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Tongdao Liepin Group

同道獵聘集團

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6100)

KEY FINANCIAL AND PERFORMANCE INDICATORS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the “**Board**”) of Tongdao Liepin Group (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (together, “**Liepin Group**”, “**the Group**”, “**we**” or “**us**”) for the three and nine months ended 30 September 2021, together with comparative figures for the three and nine months ended 30 September 2020.

The key unaudited financial data during the three months ended 30 September 2021 was set out as follows:

- Revenue primarily generated from providing talent acquisition and other Human Resource (“**HR**”) services to our business customers and providing talent development services to individual users was RMB681.7 million in the three months ended 30 September 2021, a 50.2% increase from RMB453.9 million in the three months ended 30 September 2020.
- Gross profit was RMB527.9 million in the three months ended 30 September 2021, a 48.2% increase from RMB356.1 million in the three months ended 30 September 2020.
- Net profit was RMB88.4 million in the three months ended 30 September 2021, a 96.4% increase from RMB45.0 million in the three months ended 30 September 2020. Net profit attributable to the owners of the Company was RMB74.7 million in the three months ended 30 September 2021, a 125.8% increase from RMB33.1 million in the three months ended 30 September 2020.
- Non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB141.0 million in the three months ended 30 September 2021, a 51.3% increase from RMB93.2 million in the three months ended 30 September 2020. Non-GAAP operating profit margin was 20.7% in the three months ended 30 September 2021, compared to 20.5% in the three months ended 30 September 2020.

The key unaudited financial data during the nine months ended 30 September 2021 was set out as follows:

- Revenue primarily generated from providing talent acquisition and other HR services to our business customers and providing talent development services to individual users was RMB1,880.2 million in the nine months ended 30 September 2021, a 49.0% increase from RMB1,262.0 million in the nine months ended 30 September 2020.
- Gross profit was RMB1,481.5 million in the nine months ended 30 September 2021, a 47.8% increase from RMB1,002.3 million in the nine months ended 30 September 2020.
- Net profit was RMB168.1 million in the nine months ended 30 September 2021, a 50.5% increase from RMB111.7 million in the nine months ended 30 September 2020. Net profit attributable to the owners of the Company was RMB128.2 million in the nine months ended 30 September 2021, a 91.0% increase from RMB67.1 million in the nine months ended 30 September 2020.
- Non-GAAP operating profit of the Company (excluding share-based compensation expenses and amortisation of intangible assets resulting from acquisition) was RMB307.5 million in the nine months ended 30 September 2021, a 48.1% increase from RMB207.6 million in the nine months ended 30 September 2020. Non-GAAP operating profit margin was 16.4% in the nine months ended 30 September 2021, compared to 16.5% in the nine months ended 30 September 2020.

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	681,739	453,923	1,880,215	1,262,026
Gross profit	527,928	356,125	1,481,500	1,002,263
Net profit	88,386	44,992	168,139	111,700
Net profit attributable to the owners of the Company	74,727	33,095	128,166	67,110
Non-GAAP Profit from Operations	140,950	93,186	307,469	207,604
Non-GAAP operating profit margin	20.7%	20.5%	16.4%	16.5%

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

**Consolidated statement of profit or loss for the nine months ended 30 September 2021
— unaudited**

(Expressed in RMB)

	Nine months ended 30 September	
	2021	2020
	RMB'000	RMB'000
Revenue	1,880,215	1,262,026
Cost of revenue	<u>(398,715)</u>	<u>(259,763)</u>
Gross profit	1,481,500	1,002,263
Other income	60,041	67,732
Sales and marketing expenses	(866,932)	(565,584)
General and administrative expenses	(249,508)	(202,347)
Research and development expenses	<u>(228,466)</u>	<u>(173,552)</u>
Profit from operations	196,635	128,512
Net finance cost	(8,443)	(14,379)
Share of results of associates	<u>291</u>	<u>451</u>
Profit before taxation	188,483	114,584
Income tax	<u>(20,344)</u>	<u>(2,884)</u>
Profit for the period	<u>168,139</u>	<u>111,700</u>
Attributable to:		
— Equity shareholders of the Company	128,166	67,110
— Non-controlling interests	<u>39,973</u>	<u>44,590</u>
Profit for the period	<u>168,139</u>	<u>111,700</u>

