profit from operation net off by the increase in foreign currency exchange loss.

Three Months Ended 31 December 2020 Compared to Three Months Ended 31 December 2019

	For the three months ended	
	2020	2019
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Revenue	607,642	411,618
Cost of revenue	<u>(152,812)</u>	<u>(118,501)</u>
Gross profit	<u>454,830</u>	<u>293,117</u>
Other income	30,007	48,606
Sales and marketing expenses	(283,024)	(202,863)
General and administrative expenses	(118,207)	(67,381)
Research and development expenses	<u>(66,318)</u>	<u>(45,669)</u>
Profit from operations	17,288	25,810
Net finance (cost)/income	(23,873)	4,458
Share of results of associates	1	9
Deemed disposal of associate	<u>—</u>	<u>10,522</u>
(Loss)/Profit before taxation	(6,584)	40,799
Income tax	<u>(12,293)</u>	<u>(4,256)</u>
(Loss)/Profit for the period	<u>(18,877)</u>	<u>36,543</u>
Attributable to:		
— Equity shareholders of the Company	(13,483)	36,071
— Non-controlling interests	<u>(5,394)</u>	<u>472</u>
Non-GAAP Profit from Operation	<u>40,978</u>	<u>39,719</u>
Non-GAAP Profit attributable to equity owners of the Company	<u>10,207</u>	<u>49,980</u>

Revenue

Our revenue was RMB607.6 million in the three months ended 31 December 2020, a 47.6% increase from RMB411.6 million in the three months ended 31 December 2019, which was primarily due to (i) the recovering recruitment and job seeking sentiment brought by relaxed restrictions and the rebound of economic conditions; (ii) the increase in the number of paying customers, driven by the improvement of online talent service penetration and brand recognition; and (iii) the increase of average revenue per user, driven by up-sell and cross-sell opportunities brought by high-quality customers' diverse and resilient demands. During the period under review, approximately 88.4% of our revenue was generated from providing talent acquisition and other HR services to our business users, primarily in the forms of (1) customized subscription packages that include various talent services charging various fixed rates; and (2) transaction-based talent acquisition services that charge a fixed rate based on the offered annual salary of a particular job upon completion of certain hiring milestones. We also generated a small portion of our revenues by providing professional career services to individual paying users, such as premium membership services, career coaching, CV advisory and certificate training services to our registered individual users. The table below sets forth a breakdown of sources of our revenue for the periods indicated:

	For the three months ended 31 December			
	2020 (unaudited)		2019 (unaudited)	
	RMB'000	%	RMB'000	%
Talent acquisition and other HR services to business users	537,249	88.4	393,352	95.5
Professional career services to individual paying users	70,350	11.6	17,634	4.3
Rental income from investment property	43	0.0	633	0.2
Total	607,642	100.0	411,619	100.0

Revenue from talent and other HR services to business users was RMB537.2 million in the three months ended 31 December 2020, a 36.6% increase from RMB393.4 million in the three months ended 31 December 2019, primarily due to the release of recruitment demand that was suppressed during the pandemic, resulting in the increase in number of business customers and increase in average revenue per user.

Revenue from professional career services to individual paying users was RMB70.4 million in the three months ended 31 December 2020, a 298.8% increase from RMB17.6 million in the three months ended 31 December 2019, primarily due to more innovative products provided to mid-to high-end talents and the revenue generated from certificate training.

Cost of Revenue

Our cost of revenue was RMB152.8 million in the three months ended 31 December 2020, a 28.9% increase from RMB118.5 million in the three months ended 31 December 2019. The amortisation of intangible assets resulting from acquisition was RMB5.0 million in the three months ended 31 December 2020 (2019: nil). The percentage increase in cost of revenue was lower than the percentage increase in revenue, which was mainly driven by the change in product mix as a result of reinforced customers' preference and habit in using online services during the pandemic period causing a decrease in project expenses, and the improvement of operation efficiency.

