

# FASTER HIGHER STRONGER

ANNUAL REPORT 2020



**12**

**BRANDS**

**32**

**BUSINESS UNITS**

**13**

**ASIAN CITIES**

**1**  
**HRnetGroup**



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# OUR BUSINESS MODELS

## AN ESSENTIAL SERVICE

Talent is the lifeblood of all companies. Our product? To acquire talent for our clients. That is why we were classified an essential service amidst the pandemic.

With on-site recruiters across 13 cities, the depth with which we go into talent verticals, and the speed at which we are able to acquire talent for our clients is unparalleled.

As complexity and uncertainty increases in the market, organisations take comfort in knowing that there are multiple models with which we can partner them. From executive search for senior hires to Business Process Outsourcing, we work with each hiring manager to determine what works best for them.

## PROFESSIONAL RECRUITMENT

When we work with our clients, our primary focus is to ensure that the talent placed supports the goals of the organisations they are a part of. Our commitment to the process commences before any candidates are even longlisted, and extends long after the selected talent starts work. Helping the talent assimilate and adjust, as well as ensuring his continued development are part and parcel of what we do.

The candidate selection process involves us going beyond a candidate's resume, experience and accomplishments. We take into account culture, working dynamics, along with the potential chemistry and fit between a candidate and the client's organisation.

The arc of our approach covers far beyond the standard delivery of a talent. We mould our search process to ensure that we are first and foremost, partners above all else.

### BRANDS

HRnetOne

PeopleSearch

PeopleFirst

SEARCHASIA  
MANAGING CAREERS. PROCURING TALENT

RECRUITLEGAL  
MANAGING LEGAL CAREERS. PROCURING LEGAL TALENT

HRnetRimbun

REForce



PLACEMENT OF  
**MID TO SENIOR-LEVEL**  
 POSITIONS




**LIAISON**  
 AND  
**MANAGEMENT**



**INTERVIEWS,  
 RECOMMENDATIONS  
 AND SELECTION**




**7,022**  
 PLACEMENTS



**CONTRACT**  
 NEGOTIATION

IN  
 ALL  **13**  
 CITIES

**ONBOARDING &  
 OFFBOARDING**




**Singapore, Kuala Lumpur,  
 Hong Kong, Taipei, Tokyo,  
 Shanghai, Bangkok, Beijing,  
 Seoul, Guangzhou, Jakarta,  
 Suzhou, Shenzhen**

# OUR BUSINESS MODELS

## FLEXIBLE STAFFING

The fast-moving pace of today's business climate requires companies to be constantly adaptive and agile. Flexible staffing is a growing trend because employers see the overall value and benefit it provides them.

Increased flexibility along with reduced hiring risks and lowered overheads represent the key reasons for this shift. It provides businesses the luxury of adding to their talent pool only when the need arises. The date and time frame that a contract staff is required can be easily scheduled based on their business needs. Whether it is for a short-term project-based work or as temporary replacement to permanent hires, our clients have access to our stable pool of resources that they can tap on easily. It presents an economic win for businesses to have access to talents as needed instead of taking on the cost of hiring and training permanent employees.


### BRANDS



RecruitFirst



PLACEMENT OF  
**JUNIOR TO MID-LEVEL POSITIONS**



**BACK TO BACK**  **CONTRACTS WITH CLIENTS AND CANDIDATES**

**INTERVIEWS, RECOMMENDATIONS AND SELECTION**



**In Singapore, Hong Kong, Kuala Lumpur, Shanghai, Taipei and Jakarta**



# OTHER SERVICES

## PAYROLL



# OTHER SERVICES

## RECRUITMENT PROCESS OUTSOURCING (RPO)



**WORKPLACE  
ANALYSIS  
AND PLANNING**



**CONTRACT**  
NEGOTIATION



**CUSTOMISED**  
RECRUITMENT PROCESS  
AND ASSESSMENT



**ONBOARDING &  
OFFBOARDING**

**RECRUITMENT**

MARKETING  
PROGRAMS



**EMPLOYEE  
LIAISON AND  
MANAGEMENT**



**INTERVIEWS,  
RECOMMENDATIONS  
AND SELECTION**



**PAYROLL  
SERVICES**



## BUSINESS PROCESS OUTSOURCING (BPO)

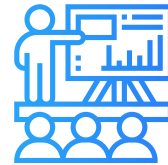
Full management of all business operational processes. Includes everything in RPO plus the following:



**BRAND**  
MANAGEMENT



**EMPLOYEE**  
**MANAGEMENT**  
**AND ENGAGEMENT**



**TRAINING**  
**AND**  
**DEVELOPMENT**



# WHERE WE ARE

Our geographical footprint across Asia comes from 28 years of organisation-building