Consolidated statement of profit or loss and other comprehensive income for the nine months ended 30 September 2021 — unaudited
(Expressed in RMB)

	Nine months ended	
	30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	168,139	111,700
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas group entities	<u>(12,296)</u>	<u>(42,394)</u>
Other comprehensive income for the period	<u>(12,296)</u>	<u>(42,394)</u>
Total comprehensive income for the period	<u>155,843</u>	<u>69,306</u>
Attributable to:		
— Equity shareholders of the Company	115,870	24,716
— Non-controlling interests	<u>39,973</u>	<u>44,590</u>
Total comprehensive income for the period	<u>155,843</u>	<u>69,306</u>

Consolidated statement of profit or loss for the three months ended 30 September 2021
— unaudited
(Expressed in RMB)

	Three months ended	
	30 September	
	2021	2020
	RMB'000	RMB'000
Revenue	681,739	453,923
Cost of revenue	<u>(153,811)</u>	<u>(97,798)</u>
Gross profit	527,928	356,125
Other income	25,751	21,518
Sales and marketing expenses	(288,325)	(181,876)
General and administrative expenses	(76,874)	(68,906)
Research and development expenses	<u>(85,068)</u>	<u>(55,395)</u>
Profit from operations	103,412	71,466
Net finance cost	(957)	(22,988)
Share of results of associates	<u>54</u>	<u>40</u>
Profit before taxation	102,509	48,518
Income tax	<u>(14,123)</u>	<u>(3,526)</u>
Profit for the period	<u>88,386</u>	<u>44,992</u>
Attributable to:		
— Equity shareholders of the Company	74,727	33,095
— Non-controlling interests	<u>13,659</u>	<u>11,897</u>
Profit for the period	<u>88,386</u>	<u>44,992</u>

Consolidated statement of profit or loss and other comprehensive income for the three months ended 30 September 2021 — unaudited
(Expressed in RMB)

	Three months ended	
	30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>88,386</u>	<u>44,992</u>
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of overseas group entities	<u>5,305</u>	<u>(63,107)</u>
Other comprehensive income for the period	<u>5,305</u>	<u>(63,107)</u>
Total comprehensive income for the period	<u>93,691</u>	<u>(18,115)</u>
Attributable to:		
— Equity shareholders of the Company	<u>80,032</u>	<u>(30,012)</u>
— Non-controlling interests	<u>13,659</u>	<u>11,897</u>
Total comprehensive income for the period	<u>93,691</u>	<u>(18,115)</u>

Consolidated statement of financial position as at 30 September 2021 — unaudited*(Expressed in RMB)*

	30 September 2021 RMB'000	31 December 2020 RMB'000
Non-current assets		
Property, plant and equipment	165,748	149,219
Investment properties	33,840	34,959
Intangible assets	189,632	229,808
Goodwill	855,651	855,651
Prepayments for investments	4,500	23,968
Interests in associate	7,952	1,961
Other financial assets	170,135	141,414
Deferred tax assets	25,387	21,335
Other non-current assets	12,980	7,109
	1,465,825	1,465,424
Current assets		
Trade receivables	121,297	92,552
Prepayments and other receivables	189,446	115,233
Receivables from related parties	7,038	10,866
Other current assets	528,538	344,394
Time deposits with banks	2,131,876	1,904,648
Cash and cash equivalents	289,453	516,944
	3,267,648	2,984,637
Current liabilities		
Trade and other payables	362,425	367,911
Contract liabilities	930,610	850,195
Lease liabilities	65,489	51,316
Current taxation	31,531	32,020
	1,390,055	1,301,442
Net current assets	1,877,593	1,683,195
Total assets less current liabilities	3,343,418	3,148,619