Gross Profit and Gross Profit Margin

The Company's gross profit was RMB454.8 million in the three months ended 31 December 2020, a 55.2% increase from RMB293.1 million in the three months ended 31 December 2019. Gross profit margin increased to 74.9% in the three months ended 31 December 2020 from 71.2% in the three months ended 31 December 2019 due to the change in product mix as a result of reinforced customers' preference and habit in using online services during the pandemic period due to less project expenses, and the improvement of operation efficiency.

Sales and Marketing Expenses

Our sales and marketing expenses were RMB283.0 million in the three months ended 31 December 2020, a 39.5% increase from RMB202.9 million in the three months ended 31 December 2019. The share-based compensation expenses were RMB3.2 million in the three months ended 31 December 2020 and RMB1.9 million in the three months ended 31 December 2019. The amortisation of intangible assets resulting from acquisition was RMB7.2 million in the three months ended 31 December 2020 (2019: nil). Our sales and marketing expenses as a percentage of revenue decreased from 49.3% in the three months ended 31 December 2019 to 46.6% in the three months ended 31 December 2020, primarily due to improving operation leverage driven by the increase in efficiency of our sales and service team.

General and Administrative Expenses

Our general and administrative expenses were RMB118.2 million in the three months ended 31 December 2020, a 75.4% increase from RMB67.4 million in the three months ended 31 December 2019, which was primarily due to: (1) the increase in management personnel costs due to the acquired subsidiaries; (2) the increase of loss allowance for expected credit losses as the management were more prudent on the recoverable rate due to the outbreak of pandemic on accounts receivables and other receivables, such as the recoverability of government grant. The share-based compensation expenses decreased from RMB9.3 million in 2019 to RMB5.5 million in 2020. Our general and administrative expenses as a percentage of revenue increased from 16.4% in the three months ended 31 December 2019 to 19.5% in the three months ended 31 December 2020, primarily due to the increase in management personnel expenses due to group expansion and the increase in loss allowance due to more prudent estimation on recoverability of receivables.

Research and Development Expenses

Our R&D expenses were RMB66.3 million in the three months ended 31 December 2020, a 45.1% increase from RMB45.7 million in the three months ended 31 December 2019. In order to seize the significant long-term growth opportunities, we invested aggressively in R&D headcounts and personnel costs, and the share-based compensation expenses increased from RMB2.7 million in the three months ended 31 December 2019 to RMB2.8 million in the three months ended 31 December 2020. As a percentage of revenue, our R&D expenses decreased from 11.1% in the three months ended 31 December 2019 to 10.9% in the three months ended 31 December 2020, which remained comparably stable.

Other Income

Our other income decreased by 38.3% from RMB48.6 million in the three months ended 31 December 2019 to RMB30.0 million in the three months ended 31 December 2020, primarily as a result of (1) the decrease of interest income from bank deposit due to the cash consideration settled in 2019 to acquire Changsha Ranxing and the decrease of interest rate; and (2) fair value changes of other financial assets.

Profit from Operations

As a result of the foregoing, our profit from operations was RMB17.3 million in the three months ended 31 December 2020, a 32.9% decrease from RMB25.8 million in the three months ended 31 December 2019, primarily attributable to (i) the increase in gross profit as a result of the higher average revenue per user due to the higher level of market acceptance of the Company's products; (ii) the improvement of sales efficiency, i.e. the decrease in sales bonus payout ratio as a result of the higher proportion of recurring revenue and the strict spending control as the average size of our sales and service team remained stable; (iii) the improvement of R&D efficiency and integration of the Group's systems; and (iv) the increase of loss allowance for expected losses of other receivables, as the management were more prudent on the estimation on recoverability of receivables, such as government grant from prior years.

Net Finance (Cost)/Income

Our net finance cost was RMB23.9 million in the three months ended 31 December 2020, compared to a net finance income of RMB4.5 million in the three months ended 31 December 2019, primarily as a result of the increase in foreign currency exchange loss due to depreciation of USD against RMB.