JAKARTA

BANGKOK

KUALA LUMPUR

SINGAPORE

HONG KONG



WE ARE CURRENTLY OPERATING IN

# 13 ASIAN TALENT MARKETS

TOKYO

SUZHOU

SHANGHAI

TAIPEI

SEOUL

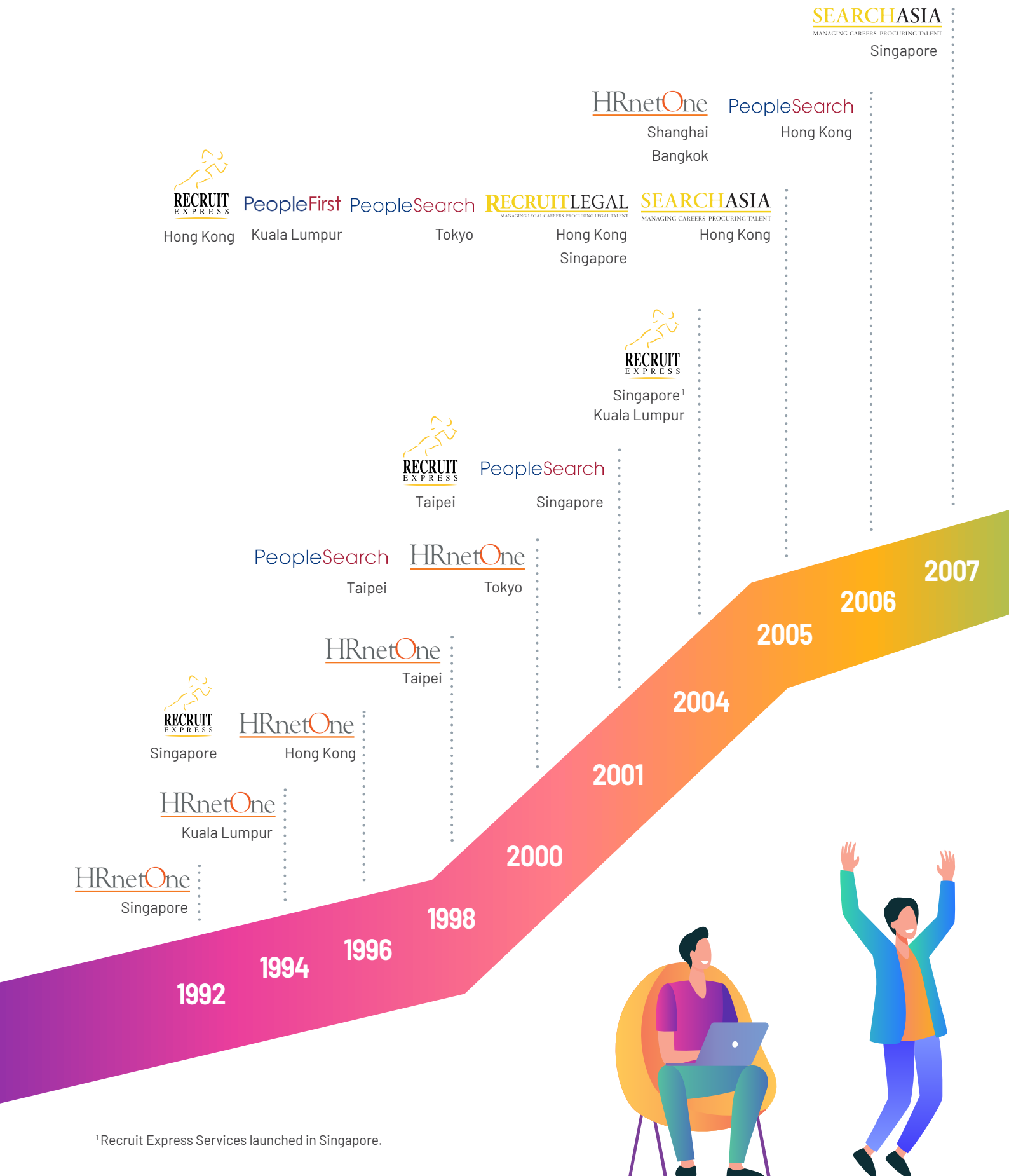
SHENZHEN

BEIJING

GUANGZHOU

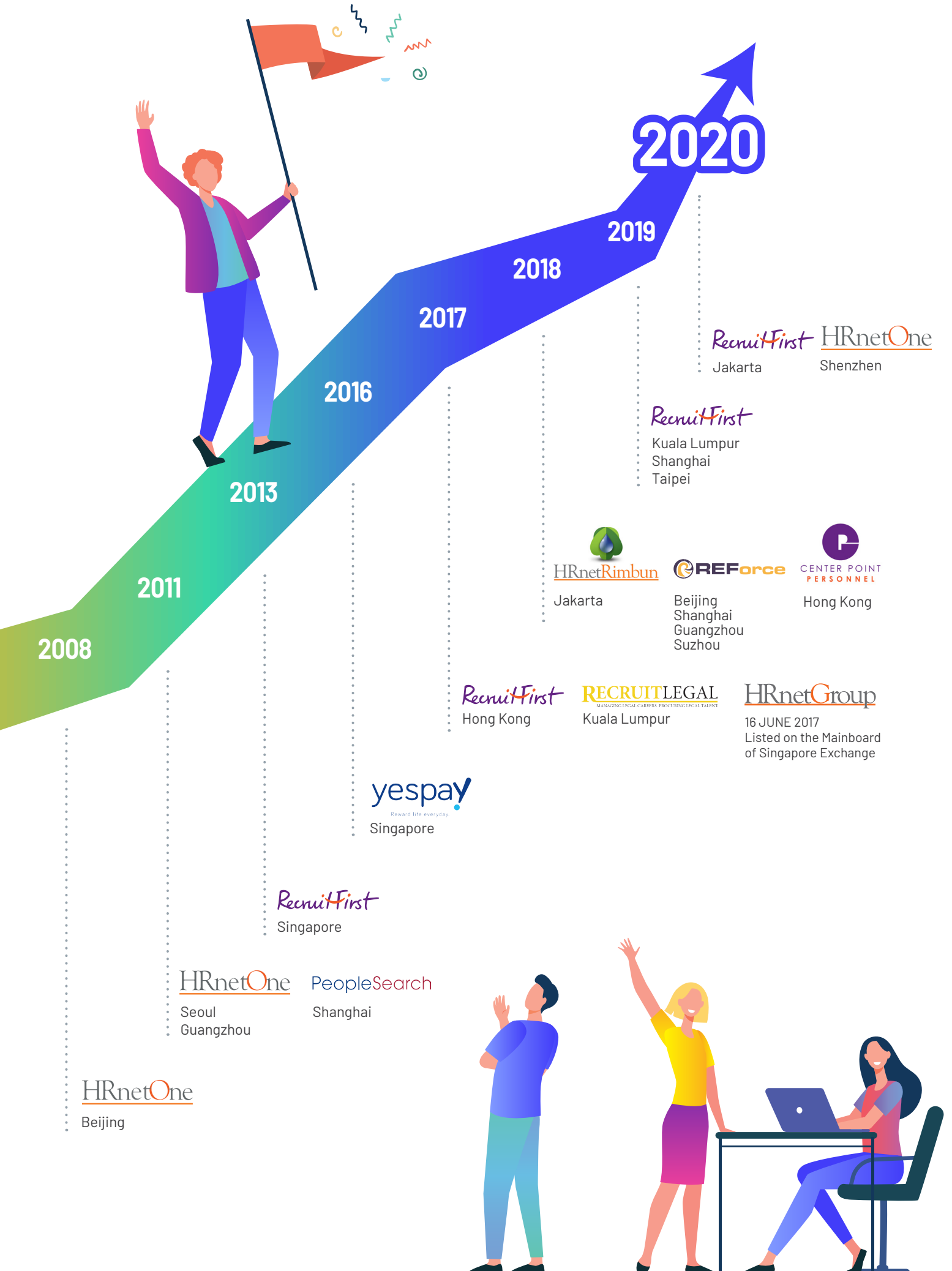


# OUR GROWTH STORY



<sup>1</sup>Recruit Express Services launched in Singapore.





# MEET OUR LEADERS

HEARTS AT THE HELM



## BOARD OF DIRECTORS



### PETER SIM

Founding Chairman

Peter Sim is our Founding Chairman. He founded the company in 1992 and has over 40 years of expertise in social work, human resource management, and talent acquisition. He is the “Nose” when it comes to people, with an uncanny knack for assessing for suitability. Nothing gets past him!

Having turned 67, Peter continues to keep 12-hour days on Zoom, constantly engaging with our people across the 13 cities we operate in. Video-conferencing suits him fine since he can be in Seoul, Shanghai and Jakarta all at 9am. Neither crises nor pandemic fazes him, it is how we organise ourselves, how we refine our services and give our clients more than they dreamed of asking which he focuses on, which keeps us running ahead.

Peter has played various HR roles at organisations including McDermott South East Asia Pte Ltd, the Monetary Authority of Singapore, Singapore Aerospace Pte Ltd and Thomson Consumer Electronics Pte Ltd. His last role before founding HRnetOne was as Regional Human Resource Director of Honeywell SEA Pte Ltd. He graduated with a Bachelor of Arts from the University of Singapore in 1976 and is also an associate of the Institute of Chartered Secretaries and Administrators, UK.



### JS SIM

Executive Director and Chief Executive Officer of Recruit Express Group of Companies

If you were to look up the personality traits of those born in the year of the Rooster, you'll find that diligence, resourcefulness, courage, talent, and confidence are some of the common descriptions used. Not surprisingly, JS embodies these very characteristics. He is the personification of what happens when humility and practicality combines with intelligence and determination.

As the Chief Executive Officer of Recruit Express, Recruit Express Services, Recruit Legal and SearchAsia, JS leads over 300 people across Singapore, Taipei, Hong Kong and Kuala Lumpur. Every single candidate who aspires to join Recruit Express Group has to be interviewed by him, and it is the stuff of legends that leaders are super pumped when he approves a candidate for hire. Thereafter, JS personally conducts the sales training for this elite squad, and tracks them in the monthly missive he sends to his leaders.

JS started his career in 1982 with Aurora Products Pte Ltd and was Head of Personnel before joining General Electric Intersil Pte Ltd in 1983. Prior to joining Recruit Express, he was the Regional Human Resource Director of Motorola Electronics Pte Ltd. He graduated with a Bachelor of Science from the National University of Singapore in 1982 and received a Graduate Diploma in Personnel Management from the Singapore Institute of Management in 1984.

## BOARD OF DIRECTORS



### ADELINE SIM

Executive Director and Chief Legal Officer

Adeline Sim is our Executive Director and Chief Legal Officer. She leads strategic and tactical initiatives, and is a member of the Investment Committee identifying and executing investments and acquisitions. Adeline also oversees the technology, digital marketing, investor relations and communication functions of the Group. In her role as Chief Legal Officer, Adeline provides counsel and guidance on legal matters across the 32 business units we have in 13 Asian cities.

On any given day, Adeline can be found doing business reviews with our people, driving a Leaders' Digital Club event with clients, cutting a deal or meeting with investors. Adeline's love for life and people definitely helps fuel a very demanding and varied schedule, which sees her reaching across time zones and forging relationships with stakeholders and targets alike.

Adeline began her career as a lawyer with Drew & Napier LLC in 2004 where she was engaged in dispute resolution and subsequently, capital markets work. She left the firm in 2008 to join our Group. She graduated with a Bachelor of Laws from the National University of Singapore in 2003, was admitted to the Singapore Bar in 2004, and is a Solicitor of the Supreme Court of England and Wales. Adeline is also a Director of the Singapore Institute of Management Society, as well as a member of the Finance Committee of Saint Joseph's Institution International.



### SIN BOON ANN

Lead Independent Non-Executive Director and Chairman of Nominating Committee

Boon Ann is very much the legal eagle who has been with Drew & Napier LLC since 1992. Following his retirement as Deputy Managing Director of the Corporate Finance Department and Co-Head of the Capital Markets practice in March 2018, Boon Ann remains a consultant with the firm. Boon Ann is presently the Independent Non-Executive Chairman of Healthway Medical Corporation Limited, the Lead Independent Director of TIH Limited, Rex International Holding Limited and OUE Limited, and is also the Independent Director of CSE Global Limited, Sarine Technologies Ltd, and The Trendlines Group Ltd - testimony to his acute commercial sensibilities.

Somehow, in the midst of doing all that and raising 3 highly accomplished children with his beautiful wife, Boon Ann was also the Member of Parliament for Tampines GRC from 1996 to 2011.

The force is strong with this one, and Boon Ann was conferred the Singapore National Day Award - "The Public Service Star (Bintang Bakti Masyarakat)" in 2018 and "The Public Service Medal (Pingat Bakti Masyarakat)" in 2013 by the President of Singapore. He was also conferred the May Day Award - "Friend of Labour" in 2003 and "Meritorious Service" in 2013 for his contributions and commitment to the labour movement in Singapore. In 2018, Boon Ann was awarded the Distinguished Service Award by National Trade Union Congress.

Boon Ann received his Bachelor of Arts and Bachelor of Laws from the National University of Singapore in 1982 and 1986 respectively, and a Master of Laws from the University of London in 1988. He was admitted to the Singapore Bar in 1987.





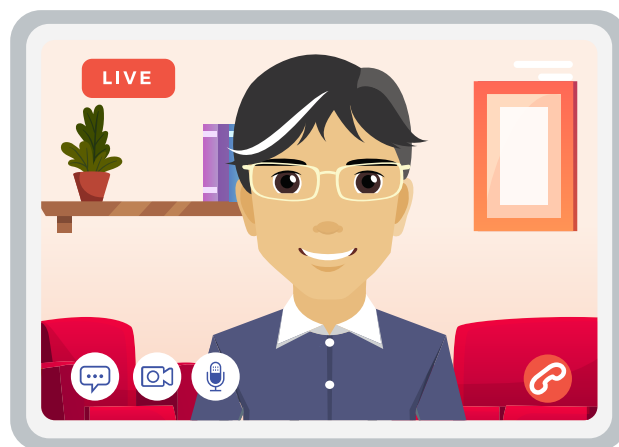
### MAE HENG

Independent Non-Executive Director and  
Chairman of Audit Committee

Mae is the beauty in our boardroom who was appointed as our Independent Non-Executive Director on 16 May 2017. Mae spent over 17 years at Ernst & Young Singapore, leaving her skilled at keeping us on the straight and narrow. It is the confluence of amazing people skills and strict attention to rules and details which make her truly exceptional.

Mae is also an Independent Non-Executive Director of Apex Healthcare Berhad, Chuan Hup Holdings Limited, Grand Venture Technology Limited and Ossia International Limited. Her extensive experience with companies operating in the region gives Mae a broad and rich lens when approaching business situations.

Mae graduated with a Bachelor of Accountancy from Nanyang Technological University in 1992 and is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.



### NS TAN

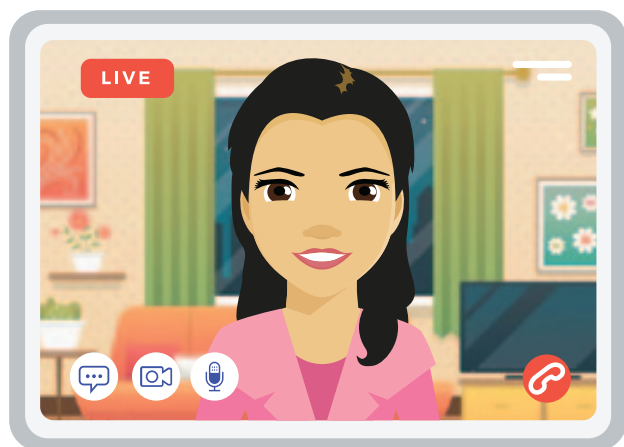
Independent Non-Executive Director and  
Chairman of Remuneration Committee

NS is our implacable, wise sage who can be counted on to be the voice of reason and experience. That, and his vast experience, coupled with knowledge through reading and travelling very widely gives him fabulous credentials to be our Independent Non-Executive Director.

With more than 30 years of experience logged in the human resource sector, NS is an expert HR practitioner and was at one point a client using our services across the region when he was the Regional Asia Pacific Director of Rohm and Haas and the Regional HR Director for the Eastman Chemical Company.

NS graduated with a Diploma in Management Studies from the Singapore Institute of Management in 1982, and a Graduate Diploma in Personnel Management from the Singapore Institute of Management / Singapore Institute of Personnel Management in 1983.

## KEY MANAGEMENT



### JENNIFER KANG

Chief Financial Officer (CFO)

Jennifer began her career in 1989 as an auditor with Coopers & Lybrand, before joining AT&T Singapore Pte Ltd. She was involved in the financial control and IPO of an SGX-listed company. She also performed M&A work with BIL International Limited and corporate planning with Abacus International Pte Ltd.

The experience that Jennifer garnered proved to be an asset when she started her career with HRnetGroup in 2003 as a Regional Finance Director. She went on to lead one of our professional recruitment businesses in Malaysia in 2007 before co-pioneering HRnetOne Beijing in 2008. Jennifer took on the role of CFO of HRnetGroup in 2012.