Consolidated statement of financial position as at 30 September 2021 — unaudited
(Continued)
(Expressed in RMB)

	30 September 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities		
Lease liabilities	70,222	62,875
Deferred tax liabilities	35,453	43,160
	<u>105,675</u>	<u>106,035</u>
NET ASSETS	<u>3,237,743</u>	<u>3,042,584</u>
CAPITAL AND RESERVES		
Share capital	341	340
Reserves	3,040,595	2,874,220
	<u>3,040,936</u>	<u>2,874,560</u>
Total equity attributable to equity shareholders of the Company	3,040,936	2,874,560
Non-controlling interests	<u>196,807</u>	<u>168,024</u>
TOTAL EQUITY	<u>3,237,743</u>	<u>3,042,584</u>

NON-GAAP FINANCIAL MEASURES

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

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

	For the three months ended 30 September			
	2021		2020	
	Amount (unaudited) <i>RMB'000</i>	As a percentage of revenue	Amount (unaudited) <i>RMB'000</i>	As a percentage of revenue
Profit from Operations	103,412	15.2%	71,466	15.7%
Share-based compensation expenses	25,368		10,397	
Amortization of intangible assets resulting from acquisition	12,170		11,323	
Non-GAAP Profit from Operations	140,950	20.7%	93,186	20.5%

	For the nine months ended 30 September			
	2021		2020	
	Amount (unaudited) <i>RMB'000</i>	As a percentage of revenue	Amount (unaudited) <i>RMB'000</i>	As a percentage of revenue
Profit from Operations	196,635	10.5%	128,512	10.2%
Share-based compensation expenses	74,323		48,495	
Amortization of intangible assets resulting from acquisition	36,511		30,597	
Non-GAAP Profit from Operations	307,469	16.4%	207,604	16.5%

BUSINESS DATA

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

	As of 30 September 2021	2020	Year-on- year change
Individual Users			
Number of registered individual users (in millions)	<u>71.6</u>	<u>61.4</u>	<u>16.6%</u>
Business Users			
Number of verified business users	<u>946,077</u>	<u>682,001</u>	<u>38.7%</u>
Headhunters			
Number of verified headhunters	<u>189,976</u>	<u>167,242</u>	<u>13.6%</u>

BUSINESS REVIEW AND OUTLOOK

Market Review

A central conference on talent-related work was held in September 2021, addressing the policy initiatives of talent work in the new era, which brought talent construction onto a more profound level. Talent development is always the core consideration in achieving rapid business growth and remains as an important building-block of national strength amid the structural shift of China's human capital.

According to the data from our Group, several trends became more visible in the market during the third quarter of 2021. The growth momentum of new job posting in manufacturing industry took an absolute lead with a year-on-year increase of 55.3%. The thriving automobile sub-industry, especially new-energy automobile sub-industry, served as the main driver for the rapid growth. Other industries, including transportation, energy and chemicals, telecommunication and bio-medicals, ranked from second to fifth in terms of the growth of the new job postings as compared to the same period last year. It is notable that both job demand and talent-mobility-level of real-economy-related industries had ramped up due to the adjustment of China's industrial structure under supporting policies specified in the 14th Five-Year Plan of the People's Republic of China (the "14th Five-Year Plan"). As remarkable changes have already been taken place in 2021, the first year of the 14th Five-Year Plan, we are expecting to and preparing ourselves for a more profound industrial transformation in the following years.

During the third quarter of 2021, the hiring market gained momentum as the job posting to talent ratio continued to climb up and reached 1.53 times, according to the figures published by the Ministry of Human Resources and Social Security of the People’s Republic of China (the “**PRC**”). Professional talent services are highly demanded to match the vast amount of job vacancies to suitable talents. Meantime, with the rapid development and organizational upgrade of Chinese companies, the job standard and requirement for talents continue to rise, resulting in an increasing demand for knowledgeable and skilled talents. Therefore, talents’ awareness of self-improvement to maintain competitiveness in the workplace got gradually strengthened, fueling the demand for professional education.