(Loss)/Profit before Tax

As a result of the foregoing, loss before tax was RMB6.6 million in the three months ended 31 December 2020, compared to a profit before tax of RMB40.8 million in the three months ended 31 December 2019, primarily as a result of the increase in losses of other receivables as the management were more prudent on recoverability rate and foreign currency exchange loss.

Income Tax Expenses

Income tax expenses was RMB12.3 million in the three months ended 31 December 2020, compared to income tax expenses of RMB4.3 million in the three months ended 31 December 2019.

(Loss)/Profit for the Period

As a result of the aforementioned factors, loss for the period was RMB18.9 million in the three months ended 31 December 2020, compared to a profit for the period of RMB36.5 million in the three months ended 31 December 2019, primarily as a result of the increase in losses of other receivables as the management were more prudent on recoverability rate and foreign currency exchange loss.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and amortisation 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 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 items and one-off expenses.

	For the three months ended 31 December		For the year ended 31 December	
	2020 (unaudited) <i>RMB'000</i>	2019 (unaudited) <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
A. NON-GAAP PROFIT FROM OPERATION				
Profit from Operation	17,288	25,810	145,800	131,800
Share-based compensation expense	11,483	13,909	59,978	53,767
Amortization of intangible assets resulting from acquisition	12,207	—	42,804	—
Non-GAAP Profit from Operation	40,978	39,719	248,582	185,567
B. NON-GAAP PROFIT ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY				
(Loss)/Profit attributable to equity owners of the Company	(13,483)	36,071	53,627	120,353
Share-based compensation expense	11,483	13,909	59,978	53,767
Amortization of intangible assets resulting from acquisition	12,207	—	42,804	—
Non-GAAP Profit attributable to equity owners of the Company	10,207	49,980	156,409	174,120

Total Comprehensive Income

As a result of the foregoing, total comprehensive income attributable to the owners of the Company and non-controlling interests was RMB-19.8 million in 2020, compared to RMB172.7 million in 2019.

LIQUIDITY AND FINANCIAL RESOURCES

We expect our liquidity requirements will be satisfied by a combination of cash generated from operating activities, investing activities and the net proceeds from the initial public offering. We currently do not have any plan for material additional external debt or equity financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

We had cash and cash equivalents of RMB359.2 million and RMB516.9 million in 2019 and 2020 respectively. Our cash and cash equivalents are held in RMB, HKD and USD. The following table sets forth our cash flows for the periods indicated:

	For the year ended	
	31 December	
	2020	2019
	RMB'000	RMB'000
Net cash generated from operating activities	466,285	249,191
Net cash (used in) investing activities	(90,715)	(495,085)
Net cash (used in) from financing activities	(215,862)	(69,121)
Net increase/(decrease) in cash and cash equivalents	159,708	(315,015)
Effect of foreign exchange rate changes	(1,920)	25,840
Cash and cash equivalents at the beginning of the Reporting Period	359,156	648,331
Cash and cash equivalents at the end of the Reporting Period	516,944	359,156

Net Cash Generated from Operating Activities

In 2020, net cash generated from operating activities was RMB466.3 million, compared to net cash generated from operating activities of RMB249.2 million in 2019, primarily because of the growth of business and cash advances from business customers.

Net Cash Used in Investing Activities

In 2020, net cash used in investing activities was RMB90.7 million, compared to net cash used in investing activities of RMB495.1 million in 2019, which was mainly attributable to the acquisition of Changsha Ranxing in 2019, with a consideration of RMB826.96 million.