Her ability to deal with ambiguity, coupled with a strong technical background, sees her meeting success in the myriad projects she embarks on - whether it is financial control, treasury work, navigating within the HR industry for strategic investment opportunities, and reaching out and executing deals with business owners for M&A.

Jennifer graduated with a Bachelor of Accountancy from the National University of Singapore in 1989. She also received a Master of Business in Information Technology from the Royal Melbourne Institute of Technology in Australia in 1998.



### LORENCZ TAY

Group Business Leader and Managing Director of PeopleSearch Group of Companies

Lorencz Tay began his career in 1993 as a recruitment and accounts officer with HRnetOne and rapidly made his mark, when he was appointed a Managing Director in 2005. In 2007, Lorencz took on the role of Group Business Leader and Managing Director of the PeopleSearch Group of Companies.

A little bit Peter Pan, a little bit Lewis Hamilton and a whole lot of passion and determination - that basically sums up who Lorencz is. An industry veteran with more than 2 decades of experience, leading a team of consultants across Singapore, Taipei, Tokyo, Hong Kong and Shanghai.

He has personally hired and groomed many of HRnetGroup's top performers and leaders - all of whom have undying loyalty to Lorencz and the company.

Oh and why Peter Pan you ask? At 53 years of age, Lorencz looks not a day older than when he first stepped through the doors of HRnetOne! Lorencz graduated with a Bachelor of Arts from the National University of Singapore in 1993.



### DAISY TAN

Chief People Officer (CPO)

Daisy is our in-house yogi and CPO who joined us back in 1992. Somehow she managed to shimmy her way juggling 3 children and a truly exceptional career over the course of 28 years in HRnetGroup - handling the accounts at one stage, being a senior regional consultant and business services manager at another, even at some point being part of the core team setting up the Recruit Express brand - truly mastering the art of people in the course of these experiences.

Daisy is without a doubt the best-placed person to be our CPO, a role she has played since 2012, known for being able to read the energies in a room at a glance, wielding her gift in wondrous ways to get people to do her bidding. Which invariably involves doing a better job than they even thought possible. Daisy's laser focus on building culture and values is also well known. It is by no coincidence that ethics and beliefs feature strongly in our half-yearly performance appraisals. As a professional services firm, it is the intangibles which set us apart.

Daisy obtained a Diploma in Human Resource Management from the Singapore Institute of Human Resource Management in 1995.



### MADELINE WAN

Group Business Leader and Senior General Manager of the Greater China and Japan businesses for HRnetOne

Madeline Wan joined HRnetOne in Singapore as a consultant in 1996. In 1999, she moved to Taipei to launch HRnetOne Taipei, and 4 years later took over the running of HRnetOne Hong Kong. By 2007, HRnetOne Tokyo also came under her charge. Over the past 15 years, together with her stalwart leaders, she successfully planted the HRnetOne flag in Shanghai, Beijing, Guangzhou and Shenzhen. Madeline is also the sponsor for the REForce team, our first acquisition in China.

Much like the complexities of the full-bodied red wines she is partial to, Madeline is intense and multifaceted. Our Talent Mapping approach to executive search work can be credited to Madeline, so can the Retained by Account product which is favoured by many regional clients. Madeline's understanding of market trends, leadership practices, the needs of candidates and the wants of companies is world-class. Whilst known for being brilliant however, it is her instinctive ability to speak to the hearts of clients, candidates and colleagues which make her unstoppable.

Madeline graduated with a Diploma in Chemical Process Technology from Singapore Polytechnic in 1992.

## KEY MANAGEMENT



### JACELYN CHUA

Group Business Leader of  
RecruitFirst Singapore

With over 22 years of experience spanning across multiple specialisations and functions, Jacelyn has played an instrumental role in delivering value-driven solutions to many of her key clients and candidates.

Jacelyn spearheaded the launch of RecruitFirst Singapore in 2013 with a team of 3 hires, and was responsible for overseeing all operations, including business development, project delivery, leadership development, and organisational design. She is also the driving force behind the digital initiatives rolled by RecruitFirst—initiatives that have proven to improve client and candidate workflow and efficiency.

Today, with a growing team of more than 70 consultants across RecruitFirst Singapore's 2 offices, Jacelyn focuses on coaching her team to ensure that the same high standards of service she provides for her clients and candidates are embraced and emulated.

Passionate and driven, Jacelyn's work ethics are the reason for RecruitFirst Singapore's success today. She is highly regarded as a visionary leader who constantly blazes new trails that take her team and the organisation to new levels of success.

As an avid fitness enthusiast, Jacelyn manages to incorporate more than an hour's worth of intense workout into her morning routine. Along with emails responded to and a bunch of items checked off her her to-do list, she somehow gets more done before most people have even had a sip of their morning coffee.

Jacelyn is truly the epitome of a Wonder Woman!





# LETTER TO SHAREHOLDERS

## FASTER, HIGHER, STRONGER: VACCINATING FOR THE FUTURE OF WORK POST-COVID

COVID-19 plunged the world into the worst crisis of our lifetimes. Hiring froze literally overnight, people were left stranded when job offers evaporated, many could not even leave their homes. It was unimaginable that we would not be able to travel, and at one point it felt as if the floor beneath us was falling out with no end in sight.

That is no longer our reality.

## A NASCENT RECOVERY OF THE MACRO ENVIRONMENT AND UNWAVERING FAITH IN OUR SYSTEMS, PROCESSES AND FINANCIALS

Towards Q4 2020, thought leaders in numerous industries had started to find their footing, and recovery (albeit fragile) is on its way. The strenuous efforts of governments around the world is definitely bearing fruit.



## LETTER TO SHAREHOLDERS



**In this time when it sometimes feels like there is scarcely a playbook in sight, what is clear is that we have to purposefully and relentlessly innovate to vaccinate for the Future of Work post-COVID.**



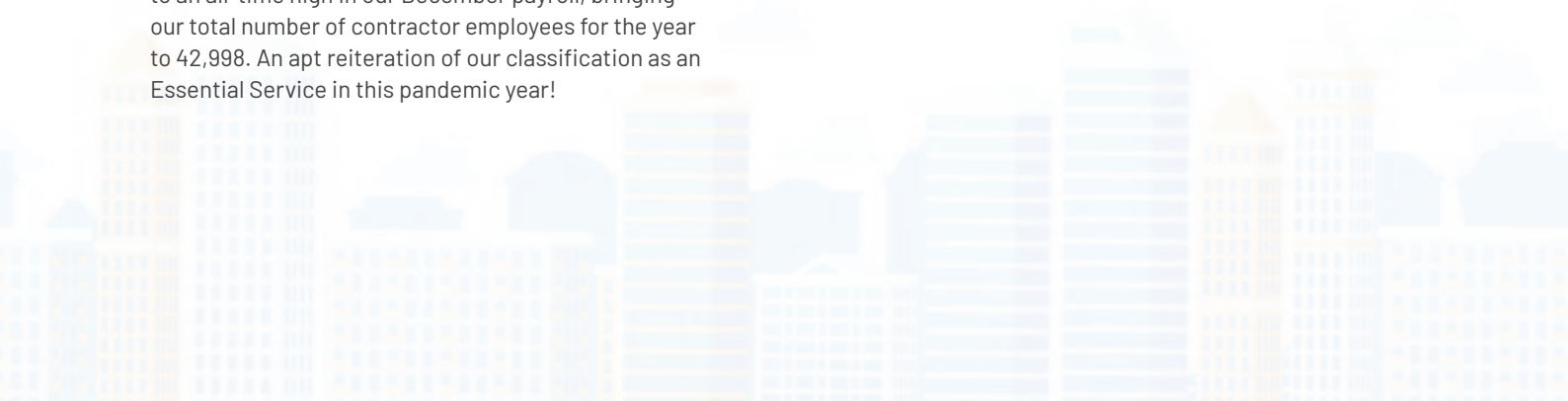
The rapidly evolving external operating environment has stress-tested our competencies, but yielded opportunities which come from clients having the confidence that our systems, processes and financials are able to withstand heavy winds. When the weather gets rough, everyone who is going to make it buckles down, and the margin for error narrows. Our clients know that we can get them temps overnight no matter the hybrid working model that has been adopted in many cities. They know that our contractor employees' payroll won't be late because of our strong financial position. Whilst some are running for cover, we are doubling down on our investments in technology in order to deliver a better product.

In our home market of Singapore, the number of recruiters in the industry (measured by the number of EA Personnel registered with the Ministry of Manpower) shrank by more than 10%. In stark contrast, our staffing business of which Singapore is a major contributor raced ahead and grew 10.3%, with our number of contractor employees surging to an all-time high in our December payroll, bringing our total number of contractor employees for the year to 42,998. An apt reiteration of our classification as an Essential Service in this pandemic year!

Whilst our flexible staffing business fully embraced the opportunities that arose from the volatile and uncertain environment, the permanent placement business was not spared from the brunt of the fallout particularly in the first 3 quarters of the year. Companies shied away from taking on new heartcount when they were unsure what market demand would look like under lockdown. Even after the market for talent acquisition regained some semblance of normalcy, it took time for hiring managers to adapt to bringing new hires onboard virtually. As such, despite the fact that the Group is reporting a record year in terms of revenue, there is a hit to our bottom line as there was a distinct swing of business mix in favour of flexible staffing which reports thinner margins.

Nonetheless, we closed 2020 with an NPAT of S\$49.8m, and upon obtaining shareholders' approval, will pay S\$25.1m in dividends for the year.

So what next for 2021? In what has been dubbed the "Vaccination Year"?



## VACCINATING FOR THE FUTURE OF WORK (POST-COVID EDITION)

In this time when it sometimes feels like there is scarcely a playbook in sight, what is clear is that we have to purposefully and relentlessly innovate to vaccinate for the Future of Work post-COVID. It is a foregone conclusion by now that work will never snap back into the form it took before. The hybrid working model which has been in place over the past year has left an indelible mark. Offices will be reorganised, as have work patterns. Whilst some bemoan the fact that they don't get to eyeball their employees, positive side effects of the shake-up include greater access to talents who previously fell out due to child-care and other family commitments.

The hybrid working model extends beyond physical presence, it is also about work processes that are being relentlessly automated and optimised. Physical payment vouchers requiring signatures now belong only in history books, whilst selfie timesheets with an option to geofence is the way forward.

2021 will see us continuing to build out our digital staffing platform, and some eagerly awaited developments include a WeChat mini-app for contractor employees as we obsessively enhance the user experiences of clients, contractors, and internal stakeholders.

In a world where hiring managers are successfully working with new hires they have never physically met, we are purposefully acquiring virtual real estate, engaging with our clients and candidates on the social media platform du jour.

These are just some of the steps we are taking to ensure we are vaccinated for the Future of Work, well placed to serve at the frontlines of talent acquisition and staffing, poised to emerge faster, higher and stronger from the storm.

Bring it on!