Last but not least, Chinese government’s dedication to maintain national cyber security and safeguard public interests remained as strong as usual, promulgating a slew of related laws and policies. Particularly, two crucial laws, the “**PRC Data Security Law**” and the “**PRC Personal Information Protection Law**”, were enacted in 2021 and taken effect on 1 September 2021 and 1 November 2021, respectively. Given the authorities’ commitment to strengthen cyberspace security, the compliance of business operation has become a major task for internet companies, especially in sectors that are highly related to national development and people’s livelihood, such as recruitment industry. Leading players in the industry who always adopt the highest standards and abide by the strictest rules are expected to continue benefitting from their healthy and sustainable business practices.

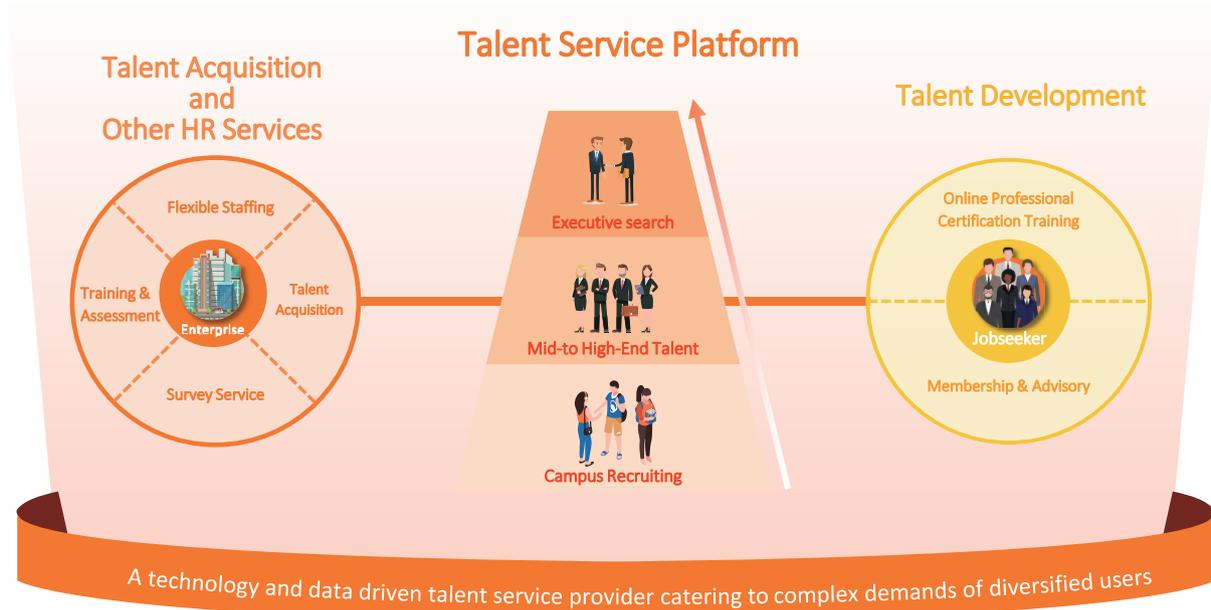
Overall Performance

As a pioneer of online talent service platform in China focusing on mid-to high-end talent acquisition services, we achieved robust growth during the third quarter of 2021. For the three months ended 30 September 2021, our revenue and gross profit amounted to approximately RMB681.7 million and RMB527.9 million, respectively, representing a year-on-year increase of 50.2% and 48.2%, respectively. We continued to execute the long-term growth strategy of “building a technology and big data-driven one-stop talent service platform” and actively penetrate the talent service market. On top of the robust growth of our core talent acquisition services, we leveraged our know-how in online service offering to integrate other HR services, including online survey services, flexible staffing, and training and assessment. The well-rounded product mix contributed to our fast-growing business and financial performance and provided us with stronger growth momentum.