Net Cash Used in Financing Activities

In 2020, net cash used in financing activities was RMB215.9 million, mainly attributable to payment for shares held for share award schemes and repayment from interest-bearing borrowings compared to net cash generated from financing activities of RMB69.1 million in 2019.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

The following table sets forth our capital expenditures and long-term investments for the periods indicated:

	For the year ended	
	31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Payment for property, plant and equipment and intangible assets	19,146	16,513
Payment for the purchase of equity securities	8,000	57,769
Payment for business acquisition net of cash acquired	86,667	835,221
Total capital expenditures and long-term investments	<u>113,813</u>	<u>909,503</u>

Our capital expenditures and long-term investment primarily included payment for property, plant and equipment and intangible assets, payment for the purchase of equity securities and payment for business acquisition net of cash acquired. In 2019, we have invested an aggregate of approximately RMB892,990 million in different companies that have technologies or businesses that supplement and benefit our business, which includes the payment of RMB826.96 million for the investment in Changsha Ranxing. In 2020, we have invested in Saiyou, a technology-driven education company which provides online training for professional certification and skills, with a total cash consideration of RMB165.5 million, of which the initial payment was RMB88.2 million.

GEARING RATIO

The gearing ratio (calculated as total bank and other borrowings divided by total assets/capital) of the Company as at 31 December 2020 was nil (31 December 2019: 1.4%).

The Board and the Audit Committee constantly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

INVENTORIES

Due to the nature of our business being an online platform for talent services, we have no inventories to be disclosed.

BORROWINGS AND BONDS

As at 31 December 2020, the Company had no other bank loans, convertible loans and borrowings nor did the Company issue any bonds.

CONTINGENT LIABILITIES

As of 31 December 2020, we did not have any material contingent liabilities.

FOREIGN EXCHANGE RISK

Our transactions are denominated and settled in its functional currency, RMB. Our subsidiaries and PRC operating entities primarily operate in China and are exposed to foreign exchange risk primarily through deposits at banks which give rise to cash balances that are denominated in foreign currency, i.e. a currency other than the functional currency in which our transactions denominated. The currencies giving rise to this risk are primarily USD. We have not hedged against any fluctuation in foreign currency, nor was any financial instrument used for hedging purposes as of 31 December 2020. Our PRC subsidiaries and PRC operating entities all have RMB as their functional currency. We had foreign currency exchange gain (both realized and unrealized) of RMB9.0 million in 2019 and foreign exchange loss of RMB27.1 million in 2020, recognized as net finance income/(cost) in the consolidated statement of profit or loss and other comprehensive income. The foreign currency exchange loss in 2020 was mainly attributable to USD depreciation against RMB.

CREDIT RISK

Our credit risk is mainly attributable to bank deposits, prepayments, trade and other receivables. Management has a credit policy in place and the exposures to these risks are monitored on an ongoing basis.

Bank deposits are placed with reputable banks and financial institutions.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and to take into account information specific to the customers as well as pertaining to the economic environment in which the customer operates. The Group does not normally obtain collateral from customers.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and hence significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. We did not have significant concentration of debtors as of 31 December 2020.

LIQUIDITY RISK

Individual operating entities within our Group are responsible for their own management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor liquidity requirements and compliance with lending covenants, to ensure that the operating entities maintain sufficient reserves of cash and realizable marketable securities and adequate committed lines of funding from major financial institutions to meet their liquidity requirements in the short and long terms.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in the section headed "Material Acquisitions and Disposals" below, as at 31 December 2020, there was no other significant investment held by the Group.

PLEDGE OF ASSETS/CHARGE ON ASSETS

There was no pledge of the Group's assets as at 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

In 2020, Liedao Information Technology Co., Ltd (獵道信息技術有限公司), one of our consolidated affiliated entities that we control through contractual arrangements, invested approximately 51.58% equity interest in Beijing Saiyou Education Technology Co., Ltd. (北京賽優職教育科技有限公司) ("Saiyou"), a technology-driven education company incorporated in China which provides online training for professional certification and skills, with a total cash consideration of RMB165.5 million ("**Strategic Investment**"). The applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Strategic Investment are all below 5%, therefore the Strategic Investment did not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