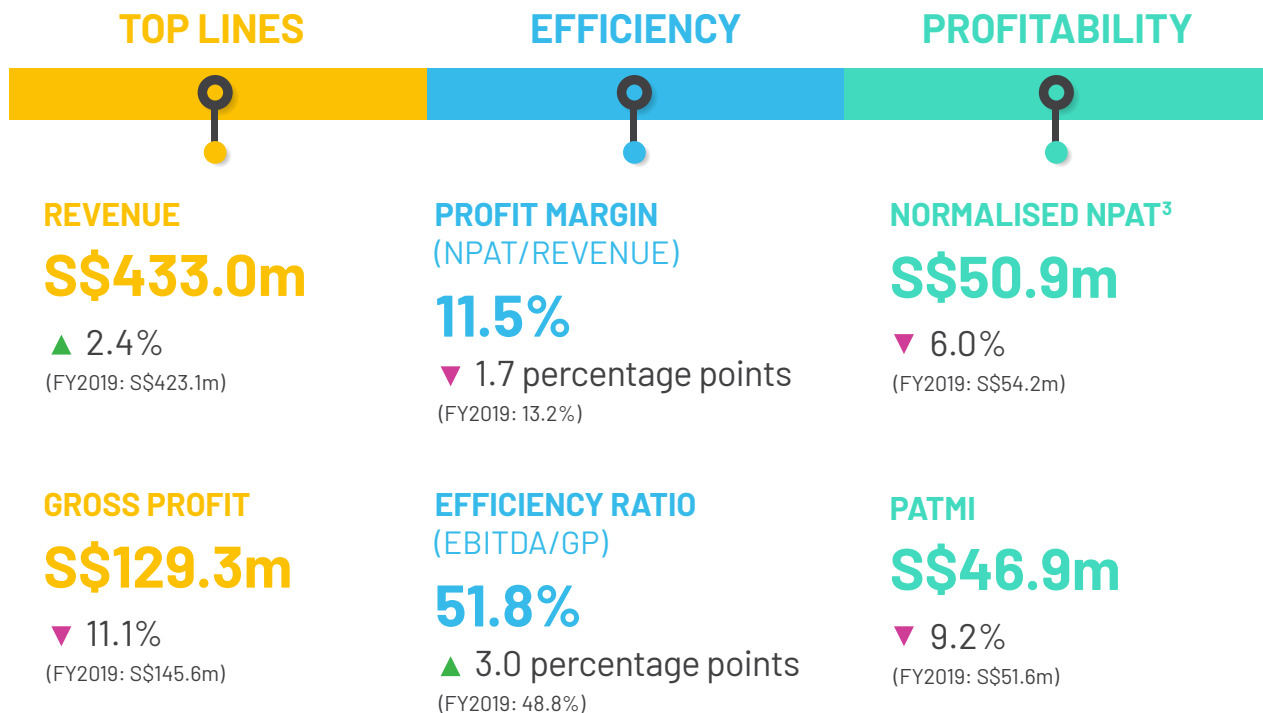
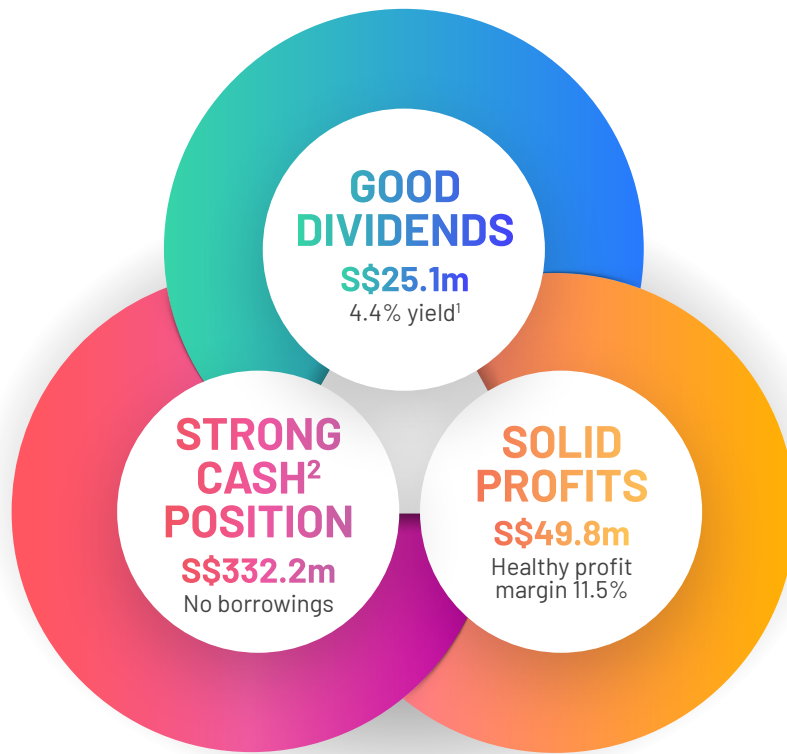
**Peter Sim**  
Founding Chairman



**Adeline Sim**  
Executive Director and  
Chief Legal Officer



# KEY FINANCIAL HIGHLIGHTS



¹ Based on \$0.025 proposed dividend\* divided by closing price of \$0.57 on 25 Feb 2021  
 \*Proposed dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting  
 ² Refers to cash and cash equivalents  
 ³ Based on "Normalised NPAT" which excludes net fair value gain/(loss) on revaluation of financial assets

## KEY FINANCIAL HIGHLIGHTS

# S\$433.0m

### REVENUE

#### YOY UP 2.4% FROM S\$423.1M

2020 was a record-breaking year in revenue, we achieved S\$433.0m (2019: S\$423.1m), a 2.4% increase despite the pandemic.

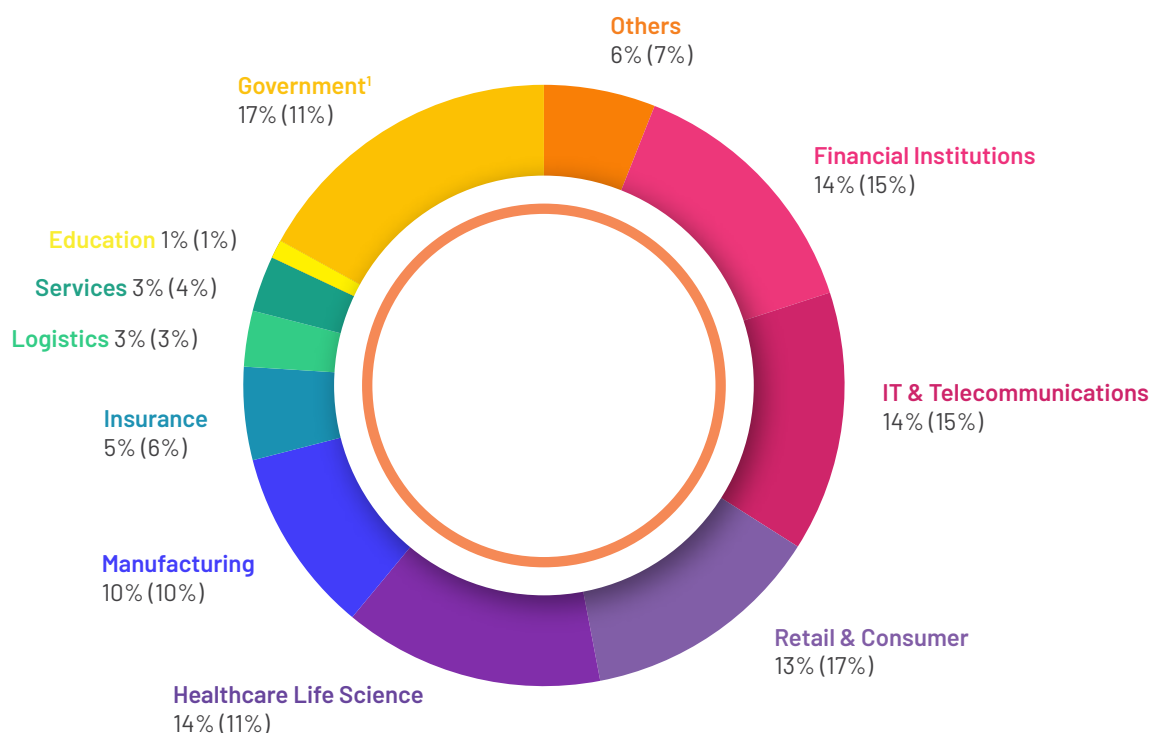
Flexible staffing ("FS") recorded an all-time high revenue of S\$357.6m (2019: S\$324.2m), an increase of 10.3%. For the whole year, we helped 42,998 (2019: 40,410) people secure employment in contract and temporary roles, an increase of 6.4%.

Professional recruitment ("PR") revenue was S\$72.6m (2019: S\$95.9m), a reduction of 24.3%. The number of placements declined by 17.7% to 7,022 (2019: 8,530).

FS business demonstrated robust resilience as its proportion to total revenue continued to rise from 76.6% to 82.6%. With benefit of a full-year operation, the RecruitFirst startups of 2019 in Taipei, Kuala Lumpur and Shanghai contributed to 38.4% of the increase of the FS in 2020. RecruitFirst also launched in Jakarta in 2020.

Revenue continues to be diversified across many sectors and specialisations. We are not dependent on any single sector. Our Top 10 clients contributed 22.0% to our revenue while our Top 5 clients contributed 14.8%.

Revenue from the healthcare sector grew by 28.0% to constitute 14.4% (2019: 11.5%) of total revenue; and the government sector grew by 68.2% to constitute 17.3% (2019: 10.5%).



<sup>1</sup>Government departments, statutory boards and government-linked companies (% in brackets denotes 2019 figures)

## KEY FINANCIAL HIGHLIGHTS

# S\$129.3m

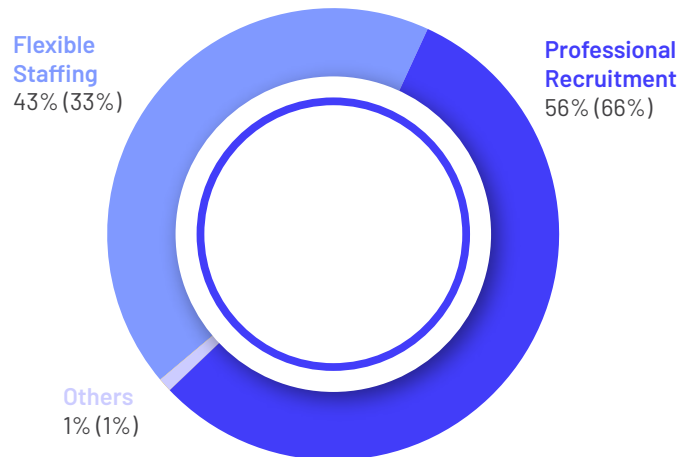
### GROSS PROFIT

YOY DOWN 11.1% FROM S\$145.6M

#### Business Segments

Gross profit declined as FS' 14.7% increase to S\$55.4m was more than offset by the 24.3% decline to S\$72.4m in PR.

