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Wise Talent Information Technology Co., Ltd

有才天下信息技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6100)

KEY FINANCIAL AND PERFORMANCE INDICATORS FOR THE FIRST QUARTER OF 2020

To enable shareholders, investors and the general public to better appraise the operational performance of the Group, the board of directors (the “**Board**”) of Wise Talent Information Technology Co., Ltd (the “**Company**” together with its subsidiaries, the “**Group**”, “**we**” or “**us**”) announces certain selected unaudited key financial and performance indicators of the Group for the first quarter of 2020.

The key unaudited financial data during the first quarter of 2020 was set out as follows:

- Revenue including primarily revenue from providing talent acquisition services to our business customers and providing professional career services was RMB342.7 million in the first quarter of 2020, a 10.4% increase from RMB310.4 million in the first quarter of 2019.
- Gross profit was RMB281.9 million in the first quarter of 2020, a 13.2% increase from RMB249.0 million in the first quarter of 2019.
- Net loss was RMB2.2 million in the first quarter of 2020, a 89.3% decrease from RMB20.4 million in the first quarter of 2019.
- Net loss attributable to the owners of the Company was RMB12.4 million in the first quarter of 2020, a 31.0% decrease from RMB17.9 million in the first quarter of 2019.
- Non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB26.0 million in the first quarter of 2020, a 1,382.7% increase from RMB1.8 million in the first quarter of 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 RMB12.2 million in the first quarter of 2020, as compared to non-GAAP loss attributable to equity owner of the Company of RMB4.5 million in the first quarter of 2019.

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 and other comprehensive income for the three months ended 31 March 2020 — unaudited

(Expressed in RMB)

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	342,697	310,429
Cost of revenue	<u>(60,774)</u>	<u>(61,386)</u>
Gross profit	281,923	249,043
Other income	26,475	23,166
Sales and marketing expenses	(186,263)	(185,233)
General and administrative expenses	(63,834)	(56,818)
Research and development expenses	<u>(56,807)</u>	<u>(41,862)</u>
Profit/(loss) from operations	1,494	(11,704)
Net finance income/(cost)	1,881	(11,733)
Share of loss of associate	<u>—</u>	<u>(2,920)</u>
Profit/(loss) before taxation	3,375	(26,357)
Income tax	<u>(5,565)</u>	<u>5,977</u>
Loss for the period	<u>(2,190)</u>	<u>(20,380)</u>
Attributable to:		
Equity shareholders of the Company	(12,373)	(17,923)
Non-controlling interests	<u>10,183</u>	<u>(2,457)</u>
Loss for the period	<u>(2,190)</u>	<u>(20,380)</u>

Consolidated statement of profit or loss and other comprehensive income for the three months ended 31 March 2020 — unaudited (continued)

(Expressed in RMB)

	Three months ended 31 March	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	(2,190)	(20,380)
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>23,145</u>	<u>(49,649)</u>
Other comprehensive income for the period	<u>23,145</u>	<u>(49,649)</u>
Total comprehensive income for the period	<u>20,955</u>	<u>(70,029)</u>
Equity shareholders of the Company	10,772	(67,572)
Non-controlling interests	<u>10,183</u>	<u>(2,457)</u>
Total comprehensive income for the period	<u>20,955</u>	<u>(70,029)</u>

Consolidated statement of financial position as at 31 March 2020 — unaudited

(Expressed in RMB)

	31 March 2020 RMB'000	31 December 2019 RMB'000
Non-current assets		
Property, plant and equipment	126,040	139,059
Investment properties	36,087	36,445
Intangible assets	182,339	192,872
Goodwill	711,184	711,184
Prepaid investment	26,969	27,119
Interests in associate	1,509	1,509
Other financial assets	144,247	143,561
Deferred tax asset	9,630	9,630
Other non-current assets	6,520	7,248
	<u>1,244,525</u>	<u>1,268,627</u>
Current assets		
Trade receivables	84,960	68,239
Prepayments and other receivables	148,938	115,671
Receivables from related parties	10,991	10,991
Other current assets	167,511	136,865
Time deposits with banks	2,191,932	2,227,592
Cash and cash equivalents	327,120	359,156
	<u>2,931,452</u>	<u>2,918,514</u>
Current liabilities		
Trade and other payables	160,898	205,540
Contract liabilities	640,398	678,460
Interest-bearing borrowings	96,000	59,000
Lease liabilities	43,009	44,241
Current taxation	39,869	32,897
	<u>980,174</u>	<u>1,020,138</u>