We believe that this Strategic Investment can bring growth synergies to our Group in the coming years. By entering into this Strategic Investment, we would be able to expand our business coverage and to provide training for professional certification and skills to our individual users. More individual users can be attracted to our platform by this closed-loop professional services starting from training to job seeking, which can ultimately lead to an increase in our individual user traffic. We also expect cross-sale opportunities of providing training service for professional certification and skills to the employees of our existing business customers in the future.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds from the initial public offering of the Company were approximately HKD2,804.6 million. HKD1,489.3 million out of the net proceeds have been utilized as at 31 December 2020 in the manner consistent with that disclosed in the prospectus of the Company dated 19 June 2018 under the section headed “Future Plans and Use of Proceeds”. As at 31 December 2020, the unutilized net proceeds was in the amount of approximately HKD1,315.3 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group has no other plans for material investments and capital assets.

ANNUAL RESULTS

Consolidated statement of profit or loss

For the year ended 31 December 2020

(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Revenue	2	1,869,668	1,513,474
Cost of revenue		<u>(412,575)</u>	<u>(345,789)</u>
Gross profit		1,457,093	1,167,685
Other income	3	97,739	120,067
Sales and marketing expenses		(848,608)	(723,341)
General and administrative expenses		(320,554)	(247,409)
Research and development expenses		(239,870)	(185,202)
Profit from operations		145,800	131,800
Net finance (cost)/income		(38,252)	1,895
Share of results of associates		452	(2,911)
Deemed disposal of associate		<u>—</u>	<u>10,522</u>
Profit before taxation		108,000	141,306
Income tax	4	<u>(15,177)</u>	<u>(14,678)</u>
Profit for the year		92,823	126,628
Attributable to:			
— Equity shareholders of the Company		53,627	120,353
— Non-controlling interests		39,196	6,275
Profit for the year		92,823	126,628
Earnings per share	9		
Basic (RMB Cent)		<u>10.42</u>	<u>23.37</u>
Diluted (RMB Cent)		<u>10.33</u>	<u>23.10</u>

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(Expressed in RMB)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<u>92,823</u>	<u>126,628</u>
Other comprehensive income for the year (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>(112,655)</u>	<u>46,114</u>
Other comprehensive income for the year	<u>(112,655)</u>	<u>46,114</u>
Total comprehensive income for the year	<u><u>(19,832)</u></u>	<u><u>172,742</u></u>
Attributable to:		
Equity shareholders of the Company	<u>(59,028)</u>	<u>166,467</u>
Non-controlling interests	<u>39,196</u>	<u>6,275</u>
Total comprehensive income for the year	<u><u>(19,832)</u></u>	<u><u>172,742</u></u>

Consolidated statement of financial position

(Expressed in RMB)

		31 December 2020	31 December 2019
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		149,219	139,059
Investment properties		34,959	36,445
Intangible assets		229,808	192,872
Goodwill		855,651	711,184
Prepayments for investments		23,968	27,119
Interests in associate		1,961	1,509
Other financial assets		141,414	143,561
Deferred tax assets		21,335	9,630
Other non-current assets		7,109	7,248
		1,465,424	1,268,627
Current assets			
Trade receivables	5	92,552	68,239
Prepayments and other receivables		115,233	115,671
Receivables from related parties		10,866	10,991
Other current assets		344,394	136,865
Time deposits with banks		1,904,648	2,227,592
Cash and cash equivalents		516,944	359,156
		2,984,637	2,918,514
Current liabilities			
Trade and other payables	6	367,911	205,540
Contract liabilities		850,195	678,460
Interest-bearing borrowings	7	—	59,000
Lease liabilities	8	51,316	44,241
Current taxation		32,020	32,897
		1,301,442	1,020,138

Consolidated statement of financial position

(Expressed in RMB)