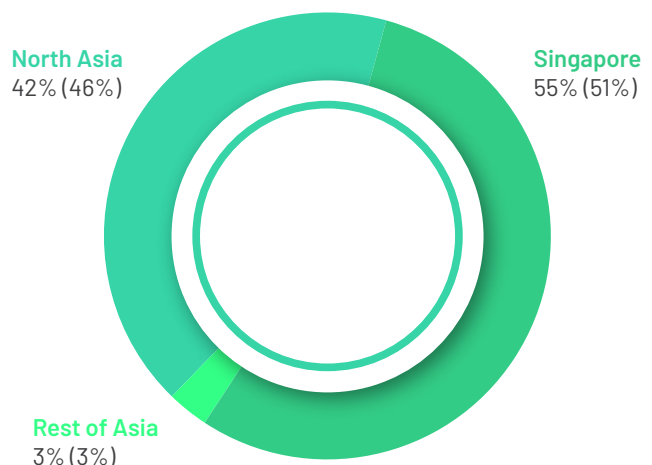
Gross Profit margin averaged 29.9% (2019: 34.4%) as FS (which carried a GP margin of 15.5%, compared to PR's 99.7%) increased to 82.6% of revenue.



#### Geographical Segments

Singapore, which contributed 54.5% (2019: 50.8%) to our gross profits, remains our stronghold. As of 31 December 2020, we had 245 registered consultants, which makes us one of the largest agencies in Singapore. We are especially strong in FS which served many of the essential services sectors and government sectors during the Circuit Breaker, and grew by 12.9%, thereby cushioning off much of the 28.1% reduction in PR, resulting in an overall slight dip of 4.6%.

Gross profits outside Singapore were predominantly in PR which suffered declines, with Hong Kong being the hardest hit. The increase of 26.9% in FS was more than offset by the 22.4% reduction in PR, resulting in an overall slide of 17.9%.



(% in brackets denotes 2019 figures)



## S\$6.7m

### COST SAVINGS

#### COMPARED TO S\$2.0M IN 2019

Our operating expenses were further tightened with the onset of Covid-19 to assure our continued survival. Total operating expenses reduced by 7.1% to S\$88.1m (2019: S\$94.9m).

Employee benefit expenses were reduced by S\$4.5m to S\$69.1m (2019: S\$73.6m) because of S\$2.7m reduction in profit-sharing incentives, S\$0.9m China government exemption in contribution to social insurance, and S\$0.6m lower share-based payment expenses as the 123GROW Plan expired on 1 July 2020.

Selling expenses reduced by S\$1.2m as a result of savings in S\$1.4m in business travel, S\$0.3m in telecommunications and entertainment, offset by S\$(0.7m) increase in bad debts provision.

Other expenses reduced by S\$1.0m as foreign exchange gains of S\$1.5m and savings in professional fees and printing expenses of S\$0.3m were being offset by the S\$(0.9m) increase in deferred consideration for the final tranche payments relating to the acquisition of REForce and Rimbun.

## S\$17.8m

### OTHER INCOME

#### YOY UP 0.8% FROM S\$17.7M

Other Income included mainly government subsidies of S\$11.7m (2019: S\$4.6m) which comprised the continuing Wage Credit Scheme ("WCS") and Special Employment Credit ("SEC") by the Singapore government and the unprecedented pandemic-related relief schemes by various governments of countries that we operate in.

Gain on disposal of investments reduced by S\$3.5m to S\$2.6m (2019: S\$6.1m).

Net fair value loss on financial assets mandatorily measured at FVTPL amounted to S\$1.1m (2019: gain of S\$1.6m).

Interest income was halved to S\$2.2m (2019: S\$4.3m).



# STAKEHOLDERS' REPORT

Our key stakeholders are those who most materially impact our strategy, or are directly impacted by it. They comprise our clients and candidates, contractor employees and colleagues, investors, governments and regulators, and society at large. Engagement with stakeholders provides us with

an understanding of the matters they are most concerned with. These matters help us define our strategic priorities and guide our initiatives. Over the year, we have planned and executed various initiatives to engage with our stakeholders and address their key concerns.



# STAKEHOLDER'S REPORT

## CLIENTS AND CANDIDATES



### What they expect?



Uninterrupted access to our services even when a jurisdiction is in lockdown



Good value (clients)



Strong market expertise



Protection of data and privacy



Reliable and responsible advice

### How we responded?



Digitalising all touchpoints in the client and candidate journey



Providing our clients and candidates with market intelligence so that they can make informed decisions



Utilising a quantitative work process to ensure consistent interaction with, and deep, real-time knowledge of the industries and roles we specialise in



Managing feedback independently, effectively and promptly



Maintaining the highest professional and ethical standards in all our dealings with our clients and candidates

### How we engaged them in 2020



Building out KnockKnock, our digital employment platform in order to drive the flexible staffing product onto mobile



Thought leadership through platforms like the Leaders' Digital Club



Rhythm of meetings which include Weekly Action Meetings, Quarterly Engagement Meetings, case updates and intelligence briefings



HeaRtbeats, which gathers feedback at specified points in a client's and candidate's journey so that there can be real-time intervention, and measurement of user experience



Emphasis on digital mindshare with content developed for various social media platforms and the creation of a digital mascot for RecruitFirst

# STAKEHOLDER'S REPORT

## A MARKET LEADER WITH DEEP EXPERTISE

HRnetGroup is constantly evolving to adapt to market changes and to provide the talent needed to drive existing, new and promising areas of the market. We are agile at decision-making and quick to respond to new market and clients' needs. In some instances, with the benefit of objectivity and expert domain knowledge, we are able to advise clients on their talent acquisition needs even before it is in active consideration. Companies need the right talents in the right places at the right times in order to grow and expand. Our objective is to help accelerate the growth and success of enterprises through the art of talent acquisition.

In 2020, we served a total of 3,732 corporates across 23 industry specialisations and led the market in verticals as diverse as data scientists in Jakarta, and nutritionists in Shanghai. Our clients know that when they come to us, the talent in the space had been scoured and assessed for suitability and fit, and they can take quick decisions without having to trawl through voluminous amounts of data and numerous tedious interviews.

The best testament to the quality of service we provide must be that our top 5 clients have been with us for an average of 17 years. In today's business environment when everyone is moving at hyper-speed, the longevity of the relationships with our clients is also because we are constantly evolving and growing with them.

With the rollout of the RecruitFirst brand in Kuala Lumpur, Shanghai, Taipei, and Jakarta in the last 2 years, we have broadened our service offerings in these cities with a valued product backed by solid infrastructure.

## OWNING OUR VIRTUAL SPACE

2020 was a tipping point for technology. With many of the cities we operate in under lockdown at one point or another during the year, we rapidly accelerated plans to build out our digital presence with a slew of initiatives to own our virtual space, and pivot to where and the various formats in which our clients and candidates are consuming content.

That led to the creation of team introductions on video, job carousels on Instagram, video job postings on Facebook, and brand story videos on our YouTube channel. Instead of printing calendars for 2021, we sent clients a link where they could download a series of wallpapers for each month of 2021. For the RecruitFirst brand, there was the creation of their digital mascot - Ruby the Recruiter - who was rapidly deployed across both physical and virtual channels, appearing on masks and even in our very own Animal Crossing island.

Ruby also featured on stickers for use on Whatsapp, Wechat and Telegram, in English, Mandarin and Cantonese. She starred in a series of virtual backgrounds for use on Zoom interviews, and also in wallpapers for use on mobiles.

For our RPO clients, we have also rolled out the option to white label digital interactions with employees, including for employment contracts, timesheets, and payslips.



Scan to watch our videos



Scan to follow our Tik Tok\* and Instagram accounts

\*Only for users in China



Download Ruby the Recruiter stickers, wallpapers and more!

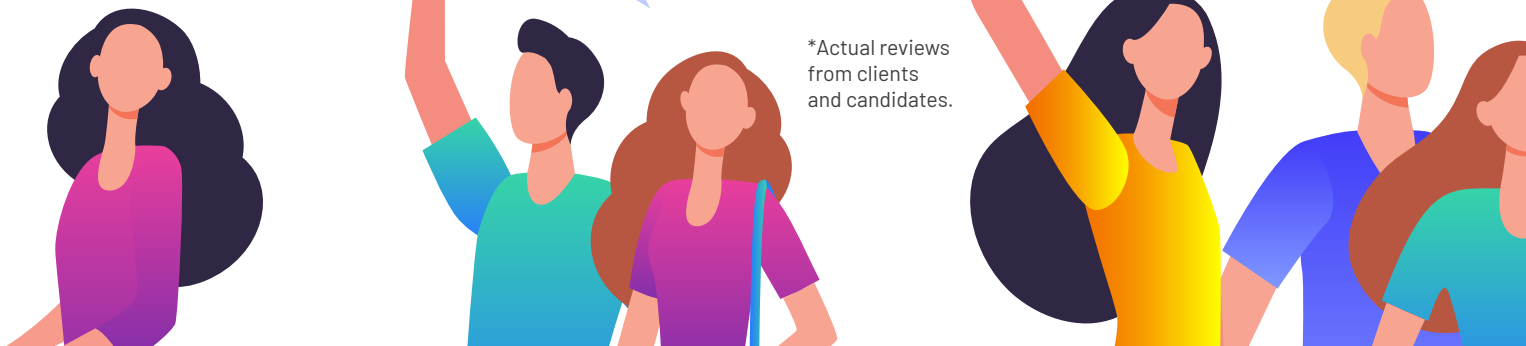


Marcus is a responsible consultant. He gave me a lot of advice on my career search journey, especially on my career planning and interview preparation. He is one of the best consultants I have met so far!

Penjelasan yang baik, meyakinkan, ramah, dan sangat proaktif. Membuat saya merasa nyaman dan lebih terbuka. Terima kasih Wisley.

河合様の丁寧なご案内で安心してお話しを聞けました

\*Actual reviews from clients and candidates.



## THOUGHT-LEADERSHIP PLATFORMS

In a year of great uncertainty where there was no one who could claim to be the authority on how to manage workforces under extended lockdown or hybrid arrangements where teams found themselves split down the middle with strict instructions that “never the twain shalt meet”, our clients eagerly anticipated our Leaders’ Digital Club event where senior decision makers across Southeast Asia gathered on Zoom to share how their respective companies were dealing with the highly unusual situation. With over 150 leaders spanning a wide range of industries, we did a deep dive into 4 key topics:

- Hiring Trends for 2021
- Bringing Onboard New Hires
- Managing Teams Virtually
- Digital Retention Strategies

Meanwhile, **The GRIN Report** continued to reach out to a wider audience, covering topics including:

- Hello 2020!: An advice piece on wrapping up the year and preparing for the new decade ahead
- Working from Home – A Survey: A survey detailing the opinions of office workers from various levels about working from home at the start of the COVID pandemic. The survey provided insights on how people were responding to our new normal. The results served as a point of reference for employers to make changes and take immediate actions for a situation that was evolving at a rapid pace.
- Stronger Because We Stand Together: A message to our consultants and stakeholders as we entered the crux of the COVID pandemic
- The H in Headhunting: Our Group Business Leader Catherine Yeow’s take on headhunting as a fulfilling and challenging career
- Realising My Worth: The journey of our consultant Louis Liu, a Wuhan native, as he navigated lockdown and came to realise the value of his role as a headhunter in times of global turmoil
- Looking Towards the Light: Consultant Kyle Yuan, also a Wuhan native, narrates an eye-opening journey of hope and faith whilst living under lockdown during the Lunar New Year.
- Our CSR Journey: Details the work that was done by our team in Jakarta for the Taman Fiori local orphanage and in Shanghai for the Sunflower Community Children’s Service Centre.