Consolidated statement of financial position as at 31 March 2020 — unaudited
(continued)
(Expressed in RMB)

	31 March 2020 RMB'000	31 December 2019 RMB'000
Net current assets	<u>1,951,278</u>	<u>1,898,376</u>
Total assets less current liabilities	<u>3,195,803</u>	<u>3,167,003</u>
Non-current liabilities		
Lease liabilities	53,186	59,747
Deferred tax liabilities	<u>28,412</u>	<u>28,992</u>
	<u>81,598</u>	<u>88,739</u>
NET ASSETS	<u><u>3,114,205</u></u>	<u><u>3,078,264</u></u>
CAPITAL AND RESERVES		
Share capital	339	339
Reserves	<u>2,995,002</u>	<u>2,969,046</u>
Total equity attributable to equity shareholders of the Company	2,995,341	2,969,385
Non-controlling interests	<u>118,864</u>	<u>108,879</u>
TOTAL EQUITY	<u><u>3,114,205</u></u>	<u><u>3,078,264</u></u>

NON-GAAP FINANCIAL MEASURES

To supplement the consolidated results of the Group for the first quarter of 2020 prepared in accordance with “International Finance Reporting Standards”, non-GAAP profit attributable to equity owners of the Company (excluding share-based compensation expenses and amortization of intangible assets resulting from acquisition) has been presented in this announcement. To enable the shareholders of the Company and potential investors to make an informed assessment of the Group’s performance, the non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortization of intangible assets resulting from acquisition) has also been presented in this announcement. Amortization of intangible assets resulting from acquisition has been included in the reconciliation in 2020. The management believes that this item does not relate to the Group’s daily business operations.

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 “International Finance Reporting Standards”. 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.

	Three months ended	
	31 March	
	2020	2019
	(unaudited)	(unaudited)
	RMB’000	RMB’000
A. NON-GAAP PROFIT FROM OPERATION		
Profit/(Loss) from Operation	1,494	(11,704)
Share-based compensation expense	15,137	13,460
Amortization of intangible assets resulting from acquisition	9,406	—
Non-GAAP Profit from Operation	26,037	1,756
B. NON-GAAP PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY		
Loss attributable to equity owners of the Company	(12,373)	(17,923)
Share-based compensation expense	15,137	13,460
Amortization of intangible assets resulting from acquisition	9,406	—
Non-GAAP Profit/(loss) attributable to equity owners of the Company	12,170	(4,463)

BUSINESS DATA

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

	As of 31 March 2020	As of 31 December 2019
Individual Users		
Number of registered individual users (<i>in millions</i>)	<u>56.3</u>	<u>54.2</u>
Business Users and Customers		
Number of verified business users	<u>581,587</u>	<u>559,568</u>
Headhunters		
Number of verified headhunters	<u>159,146</u>	<u>158,365</u>