For the three months ended 30 September 2021, the revenue generated from the talent acquisition services and other HR services to business users was RMB589.8 million (compared with RMB423.2 million generated during the same period in 2020), representing a year-on-year increase of 39.4%. The number of our verified business users increased from 682,001 as of 30 September 2020 to 946,077 as of 30 September 2021, representing a year-on-year increase of 38.7%.

In the third quarter of 2021, with our proactive marketing measures and comprehensive talent development services, including career advisory, certification training, etc., our online platform's individual user traffic grew steadily and reached a record high in September 2021. For the three months ended 30 September 2021, the revenue generated from talent development services to individual users was RMB91.6 million (compared with RMB29.9 million generated during the same period in 2020), representing a year-on-year increase of 206.1%. The number of registered individual users increased from 61.4 million as of 30 September 2020 to 71.6 million as of 30 September 2021, representing a year-on-year increase of 16.6%.

The graph below illustrates the layout of our business segments.



Talent Acquisition Services

The talent acquisition service still provides a strong foundation and significant potential for our future growth. Enterprise customers can subscribe for our annual services, purchase our closed-loop talent acquisition services, or enter into our customized talent acquisition projects.

In an endeavor to fully execute our strategy in expanding user coverage and achieving rapid business growth, we kept optimizing our sales and marketing strategy during the third quarter of 2021. Attributable to favorable market conditions, we achieved better results from our online marketing campaigns. Hence, as we have adopted more effective marketing measures to capture business users and individual users, our marketing efficiency was greatly boosted. New internet traffic sources like mini-program also highly contributed to bringing in a large number of young users, the number of whom increased most significantly among the growing individual user base.

During the third quarter of 2021, we hosted an annual online recruitment activity, collaboratively with the PRC Ministry of Human Resources and Social Security for the second time. We successfully invited more than 68,000 enterprises in 7 popular fields to participate in the event, and embedded intellectual recruitment functions like artificial intelligence (“AI”) interview within the online conference platform. In the meantime, facing the ascending employment demand from students in the third quarter of 2021, we initiated a special campus recruitment event, namely “2022 Campus Recruitment Direct Pass” designed for college graduates. Students could have access to approximately 1 million job opportunities in various industries, and learn more about positions and recruiting companies through innovative channels such as live streaming. Through these events, we proved and deepened our customer relations. We also kept track of the latest market dynamics and assisted in solving intractable employment-related social problems while working closely with related government departments and outstanding universities. Leveraging our data analysis capability and in-depth industrial know-how, we matched job-postings with suitable candidates efficiently and precisely for both experienced talents and students.

As a technology and data driven talent service provider, we constantly upgrade our technology infrastructure and enhance our AI capability to realize more agile product releases and achieve better user experience. Given that the overall research and development efficiency was enhanced by our further optimized technical architecture, the time required for each technical test and iteration have been shortened significantly since the third quarter of 2021. We continuously solidified our advantage in accurate matching by capitalizing our fast developing AI technique. Besides, we have deepened our understanding of users by studying and analyzing authorized behavior data, and thus could display the most relevant match results to capture users’ true need. With such an evolving matching algorithm, our platform has achieved higher activity level and gained wide recognition from our users.

Last but not least, as our Group’s core tenet, protection of user information is always of paramount importance. We adopted the industry-leading standard to review user registrations, screen job postings, and restrict data usage. In 2021, we have provided our users with more options to control the exposure level of their information on the platform and personalize the display setting in order to further protect user information and enhance user experience. We are highly recognized by our users and relevant parties for our continuous supervision and protection during the process. In the meantime, we have been thoroughly studying the latest policies and maintaining frequent dialogues with related government authorities to make sure that our business is fully compliant. As always, we will make continuous efforts to foster a fair and healthy online talent service environment.

Other HR Services

In years of development, the Group has established a well-rounded product layout that caters the diverse needs of customers. The business development strategy has also significantly enhanced our risk-resistance and service coverage, providing a strong driving force for our future growth.