*Exceptional, top notch service provided by Gideon - truly efficient and reliable personnel. Best services I've received from a recruitment company. Keep up the good work!*

*Jared delivers superb services. We appreciate his professionalism!*

*非常感谢Juno耐心贴心的帮助,希望能一直保持和她的沟通和联系!*



## STAKEHOLDER'S REPORT

Over at PeopleSearch, our blog page known as The Pulse serves as an extensive library of content for our clients and candidates. With articles authored by our own Business Leaders, we share information that covers everything from career growth, management, industry analysis and more.

Our aim is to provide a channel that will serve as a relevant go-to for all the latest news, insights and perspectives to help generate more awareness for our readers and aid them in making sound decisions. These are just some of the topics we covered:

- Attracting Top Talents in the Covid and Post-Covid Era
- Rethinking Performance Management Amid and Beyond the Pandemic
- Talent, Not Technology, is the Key to Successful Digital Transformation
- Being Slow to Hire tech Talent Puts Your Business at Risk
- Hard Skills are Meaningless in the Absence of Soft Skills
- Talent Trends in Healthcare
- 12 Tips for a Winning LinkedIn Profile

Apart from The Pulse, we also actively put out content across multiple channels to reach out to a wider audience.

**Ahead of the Curve** - A monthly mailer that captures industry trends, leadership insights and interviews with external experts.

**White Papers** - Based on our extensive research along with an in depth knowledge of the industry, we share the information with our clients and candidates via our White Papers.

**Media Presence** - Our Business Leaders also appear in a mix of interviews and op-eds in prominent channels and publications such as Channel News Asia, Singapore Business Review, Hong Kong Business, Money FM and HR.com.

### WEBINAR SERIES

Together with thought-leaders from across the industry, we've put together webinar sessions as a platform for conversations about topics that mattered deeply to our target audience.

- Covid-19: Future-Proof Your Career and Business
- Digital Disruption Amplified: Can you Handle It?





# EMPLOYEES



## What they expect?



Fair employment practices



Growth prospects



Remuneration packages which are commensurate with value created



Work-life integration



Future-focused organisation



Workplace wellness

## How we responded?



Progressive recruitment and employment practices



Empowering our people to take ownership of their career paths, including practising the concept of automatic promotions based on achievement of criteria



Monthly basic salaries based on competencies



Cultivating a positive working environment to promote physical and mental wellbeing



Incentive plans which are directly correlated with performance



Enabling colleagues to give back to the community through our Corporate Social Responsibility ("CSR") activities



Derive greater efficiencies through developing and deployed enhanced systems of work

## How we engaged them in 2020



Monthly Breakthrough Performance Plans



Customised practices across different business units including equipping of home offices.



The rollout of ProTOS (a platform for commercial, finance and compliance review of contracts), the PPR (Position Profile Report) Generator and other tools to enhance productivity

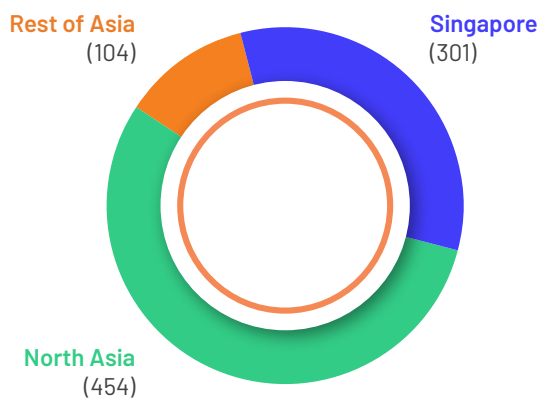


CSR events which focus on community outreach.

# STAKEHOLDER'S REPORT

As a HR recruitment firm, human capital is our key asset. Our success is highly dependent on the dedication, abilities, experience and knowledge of our staff. That is why we place the development, engagement and retention of our own staff high on our list of priorities. Understanding the needs and wants of our people, catering to their list of priorities, and enabling their growth and progression are critical in cultivating a highly driven and effective workforce. Our HR programme is a never-ending journey. It starts with hiring the people who share our vision and with potential to grow, and developing their career with us. Our full suite of training programmes which commence even before onboarding, and encompass a slew of areas including regulatory updates, sales techniques and leadership courses, are meant to equip our people with the skillset and mindset to adapt and perform under constantly evolving environments. We work with clear career progression criteria with a robust reward and incentive system to motivate our teams to push their limits and stretch their potential. Our unique Co-Ownership plans further provide the opportunity for high-performers to unleash the entrepreneurship spirit in them, invest in the Company, and/or a new venture and share in its success as well as its risk of failure.

## PERMANENT STAFF BY REGION



## DIVERSITY AND EQUAL OPPORTUNITY

At HRnetGroup, we are committed to promoting diversity and equal opportunity, both within our own workplace, and also amongst our clients. Diversity in the workplace increases awareness, talent pool, employee morale, creativity and performance. By being inclusive, we are also building the capacity for better and deeper connections with candidates and clients.

Diversity extends far beyond gender and age groups, to background, experience, skills, and knowledge. By consciously cultivating a diverse team, we are much better equipped to rapidly respond to the myriad of demands across vastly different markets. Besides the obvious benefits to the company, diversity and equal opportunities for our staff is a responsibility that we take to contribute towards creating a more inclusive society.

We have a number of HR policies that detail our approach to this, including our Equal Opportunities Policy. An example of an initiative to translate a policy into action is:

An emphasis on local leadership – When we start a new business unit, we always endeavour to localise leadership roles. This allows us to kickstart operations as a local business with a staff population that is acutely aware of the nuances and intricacies involved when serving the local market. This also creates a platform for us to provide opportunities to local community by hiring locals and grooming them to fill leadership positions. For more established business units, the focus is always on having a majority of leaders being drawn from the local community.



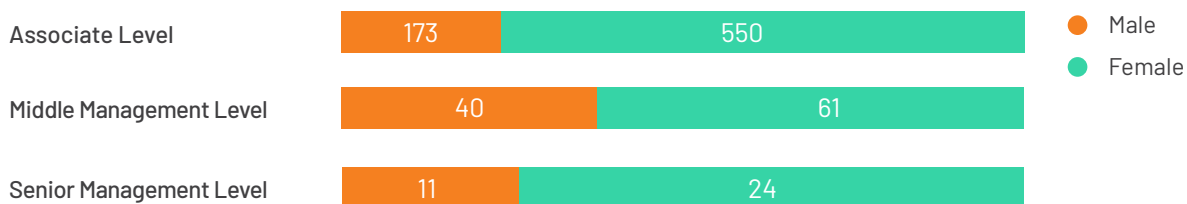
### STAFF DIVERSITY

Our gender diversity is very encouraging in that 74% of our permanent staff base and 55% of our flexible staffing contractor employees are women. We are proud that our Board is 33% female.

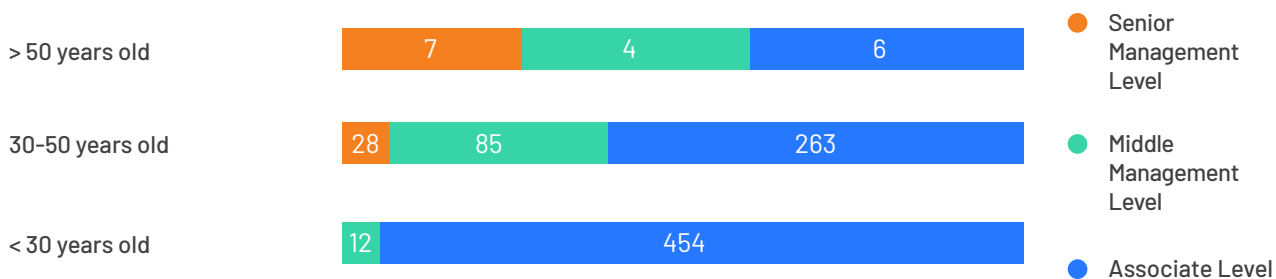
#### GENDER SPLIT BY STAFF



#### GENDER BREAKDOWN BY EMPLOYEE LEVEL (PERMANENT STAFF)



#### EMPLOYEE LEVEL BREAKDOWN BY AGE (PERMANENT STAFF)



# STAKEHOLDER'S REPORT



## BOARD OF DIRECTORS BY GENDER

**2** Female      **4** Male

## BOARD OF DIRECTORS BY AGE GROUP

**2** 30-50 years old      **4** > 50 years old

## TALENT DEVELOPMENT AND ENGAGEMENT

Employees are exposed to a wide array of training programmes and opportunities which are aimed at building their functional and core competencies. We have curated our own curriculum via multiple avenues to provide a comprehensive learning journey for our staff. We are pleased to say that we achieved an average of 72 hours of training per employee over the year. We intend to maintain this average going forward. Some of the training programs attended by our staff are as follows:

### Great in Sales ("GIS") – A New Way to Learn

Our in-house sales training program encapsulates the art and science of being a recruiter. It has evolved from hard copy books to e-textbooks and now, into bite-sized videos and content. Based on the concept of micro-learning, each module has been condensed into short but comprehensive videos. The objective is to create a fun and engaging learning experience for our consultants so that they are equipped with the necessary tools to succeed from the get go.

As a pre-condition of employment, they then have to pass an online test which assesses their understanding of the techniques covered. Thereafter, there are monthly training programs to build on tools and techniques, with participants voting on the most artful formulations and applications. The Advanced GIS sessions are valuable masterclasses in the skills a recruiter needs.

### Critical Success Activities ("CSA")

When the COVID restrictions were put in place, we were no longer able to continue with our quarterly live events. Instead, we took the essence of what we had set out to achieve with these events and evolved them into a purely digital version. Still held every quarter, our CSA events have now evolved into Zoom calls with smaller groups at a shorter duration to ensure that we are able to maintain a certain level of the engagement and attention.

The content still focuses on quarterly sales numbers, areas of growth, awards and recognition, training and new initiatives. While the way we deliver the content has changed, our primary objective remains the same which is to create a platform that allows for sharing, growth and alignment of goals and values.