BUSINESS REVIEW AND OUTLOOK

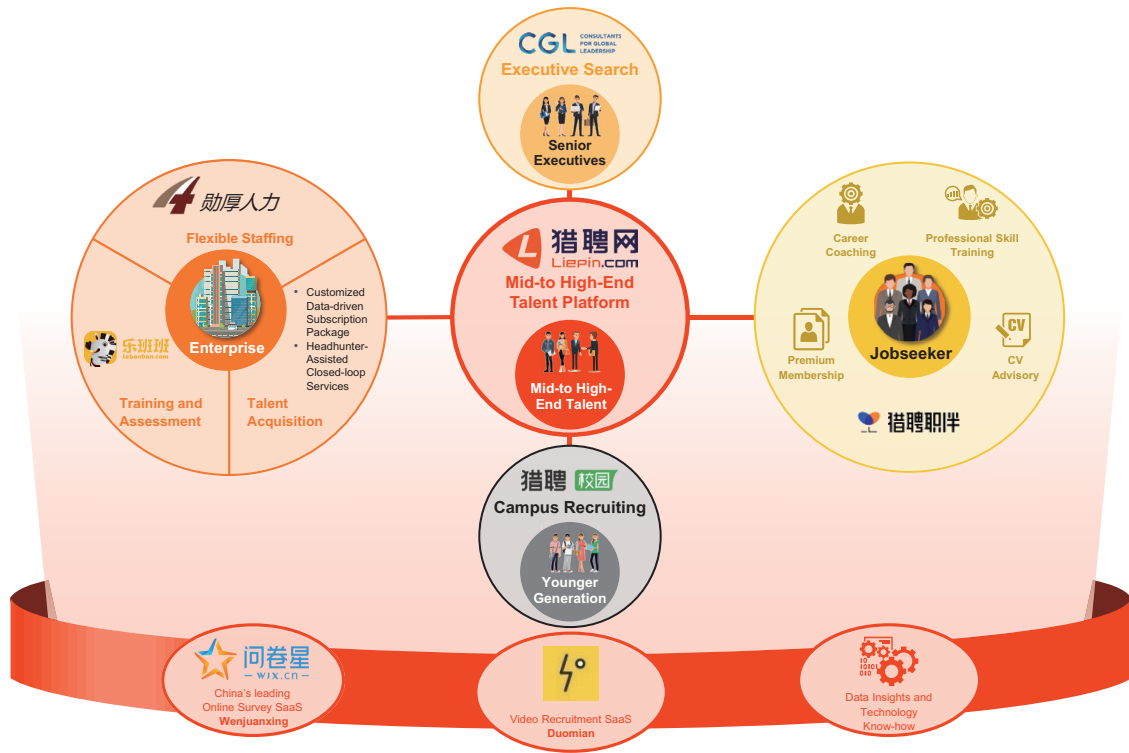
Overall Performance

As a pioneer of online talent acquisition platform in China, we achieved a solid growth during the first quarter of 2020. For the first quarter ended 31 March 2020, our revenue and gross profit amounted to RMB342.7 million and RMB281.9 million, respectively, representing a year-on-year increase of 10.4% and 13.2%, respectively. Despite the outbreak of contagious coronavirus (COVID-19) has brought serious adverse impact to the economy and enterprises, we navigated well amid challenges and delivered a solid result with our long-term growth strategy and effective execution.

In the first quarter of 2020, we continued to actively penetrate into the talent acquisition market with our core platform. The number of our verified business users increased from 559,568 as of 31 December 2019 to 581,587 as of 31 March 2020.

Our other new business initiatives, especially our flexible staffing platform *Xunhou* (勳厚) and survey SaaS platform *Wenjuanxing* (問卷星), provided assistance to enterprises in order to better manage their employees from different perspectives during the pandemic. These new business initiatives delivered strong growth in the first quarter of 2020 to offset the temporary downturn in the talent acquisition sectors and also reflected our social responsibility.

In the first quarter of 2020, the individual user traffic of our online platform also grew steadily and reached record high in March 2020. The number of registered individual users increased from 54.2 million as of 31 December 2019 to 56.3 million as of 31 March 2020.



Talent Acquisition Business

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 foundation of our business and future growth strategy. Enterprise customers can subscribe to our annual data package services, and also purchase our closed-loop talent acquisition services as needed. For the first quarter ended 31 March 2020, the revenue generated from talent acquisition services to business users was RMB319.4 million (compared with RMB290.5 million generated during the same period in 2019). The number of our verified business users increased significantly from 559,568 as of 31 December 2019 to 581,587 as of 31 March 2020.

As a leading human resource services provider, we are mindful of our social responsibility and we have a strong commitment to serve as a bridge to connect the supply and demand sides in the talent acquisition market by leveraging our technology. During the lockdown period in the first quarter of 2020, we collaborated with the Ministry of Human Resources and Social Security to host online job fairs to help our business customers identify suitable talents and to help alleviate the concern of unemployment among talents. This initiative has commenced since then and will continue to take place in the second quarter.

Our video-based talent platform *Duomian* (多面) served as a handy tool of job posts and interviews for entry-level recruitment. Video job descriptions from business users as well as short videos of self-introduction or answers to default questions are encouraged so that candidates can better present themselves, especially their personality, soft skills, and their characters, in a more natural way. The online interview feature allows multiple interviewers to jointly assess the candidate and collect feedbacks respectively. Reports are generated automatically based on interviewers' feedbacks and artificial intelligence analysis which takes aptitudes, confidence level and behavior science into account. *Duomian* platform was very well received by our individual users and business customers to conduct online interviews during the pandemic.

Other New Business Initiatives

Our flexible staffing platform *Xunhou* (勳厚) became an essential solution for many of our business customers to cope with the fluctuation of staffing demand. During the outbreak of COVID-19, we observed a surging demand for grocery delivery as dining out was restricted and many restaurants were forced to close resulting in redundancy of manpower. We launched the "Employee Sharing Program" to address different demand of labor for various customers and also minimized the impact of unemployment and underemployment during the difficult times.