		31 December 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net current assets		<u>1,683,195</u>	<u>1,898,376</u>
Total assets less current liabilities		<u>3,148,619</u>	<u>3,167,003</u>
Non-current liabilities			
Lease liabilities	8	62,875	59,747
Deferred tax liabilities		<u>43,160</u>	<u>28,992</u>
		<u>106,035</u>	<u>88,739</u>
NET ASSETS		<u>3,042,584</u>	<u>3,078,264</u>
CAPITAL AND RESERVES			
Share capital		340	339
Reserves		<u>2,874,220</u>	<u>2,969,046</u>
Total equity attributable to equity shareholders of the Company		2,874,560	2,969,385
Non-controlling interests		<u>168,024</u>	<u>108,879</u>
TOTAL EQUITY		<u>3,042,584</u>	<u>3,078,264</u>

Consolidated cash flow statement

For the year ended 31 December 2020

(Expressed in RMB)

	2020 RMB'000	2019 RMB'000
Operating activities		
Profit before taxation	108,000	141,306
Adjustments for:		
Expected credit losses on trade receivables and other receivables	61,469	19,252
Depreciation of property, plant and equipment and investment property	16,932	13,950
Depreciation of right-of-use assets	44,789	39,831
Amortization of intangible assets	47,574	8,798
Profit on disposal of property, plant and equipment	(65)	(18)
Net finance cost excluding bank charges and other finance costs	36,497	(3,233)
Investment income from wealth management products	(4,504)	(715)
Dividend income	(3,560)	—
Share of results of associates	(452)	2,911
Fair value change of financial assets at fair value through profit or loss	10,279	(2,972)
Deemed disposal of associate	—	(10,522)
Share-based compensation expenses	59,977	53,767
Changes in working capital:		
Increase in trade receivables	(52,008)	(30,643)
Decrease/(increase) in prepayments and other receivables and other current assets	52,970	(24,338)
Increase in contract liabilities	54,135	25,090
Increase in trade and other payables	70,825	17,327
Cash generated from operations	502,858	249,791
Income tax paid	(36,573)	(600)
Net cash generated from operating activities	466,285	249,191

Consolidated cash flow statement

For the year ended 31 December 2020

(Expressed in RMB)

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Investing activities		
Proceeds from sale of property, plant and equipment	569	132
Investment income from wealth management products received	3,377	650
Proceeds from maturity of wealth management products	109,504	147,000
Proceeds from maturity of time deposits with banks	2,195,473	4,672,637
Dividend income	3,560	—
Loan to related parties	—	(10,991)
Payment for the purchase of property, plant and equipment and intangible assets	(19,146)	(16,513)
Payment for the purchase of wealth management products	(279,044)	(111,000)
Payment for the purchase of equity securities	(8,000)	(57,769)
Payment for business acquisitions net of cash acquired	(86,667)	(835,221)
Placement of time deposits with banks	(2,010,341)	(4,284,010)
Net cash used in investing activities	(90,715)	(495,085)

Consolidated cash flow statement
For the year ended 31 December 2020
(Expressed in RMB)

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Financing activities		
Capital injection from non-controlling owners	—	980
Proceeds from share issued under share option scheme	459	4,172
Proceeds from interest-bearing borrowings	137,000	59,000
Shares held for RSU scheme	(105,045)	(89,177)
Repayment from interest-bearing borrowings	(196,000)	—
Interest paid	(3,873)	(806)
Interest element of lease rentals paid	(5,616)	(4,818)
Capital element of lease rentals paid	(42,787)	(38,472)
	<hr/>	<hr/>
Net cash used in financing activities	(215,862)	(69,121)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	159,708	(315,015)
Cash and cash equivalents at the beginning of the year	359,156	648,331
Effect of foreign exchange rate changes	(1,920)	25,840
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	516,944	359,156
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1. Changes in accounting policies

The group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, COVID-19-Related Rent Concessions

Other than the amendment to IFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

2. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are providing a variety of talent acquisition, human resource outsourcing, online questionnaire subscription and online advertising services to business customers and career coaching, professional skill training and CV advisory services to individual paying users.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Services to business customers	1,723,169	1,431,285
Services to individual paying users	144,118	79,967
Revenue from other sources		
Rental income from investment property	<u>2,381</u>	<u>2,222</u>
	<u>1,869,668</u>	<u>1,513,474</u>

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue in 2020.