### Group Action Meet Energise ("GAME")

A weekly call that brings together leaders from our various business units across 13 cities. Conducted via Zoom, the 1-hour call comprises updates on group level sales numbers across all Business Units. We use this session to also share trends, market insights, new initiatives and business developments.

On a quarterly basis, there are also announcements on awards and promotions.

## Career progression

Talent management and retention underpins the company's growth and progression. In this era, career progression and self-fulfilment are important elements individuals look for in an organisation. Identifying areas of competencies and weaknesses, channelling strengths and resources to the right areas, helping them develop their potential and charting our common goals and time horizon are critical blocks in supporting our staff in building their careers.

Our clearly defined career map involves clear communication of criteria and a timeline for promotion, so that employees have clear understanding of their career path and progression.

On a semi-annual basis, our leaders ride the Talent Wave, reviewing the prospects of high potential employees and working out how to rotate their portfolios or roles in order to develop their careers. Moving across brands or even cities, taking on regional roles or group-level functions, are all options on the table which are fully explored for each individual.

## Staff wellbeing and satisfaction

Our people are our most important resource, and we work on cultivating a long-term relationship with them. We believe that the 3 pillars to cultivating a happy workforce are mental wellbeing, physical health and material wealth.

As an organisation which consciously cultivates a flat structure, every voice has an opportunity to be heard. That is a key building block of mental wellbeing, where people have agency and are empowered to shape their experiences and that of the people around them.

We promote healthy living by starting each day with our Wellness Exercise, and encourage each office to have offerings focused on health.

Our profit-sharing incentives and variable bonus schemes, in addition to the competitive basic salaries we pay, ensure that productive employees are well rewarded financially. In addition, there is also our unique Co-Ownership scheme.

## Co-Ownership

We are proud of our Co-Ownership scheme. The Co-Ownership Scheme is HRnetGroup's unique strategy to cultivate and retain talent, reward performance and create sense of ownership for employees. The innovative 123GROW Co-Ownership Scheme is unique amongst listed companies in Singapore whereby selected employees are given the opportunities to invest in the company by buying shares at market price. From 2018 to 2020, employees who met performance criteria in the prior financial year received bonus shares. The scheme helped to effectively align the interests of our employees with our shareholders – what we want for the company eventually was to create a sustainable and profitable business.

Seeing how effective the Co-Ownership model is, we also created the GROW shares scheme to bring more Co-Owners on board and allow existing Co-Owners to grow the number of shares they own. The mechanism of the scheme was as such:

- Financial Year 2018 – Potential Co-Owners need to be a productive heartcount ("PHC") for the year
- July 2019 – They were granted an allocation of their GROW shares
- July 2020 – GROW shares vested based on the realisation of the pre-set criteria, comprising personal targets (35% weightage), Business Unit's targets (35% weightage) and Group's overall performance (30% weightage).

As of 31 December 2020, the number of employees under the Co-Ownership scheme was 218, which made up 25% of our permanent staff base. In 2019, this number was 254, 27% of the permanent staff base. The reduction in number of Co-Owners is mainly due to natural attrition rate. Having said that, our overall retention rate in Co-Owners was 83%, which was a higher than the retention rate of non-Co-Owners, a good testament to the effectiveness of our Co-Ownership scheme. We will continue to review the plan and evaluate how to continue its success.

<sup>1</sup> Productive heartcount is defined as consultant who achieves gross profit of 3 times his payroll costs.



# STAKEHOLDER'S REPORT

## INVESTORS



### What they expect?



Stable and sustainable growth and profitability



Strong corporate governance and transparency



Reasonable returns to shareholders



Timely disclosures



Preserving balance sheet strength through economic cycles

### How we responded?



Ensuring strong oversight and accountability by an experienced and competent Board and Management team



Maintaining a healthy corporate governance culture



Adopting a disciplined and measured approach towards business risks and opportunities



Ensuring timely disclosure and reporting



Ensuring robust risk governance and management

### How we engaged them in 2020



Annual General Meeting ("AGM")



Annual reports



Half-yearly results briefings



Notices, Circulars, and Announcements webinar



Investor conferences, face-to-face meetings, conference calls and webinar



Bi-monthly newsletter - The GRIN report

At HRnetGroup, we maintain regular dialogue and engagement with the investment community to provide relevant information on the Group's corporate strategy, operational performance and business outlook and to help them to make well-informed investment decisions. We also seek their feedback so as to provide Management with regular updates of market perceptions. With the long-term interests of our shareholders at heart, we aim to build a sustainable business with stable returns.

### INVESTOR RELATIONS POLICY

We promote regular, effective and fair communication with the investment community, including our shareholders, potential investors and equity analysts. We are committed to convey pertinent information to shareholders in a fair, clear and timely manner.

All material, price-sensitive announcements will be made via the SGXNET and where applicable, other channels, including the Company's website. If material non-public information is released inadvertently in any forum, the same information shall be released via SGXNET at the earliest possible time.

We shall not comment in any way on the status of the Group's current financials and operations nor allude to earnings estimates, during the "blackout" periods. "Blackout" periods are one month before the announcement of the Group's half-year and full-year results.

Members of the key management, supported by the Investor Relations team, shall meet with investors and analysts on a regular basis and hold investor road shows or briefings, as appropriate.

### REGULAR AND TRANSPARENT COMMUNICATIONS WITH INVESTMENT COMMUNITY

Our engagement with the investment community, including our shareholders, potential investors and equity analysts is governed by our investor relations policy.

Through constant dialogue with our investment community, our key management keeps investors abreast of the Group's financials, milestones and other material developments. We regularly review our content disclosure to provide investors with the information needed to address their areas of concern.

In 2020, we started the year with face-to-face meetings before COVID measures were put in place. Since then, we took the conversations with the analysts and investors to Zoom as we continued to provide updates to our corporate strategy, operational performance and business outlook via

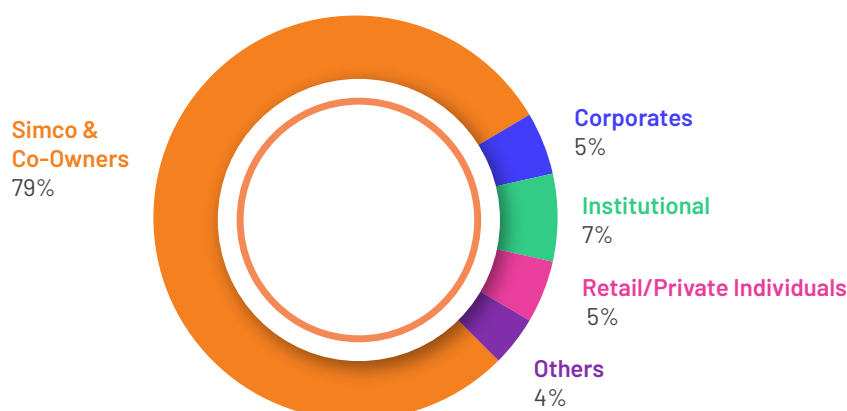
- Half-yearly briefings and one-on-one video calls fronted by key management. Webinar facilities were arranged for international investors and;
- Annual General Meeting (AGM)<sup>1</sup>.

General information on HRnetGroup, such as annual reports, half-year and full-year results, news releases, as well as our investor relations calendar of events, are available on our corporate website <http://investor.hrnetgroup.com/>.

All financial results, material news releases, dividends recommended or declared for payment, and other ad-hoc announcements are also available on the SGX website. Our website also contains contact details of our Investor Relations team, so that investors may contact us directly to clarify any queries or to provide feedback.

### OUR SHAREHOLDER BASE

#### HRnetGroup Shareholders as at 31 December 2020



Source: HRnetGroup, Orient Capital

Note: SIMCO Global Limited is controlled by the Sim family. Co-Owners are employees of the Group.

<sup>1</sup>For more information on AGM, please refer to the Corporate Governance Section.

# STAKEHOLDER'S REPORT

## OUR DIVIDEND POLICY

Delivering stable and sustainable returns for our shareholders is a key objective when formulating and executing our business strategies. We adopt a disciplined and balanced approach when it comes to growth and maintaining balance sheet strength to ensure the resilience of our business through economic cycles.

We generally practise a payout ratio of 50% of net profits, subject to discretionary adjustments for one-off and/or other exceptional items.

We propose to reward our shareholders with a dividend of 2.5 Singapore cents per ordinary share which representing a payout of 50.3% of net profit after tax in 2020.

## SELECTED INVESTMENT METRICS

	2019	2020
<b>Share Price (S\$)</b>		
Highest	0.810	0.625
Lowest	0.560	0.405
Average	0.691	0.506
Closing	0.625	0.550
Market Capitalisation (S\$ million) <sup>a</sup>	629.4	551.5
Enterprise Value (S\$ million) <sup>b</sup>	392.1	243.3
Price-to-earnings ratio (x) <sup>c</sup>	13.5	13.4
EV / EBITDA ratio (x)	5.5	3.6
Dividend per share (Singapore cents)	2.8	2.5
Dividend yield (%) <sup>a</sup>	4.5	4.5
Payout ratio (%)	50.6	50.3
Total 1-year shareholder return (%)	-18.4	-7.5
Basic EPS (Singapore cents)	5.13	4.67
Diluted EPS (Singapore cents)	5.11	4.67
Return on average ordinary shareholders' equity (%)	15.5	14.1

<sup>a</sup> The year-end closing share prices are used in computing the market capitalisation.

<sup>b</sup> Enterprise value equals market capitalisation plus non-controlling interest and total debt minus cash & cash equivalent, at year end.

<sup>c</sup> The daily-average share prices are used in computing these ratios.

## INVESTOR RELATIONS CONTACT INFORMATION

If you have any enquiries or would like to find out more about HRnetGroup, please contact:

### Mr Fadzlin Rashid

Senior Corporate Communications Leader  
391A Orchard Road, Ngee Ann City Tower A  
Unit #23-06 Singapore 238873  
Tel: (65) 6730 7860  
Email: ir@hrnetgroup.com

### Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: (65) 6536 5355  
Fax: (65) 6438 8710  
Website: www.boardroomlimited.com

# SOCIETY



## What they expect?



Employment opportunities



Good corporate citizenship, contribute responsibly to society building

## How we responded?



Offering jobs to local talent via hiring for our own business operations and through job placements for our clients



Giving back to society through CSR programmes

## How we engaged them in 2020



Recruitment platforms to attract talents and provide advice for candidates



Charity events

### BUILDING CAPACITY IN THE LOCAL COMMUNITY

Our key markets are the Asian growth cities, where there is huge potential to increase employment opportunities for local workers. As these cities grow, they attract larger and more complex organisations, and correspondingly their need for talents. However, access to these roles can be a challenge for local talent due to various factors such as undermining one's own competencies, limited knowledge on hiring companies and unaware of job openings, and inability to access one's suitability for the job scope.

We leverage on our expertise in identifying the skills required for a position, avenues to source for talents and connecting the suitable resource to the right job. When we successfully place a candidate into a role, or fill an opening, we help the individual benefit by building his individual capacity and developing his skills and experience along with the organisation that employed him. This not only leads to job satisfaction for the individual involved but contribute to the growth of the organisation.

