

PRESS RELEASE

HRnetGroup Full Year 2018 PATMI¹ Surged 16.6% to a Record S\$48.2 million

Strong earnings momentum driven by resilient underlying business volume, further boosted by inorganic growth engine

SINGAPORE, 22 February 2019 – HRnetGroup Limited (“和乐集团有限公司”) achieved record net profit of \$52.4 million for the financial year ended 31 December 2018, an increase of 12.9% year-on-year. This was on back of strong revenues exceeding S\$100 million every quarter and healthy gross profit levels.

As we conclude the year with an encouraging performance of a new record level in net profit and PATMI of S\$48.2 million, coupled with a strong balance sheet to support future growth, the Board recommends a dividend of 2.8 cents per ordinary share, in appreciation for the support from our shareholders. This represents a payout ratio of 53.7% of net profit after tax, derived based on 50% of the current year normalized NPAT, which eliminates the impact from non-core activities – net unrealized revaluation on financial assets.

Full Year 2018 Results

Full-year revenue was up 9.3%, exceeding S\$400 million to reach a record level of S\$428.5 million, while gross profit grew 14.2% to S\$155.3 million, another record high. The growth was mainly attributed to growth in our flexible staffing business in Singapore and Hong Kong and professional recruitment in North Asia, namely China and Hong Kong, and Singapore. Our three newly consolidated inorganic business units towards the last quarter of the year, namely, REForce, HRnet Rimbun, and Career Personnel also contributed a decent \$4.4m in revenue and \$2.9m in gross profit. Gross Profit margins improved 1.5% points to 36.2%, as the contribution from professional recruitment business grew to 66.3%, from 63.6% a year ago. Our underlying business momentum was encouraging. We fulfilled a total of 9,448 permanent placements during the year, a stellar increase of 15.0% compared to 2017, while monthly average number of contractor employees managed by us grew 8.4% to 12,112.

We continued to adopt a disciplined approach towards cost management, maintaining a lean and effective corporate structure, comprising 85.7% of sales people, of which 73.8% are productive heartcount² (PHC), an improvement from the 2017 PHC ratio of 71.4%. We managed to achieve a positive jaw with our overall expenses growing 10.0% year-on-year, as we keep the inflation in our staff costs in-line with growth in gross profit, boosted by a decline in other expenses, in the absence of IPO expenses for this year.

Correspondingly, our net profit for the year rose to S\$52.4 million, representing a 12.9% increase year-on-year. Profit attributable to owners (PATMI) continued to register a stellar growth of 16.6% to S\$48.2 million, the increase magnified by the effect of the 88GLOW in June 2017 involving the acquisition of certain minority interests from co-owners.

Moving into 2019, we are confident about our bench strength and staff competency, our biggest asset in a recruitment business, as we project the 2018 trends into the new year. The number of PHC increased by 20.0% from 2017 to 595 in 2018, and we are working towards an 80% PHC ratio within the next three years. Our leadership base also grew by 17 to 173, which is a good reflection of the level of competency of our people and their commitment in leading a team to further drive our business growth.

¹ Profit attributable to owners of the Company

² Productive heartcount is defined as sales people who achieves gross profit of three times his payroll costs.

Business expansion is also on a steady path. Besides our three acquisitions which brought us into new cities like Suzhou and Jakarta in 2018, we are also stepping up on introducing our flexible staffing offering into our existing markets such as Malaysia and Shanghai, with the commencement of RecruitFirst Malaysia in 1Q2019 and RecruitFirst Shanghai in 2Q2019. We will also extend our footprint to Shenzhen in 3Q19, with the establishment of HRnet One Shenzhen. With an appetite and capacity to grow, we look forward to bringing our business to greater heights in this new year.

Ms Adeline Sim (沈伟玲), Executive Director of HRnetGroup, said,

“We round up the year with a strong quarter, pushing our Group’s performance to greater heights. This is a strong testament to the ability of HRnetGroup to deliver quality and sustainable returns to our shareholders.

With the rising global uncertainties in the macro-environment, casting a gloomy outlook on the growth prospect of regional economies, we continue to build up the resilience of our business model to enable us to weather through business cycles. We believe the addition of new staffing units in Malaysia, Hong Kong and China, will provide a stronger counter-cyclical buffer if business environment softens. At the same time, we continue to strengthen our competency in the professional recruitment space, building specialization in niche industries, to position ourselves for growth, should the economies pick up.

With our conservative balance sheet management, balanced with entrepreneur spirit to innovate and explore new growth opportunities, HRnetGroup is all set to navigate the 2019, with aim to achieve growth in line with our track records in the past 10 years.”

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About HRnetGroup Limited

HRnetGroup is a leading Asia-based recruitment agency in Asia Pacific (excluding Japan), with operations in 13 Asian growth cities, namely, Singapore, Kuala Lumpur, Bangkok, Indonesia, Hong Kong, Taipei, Beijing, Guangzhou, Shanghai, Shenzhen, Suzhou, Tokyo and Seoul. Since its inception in 1992, HRnetGroup, a Singapore home-grown brand, has expanded organically within the professional recruitment and flexible staffing industry. Post its listing in June 2017, HRnetGroup, through a series of strategic acquisitions, has further reinforced its presence across the region.

With its two complimentary operating segments, namely flexible staffing and professional recruitment, HRnetGroup serves clients from over 30 diversified sectors, covering a wide spectrum of industries, including financial institutions, retail and consumer, information technology and telecommunications, manufacturing, healthcare life science, insurance and logistics, and functions such as human resources, finance and accounting, and legal and compliance. It also offers other services, such as payroll processing, HR consulting and corporate training.

HRnetGroup’s growth has been driven by its excellent operational execution and solid business infrastructure of established systems and processes and its organisational culture that strives to cultivate core values of diligence, discipline and integrity. In 2018, HRnetGroup won “The Enterprise Award” at the Singapore Business Awards, organized by The Business Times and DHL, as a recognition of its profound influence on the recruitment scene in Singapore and the region.

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