3. Other income

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income from bank deposits	58,612	89,437
Investment income from wealth management products	4,504	715
Government grant	37,928	26,733
Fair value changes of other financial assets	(10,279)	2,972
Dividend income	3,560	—
Others	3,414	210
	<u>97,739</u>	<u>120,067</u>

4. Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax		
Provision for the year	44,589	30,517
Over-provision in respect of prior years	(8,893)	(7,160)
	<u>35,696</u>	<u>23,357</u>
Deferred tax		
Origination and reversal of temporary differences	(20,519)	(8,679)
	<u>15,177</u>	<u>14,678</u>

The Group's PRC subsidiaries are subject to the PRC Corporate Income Tax Law ("CIT Law") and are taxed at the statutory income tax rate of 25%. The Group's subsidiaries in Hong Kong are subject to Hong Kong profits tax at the rate of 16.5% of the assessable profits. The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

5. Trade receivables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables — measured at amortised cost	<u>92,552</u>	<u>68,239</u>

All the trade receivables are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of allowance for credit loss, is as follows:

	2020 RMB'000	2019 RMB'000
Within 60 days	75,687	47,280
60 days to 1 year	16,865	16,824
Over 1 year	—	4,135
	<u>92,552</u>	<u>68,239</u>

6. Trade and other payables

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables to third parties	51,613	33,314
Salary and welfare payable	178,117	113,687
Other tax payables	16,366	17,586
Other payables	121,815	40,953
	<u>367,911</u>	<u>205,540</u>

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade payables to third parties, based on the invoice date is as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within 30 days	49,050	31,660
30 days to 1 year	2,563	1,654
	<u>51,613</u>	<u>33,314</u>

7. Interest-bearing borrowings

The group has no interest-bearing borrowings as at 31 December 2020. The group got two bank loans with amount of RMB24 million due on 18 September 2020 and RMB35 million due on 7 October 2020, respectively. They are all unsecured and with fixed interest rate of 6% per annum.

8. Lease liabilities

At 31 December 2020, the lease liabilities were repayable are follows:

	At 31 December 2020 Present value of the minimum lease payments RMB'000	At 31 December 2019 Present value of the minimum lease payments RMB'000
Within 1 year	51,316	44,241
After 1 year but within 2 years	27,517	34,956
After 2 years but within 5 years	32,209	24,791
After 5 years	3,149	—
	<u>62,875</u>	<u>59,747</u>
	<u>114,191</u>	<u>103,988</u>

9. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB53,627 thousand (2019: the profit of RMB120,353 thousand) and the weighted average number of 514,495 thousand ordinary shares in issue during the year.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB53,627 thousand (2019: the profit of RMB120,353 thousand) and the weighted average number of ordinary shares of 519,362 thousand shares (2019: 521,104 thousand ordinary shares), calculated as follows:

10. Dividends

The board of directors of the Company has resolved not to declare dividend for the year ended 31 December 2020 (2019: nil).

11. Business Combination

Beijing Saiyou

On 26 August 2020, the Group entered into an equity transfer agreement with Mr. Zhang Dongdong and Mr. Xue Hang, the founders of Beijing Saiyou, and other shareholders of Beijing Saiyou, pursuant to which the Group obtain 49.5% of the total equity interest with a cash consideration of RMB150.5 million. The Group also agreed to additionally invested RMB15.0 million to Beijing Saiyou on 26 August 2020. As a result, the Group held 51.58% of the equity interest of Beijing Saiyou, and obtained the control of Beijing Saiyou. Additionally, pursuant to the agreement, the value of Beijing Saiyou would be reassessed and the compensation would be paid to the Group, if certain conditions are not met. As at 31 December 2020, the probability of the Beijing Saiyou could not meet the conditions was remote and therefore the compensation would not happen.