Our flexible staffing business continued to achieve rapid business development. Leveraging the Group's technical capability, our flexible staffing business is originated from a technology-supported model with sophisticated business operating systems and supporting systems. The differentiated model allows us to respond to market changes promptly and adjust our business direction swiftly. Therefore, despite the fluctuation of industries and markets, we are able to sustain our growth momentum.

Our online survey business has maintained its leading position in the industry. By the end of September 2021, we issued over 135 million surveys, and collected nearly 11 billion samples. The large user base and high usage frequency were mainly driven by product superiority and the growing habit of using online survey tools. Leveraging those favorable characteristics, we penetrated further into software-as-a-solution (“SaaS”) business, provided more thorough analysis on collected feedbacks and participated deeply in customers' businesses. We will keep working on system integration and coherence of management in an effort to drive healthy and sustainable business development.

Our training and assessment SaaS platform is an innovative product that provides employees with video-based training, such as leadership training and professional skillsets course to employees. We offer powerful assistance to enterprises for their structural upgrade and talent development.

Talent Development

Leveraging our talent network and AI technology, we have mapped out a comprehensive talent graph and accumulated data insights that are difficult to replicate. The behavioral data enables us to model and predict different groups of users' job intentions and their scope of competence. By deeply understanding our users' needs, we can deliver personalized recommendations to every job seeker, thus enhancing matching accuracy and user stickiness. The business strategy has been continuously verified by our increasing user traffic. Talents are able to enrich their skillsets and enhance efficiency in pursuing their ideal jobs by acquiring career services from us in addition to the free basic services.

Our online professional certification training business offers training for counseling certification, teaching certification, and other professional certifications. Due to the government's heavy promotion of professional education development, our business enjoyed industry prosperity during the nine months ended 30 September 2021. At the same time, we further streamlined our business flow from the third quarter, digging deeper into customers' needs with structured product lines for various segmented groups. As an experienced player in the industry supported by our Groups' technical capability and market insight, we are competent and confident in providing high-quality services like premium teaching content and flexible teaching methods to a wide range of populations, hence grasping more market opportunities.

Strategy Update

The outstanding performance in the nine months ended 30 September in 2021 bolsters our confidence in finishing a remarkable year. With the ever-changing market dynamic, we kept a sharp mind and proactively seized market opportunities through more aggressive marketing measures and upgraded product strategies. Looking forward, the accelerated digital trend will certainly lead to a growing online recruitment market. Meanwhile, the perfection of regulatory system will ensure a fair, healthy and sustainable business operating environment.

Furthermore, we plan to continue strengthening our advantage in technological capability. Our consistent investment in research and development has built a solid foundation for our innovative SaaS products, advanced matching algorithm and data security mechanism. We placed great emphasis to system integration and digitalization of the business flows across various business segments within the Group. The optimization of the system will eventually yield outstanding business performances.

As a one-stop talent service provider, we will continue to pursue excellence in multi-streamed product development on top of our core advantage in the mid-to high-end talent acquisition market for better user experience and broader user coverage.

On the individual user front, we firmly execute our strategy in attracting younger talents. The increase of young talents in the mid-to high-end talent pool created tremendous growth potential for us. As young talents are generally more adaptive to emerging technologies and online tools, the increase in the number of young talents fuels the digitalization of talent services in the long run. On the business user front, we carefully identify and segment our registered business users into designated groups. For each segmented user group, we will promote diversified products and implement unique sale strategies. We look forward to achieving stronger user stickiness, wider user coverage and longer-term growth from identifying and satisfying different users' needs.

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
Tongdao Liepin Group
Dai Kebin
Chairman

PRC, 26 November 2021

As at the date of this announcement, the executive directors of the Company are Mr. DAI Kebin and Mr. CHEN Xingmao; the non-executive directors of the Company are Mr. SHAO Yibo, Mr. ZUO Lingye and Mr. DING Gordon Yi; and the independent non-executive directors of the Company are Mr. YE Yaming, Mr. ZHANG Ximeng and Mr. CHOI Onward.