Wenjuanxing (問卷星), which we strategically invested in during the second half of 2019, delivered promising results in the first quarter of 2020. As the leading survey SaaS platform in China, *Wenjuanxing* became an important channel for schools, healthcare institutions, government and communities to collect information of health conditions and travel history in China during the time in combat with COVID-19. In addition, it assisted Chinese Academy of Labor and Social Security to conduct social survey on the impacts of COVID-19. As of the end of the first quarter of 2020, the total number of survey questionnaires exceeded 1 billion, which far exceeded total number of survey questionnaires collected last year.

Our proprietary assessment and training app and SaaS platform, *Lebanban* (樂班班), was adopted by many of our business customers to conduct online training and performance evaluation over the period of home office during the first quarter of 2020. This innovative product can provide video-based training, such as leadership training and courses for professional skillset to employees. Direct managers and human resources department can assign training schedule, conduct assessment questionnaires, and track the completion status of employee training.

Talent Pool

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 job candidates. Such information reflects individual users' profiles, behaviors and social interactions, mutual endorsement, variation and transactions. The networking and social functions of our online professional community enable us to capture users' behavioral data. We collected and analyzed user-generated data to model and predict user intentions and behaviors.

The number of registered individual users increased from 54.2 million as of 31 December 2019 to 56.3 million as of 31 March 2020. Our traffic reached record high in March 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 steadily.

We offered paid value-added services to our individual users who require from us career services in addition to the free basic services. We offered premium membership packages under different pricing plans. Moreover, CV advisory services, *Career Advisory Services* (生涯諮詢), *Professional Skills Training* (面試教練) were provided at affordable prices and at large scale to help our individual users to pursue their ideal jobs. We generated RMB19.0 million of revenue from individual users in the first quarter of 2020 (compared with RMB16.4 million in the first quarter of 2019).

Impact of the COVID-19 Outbreak

Our resilient business model and our long-term strategy of building a high-tech human resource services ecosystem facilitated the Group to cope with the negative impact of COVID-19. We observe a clear trend of a shift of our business customers' budgets of mid-to-high end recruitment from offline to online. More importantly, with our new initiatives to penetrate into human resource service value chain such as flexible staffing, training and assessment, survey services, we are able to diversify our services to offset the risk of macro-economic downturn.

We also acknowledged that the COVID-19 pandemic may cause different scale of impacts on enterprises, industries, and the economy. The market has experienced the first level of impact, which is related to restricted physical activities due to the lockdown in China in the first quarter of 2020. For instance, due to the difficulty in conducting on-site interviews, recruitment activities were heavily hinged during the first quarter of 2020. Despite the gradual recovery of business activities, we remain cautious on enterprises' confidence since employers' hiring sentiments and their budgets on procuring talent acquisition services may not recover quickly. This could be a potential risk for our short-term revenue growth of talent acquisition business.

Among our domestic customers, we believe our key account customers are more resilient while small and medium enterprises (“SME”) customers may face more financial stress in the coming quarters of 2020. In the near term, our revenue contributed by SME customers may experience some headwinds.

Strategic Update

With the outbreak of COVID-19 and its potential negative impact, we have proactively started to adjust our strategic development plans. Sales efficiency would remain our top priority to drive the growth of our talent acquisition business. We will continue to invest in the new initiatives of human resource value chains, such as flexible staffing, training and assessment, survey services. We will also continue to explore cross-sale opportunities for different products and strengthen team integration.

We plan to continuously invest in research and development to upgrade our core platform and new business initiatives to better cater to current business needs. We aim to continue on cross-sale of these products to our existing customers and provide more diverse and comprehensive human resource services for them. We hope this can greatly offset any potential negative impact and lead to a steady revenue growth of the whole group. However, taking the macro economy into account, we remain prudent on the growth our flexible staffing business. In particular, we will conduct an ongoing assessment on the market and customer needs to determine the pace of developing local services and management.

With the belief that talent upgrade is the prerequisite for economic structural transformation and industrial advancement, we are confident that there will be huge potential for us to explore in the entire human resource services market in the long run. Therefore, we will increase our spending on branding and user acquisition in this year. We believe that talent base is the engine for our future growth and a key successful factor in our ecosystem.

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.

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
Wise Talent Information Technology Co., Ltd
Dai Kebin
Chairman

PRC, 29 May 2020

As at the date of this announcement, the Board of Directors of the Company comprises Mr. DAI Kebin, Mr. CHEN Xingmao and Ms. XU Lili 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.