Goodwill of approximately RMB144,467 thousand was recognised as a result of this acquisition. It was mainly attributable to the operating synergies and economies of scale expected to be derived from combining the operations. None of the goodwill is expected to be deductible for income tax purpose. The Group chose to record the non-controlling equity interests in Beijing Saiyou at their proportionate share of net assets acquired as at the acquisition date.

The following table summarises the purchase consideration, fair value of assets acquired, liabilities assumed and the non-controlling interest recognised as at the acquisition date:

	At 26 August 2020 RMB'000
Consideration	
Cash consideration	<u>165,510</u>
	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,711
Intangible assets	80,600
Cash and cash equivalents	1,541
Current assets excluding cash and cash equivalents	109,289
Contract liabilities	(117,600)
Other current liabilities	(14,312)
Non-current liabilities excluding deferred tax liability	(3,447)
Deferred tax liability	<u>(22,982)</u>
Total identifiable net assets	40,800
Non-controlling interests in Saiyou	(19,757)
Goodwill	<u>144,467</u>
	<u>165,510</u>

Net cash outflows arising on the acquisition of Beijing Saiyou for the year:

	<i>RMB'000</i>
Consideration paid in cash to founder and other investors	88,208
Less: cash and cash equivalent balances acquired	<u>1,541</u>
	<u><u>86,667</u></u>

For the period from the acquisition date through 31 December 2020, Beijing Saiyou contributed RMB60,097 thousand and RMB12,409 thousand to the Group's revenue and loss, respectively.

Had the acquisition been completed on 1 January 2020, the Group's pro forma combined revenue and pro forma combined profit for the year ended 31 December 2020 would have been RMB1,948,922 thousand and RMB52,986 thousand, respectively. These pro forma combined figures are for inclusion in these financial statements and for illustrative purpose only. Because of their nature, these pro forma combined figures may not give a true picture of the financial position or results of the combined group that would have occurred had the acquisition actually been completed at the commencement of the reporting period, nor is intended to be a projection of the future prospects of the combined group.

The Group incurred acquisition-related cost of RMB368 thousand on legal fee and due diligence costs. These costs have been included in "general and administrative expenses"

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices and has complied with the code provisions as set out in the CG Code during the year ended 31 December 2020, save for the deviation from code provision A.2.1 as disclosed below.

We do not have a separate chairman and chief executive officer and Mr. Dai Kebin currently performs these two roles. While this constitutes a deviation from code provision A.2.1 of the CG Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our directors and that our Board comprises three independent non-executive directors out of eight directors, and we believe there is sufficient check and balance in our Board; (ii) Mr. Dai Kebin and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that they act for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Finally, as Mr. Dai Kebin is our principal founder, our 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 our Group and enables more effective and efficient overall strategic planning for and communication within our Group. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions. Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code during the year ended 31 December 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has three members (comprising two independent non-executive directors), being Mr. Choi Onward (chairman), Mr. Ye Yaming and Mr. Zuo Lingye, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the consolidated results for the year ended 31 December 2020 of the Group and the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2020 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor's Procedures Performed on this Announcement

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

EVENTS AFTER THE END OF THE REPORTING PERIOD

From 1 January 2021 up to the date of this announcement, there are no significant events occurred after the reporting period that may affect the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “AGM”) of the Company will be held on Tuesday, 8 June 2021. The notice of the AGM will be published and despatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders’ eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.liopin.com).

The annual report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By Order of the Board
Tongdao Liepin Group
Dai Kebin
Chairman

PRC, 19 March 2021

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, Mr. ZUO Lingye and Mr. DING Gordon Yi as non-executive Directors, and Mr. YE Yaming, Mr. ZHANG Ximeng and Mr. CHOI Onward as independent non-executive Directors.