Access to jobs with competitive salaries can alleviate poverty and reducing inequality. HRnetGroup is committed to assisting the local community in job seeking and capacity building through our recruitment activities.

Our flexible staffing brands, RecruitExpress and RecruitFirst, helps our clients fill both temporary and contract roles for for junior to mid-level positions. We work with candidates across various educational levels and background and the types of roles we work on spans a wide range, including those that do not require special skills or tertiary educational background. These roles allow us to provide employment opportunities to candidates with higher degree of difficulty in finding a job. For the year 2020, we had 42,998 contractor employees for whom we took on employer responsibilities, including providing upfront payroll processing.

## STAKEHOLDER'S REPORT

For our Professional Recruitment business, we have a well-developed process that facilitates a smooth and efficient placement. With the job requirements we obtained from our client, we will start the search process by gathering all the relevant information on that particular role, the industry and source for potential candidates. With our industry knowledge and experience, we will shortlist suitable candidates for the clients after our interviews with the candidates. Our recommendations are based on holistic assessment and consideration, both technical aspects such as competency, and soft aspects such as personality, and not purely just identical past job experience, which is single dimensional. In 2020, we placed 7,022 candidates into mid to senior level positions.

At HRnetGroup, we do not see our role as simply placing staff. We consider it our responsibility to enhance the employability of candidates. Our job includes advising candidates on how to develop and improve their profile and CV, hone their interview skills and how to present themselves to increase the probability of winning the employment. We also advise clients on the best ways to screen for suitable candidates and we encourage good HR practices during our client events.

### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In the course of our daily work, we are blessed with the opportunity to empower the people we meet to make changes that will have a positive impact on their lives and those around them. It is what drives us and makes the work we do purposeful and meaningful.

With HRnetLoves, we set out to create a CSR program that is an extension of what we do daily BUT for the people whom we would not normally have had the opportunity to interact with. We focus on creating events that will allow us to make a difference to local communities. The objective is to help move them a little closer to living a better life via these outreach activities.

#### HRnetLoves Jakarta

Beginning as a shelter for homeless children to spend the night, Taman Fioretti Orphanage houses about 70 children aged 3 months to 18 years old. With a vision to equip these children with knowledge and skills that will enable them to be self-sufficient when they grow up, the nuns who run the orphanage work hard to help these children find their place in society despite their unfortunate start.

From the time we spent with the nuns to better understand what life is like for the children, we realised that for many of them, life is lived on a day-to-day basis with little attention paid to the future and what their adult life would look like.

We started the day with the younger children where we played games and had singalong sessions. When it came to their main activity, we decided to approach the topic of job aspirations in a fun way through drawing and colouring line illustrations of various professions. The children were encouraged to pick whatever appealed to them so that they could colour in the image. As they coloured, we shared with them about the profession they picked - what the job was about, what they needed to study in school to prepare them for the role and how they could work towards making that dream a reality. It was fulfilling as they got to exercise their creativity while also learning about what they could aspire to be when they grew up.

For the older children, we prepared a fun workshop to introduce them to CV-writing and also interview skills. We broke down the different sections of a CV into easy-to-understand segments and handed out templates which they could use to fill in their details.

We advised them how to best present themselves and even did a bit of role playing as we got everyone to take turns and participate in mock-interview sessions. We shared with them tips on how to prepare and answer questions with confidence.

While we tried to impart what we could, we are also aware that the children needed more than just a day of fun and learning. They need to be equipped with tools to aid their growth and be in an environment where they are constantly learning and exploring. The nuns who take care of them do the best they can with what little they have, but we know that they could do more with better resources. We created a fund-raising page where we managed to raise IDR8,500,000. The donations collected was used to fund education fees, books, school supplies and daily necessities.



Scan to watch our  
Jakarta CSR video highlights



### HRnetLoves Shanghai

Over the course of summer, we visited the Hongkou campus of our CSR partner, the Sunflower Community Children's Service Centre. We had put together a six-week English music course as a fun way to teach the children English.

These children come from second and third-tier cities in China and arrive in Shanghai with their parents, who are looking for better opportunities there. However, due to their parents' long and demanding working hours, these children lack proper guidance and education, and are often left to fend for themselves as their parents work during the day and most of the night. It was our aim to bring some fun and brightness to the lives of these children, all while teaching English through song and dance.

During the six-weeks, we worked with them to create a song and dance performance based on Disney's Frozen. It was a way for them to learn pronunciation and the meaning of English words through song lyrics. While providing the children with a platform to learn and speak English in a fun way, they were also able to pick up public speaking skills and gain confidence being on stage.

Their efforts paid off as they successfully put their own spin to the musical number and wowed everyone with their performance. In the audience, their parents were visibly proud of their children's newfound ability to perform in English.

What started off as a simple and fun learning experience sparked an interest in them to start a learning journey in a language that they were previously unfamiliar with and had no interest in. We are proud to have had the opportunity to impart knowledge and create a platform for future growth for these children.



Scan to watch our  
Shanghai CSR video highlights

### Career Clinic by PeopleSearch

The PeopleSearch team in Singapore created an initiative to provide aid to people who were displaced due to COVID. We rallied a panel of senior executives from various industries to provide free advice and coaching to these individuals. All they had to do was write in to us with a bit of information about themselves. From there, we connected them to the most suitable executive from our panel and arranged a 2-hour call for them.

During the session, they are encouraged to share their current situation with our advisors who would then suggest some ideas and solutions, help with their CV and share some potential next steps that they can take. In cases where they were suitable for an available role, we would then help to make that connection and present them as a viable candidate for our clients to consider.

Our objective is to provide an avenue to help and support these displaced individuals as they navigate their way back into the workforce. This program is currently still ongoing.

### RecruitFirst ♥ Singapore

During the COVID circuit breaker period, we placed a lot of candidates in various essential worker roles across Singapore. These included temperature scanners, supermarket packers, delivery staff and more. They were the unsung heroes who kept Singapore moving while the rest of the country was on lockdown. To show our gratitude for their service, we created a campaign – RF Loves Singapore. All they had to do was to share with a photo of themselves at work via our Instagram. We followed it up by making arrangements to send a box of sweet treats or lunch to their work place to brighten up their day.



# STAKEHOLDER'S REPORT

## GOVERNMENT & REGULATORS



### What they expect?



Highest standards of corporate governance and ethical behaviour



Supporting the development of local economies and industry



Taxes to governments

### How we responded?



Complying with applicable and current laws, regulations and policies



Providing regular compliance training for our people



Maintaining sound risk management systems and processes



Conducting regular internal and external audits

### How we engaged them in 2020



Consultations with regulatory bodies



Audit reports



Annual reports

## PROFESSIONAL ETHICS AND REGULATORY COMPLIANCE

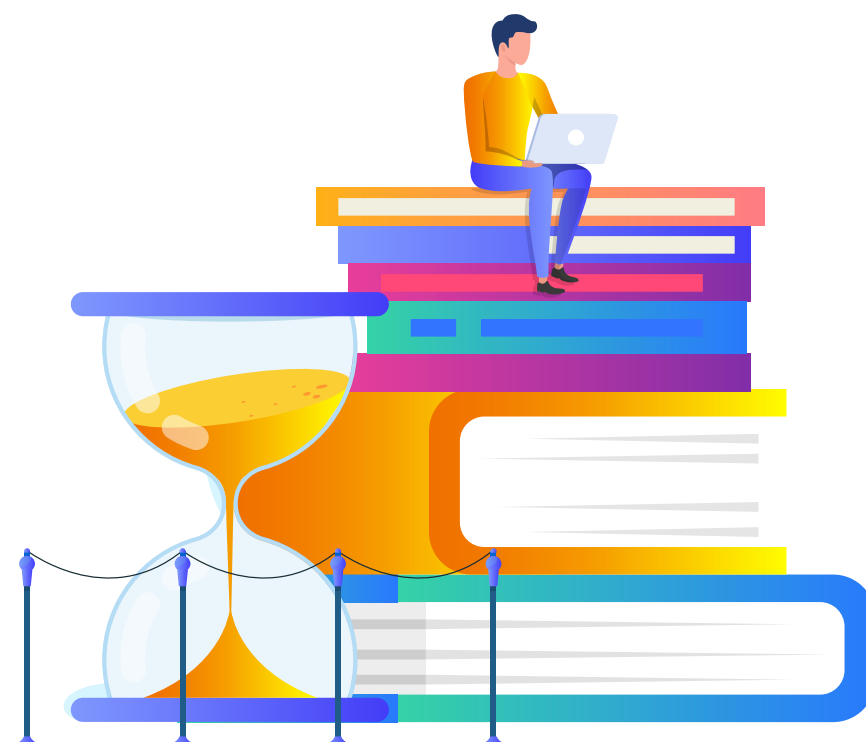
Recruitment is a heavily regulated industry with the Ministry of Manpower leading the regulations. Non-compliance will lead to costly fines and reputational damage, causing us to lose valuable trust from our stakeholders. Trust and reputation are critical assets of a HR business. We require all our employees to uphold themselves in a professional and responsible manner, worthy of the trust the company, clients and candidates entrust in them. This is why we have zero tolerance for non-compliance and we hold ourselves to high standards in this area.

In order to manage our compliance, we have a number of policies and processes in place:

- Employee Code of Conduct (“CoC”) / Employee Handbook which set out expectations of employees in relation to fraud, bribery, segregation of duties and business ethics (including behaviour on public platforms such as social media)
- A series of onboarding training and declarations for new employees on various critical topics such as insider trading, anti-corruption and anti-bribery, anti-money laundering, cyber security and whistle blowing
- Clear policies and training on the protection of personal data
- E-COC Self-Assessment – an annual online checklist to assess the employee’s understanding and declaration of compliance with CoC
- HR and Legal departments are responsible for assessing the implementation to business and processes whenever a new or change of regulation is announced. Upon implementation, announcement and training on new rules and regulations are communicated to the staff at our various staff engagement platforms such as CSA/GAME
- Whistle blowing policy and channels for employees to report any suspicious and non-compliant practices
- Internal audit processes to monitor effectiveness of risk management, control and governance processes

We weave compliance into various events. Every year, one of our quarterly CSA events across all business units is dedicated to the topic of CoC. Staff are split into teams to deep dive into specific CoC topic assigned, then design and deliver the concepts and applications at the CSA.

We are pleased that there have been no incidents of non-compliance over the last year and we expect to maintain this going forwards.





## BOARD STATEMENT

HRnetGroup recognises that management of environmental, social and governance (“ESG”) risks and opportunities is a key component of business management. It is for this reason that ESG concerns have been regularly taken into consideration during strategic decision making in the past. Since our listing in 2017, HRnetGroup has been focusing on formalising our management of these issues through a recognised materiality identification and prioritisation process, development of performance indicators to measure our progress and setting of targets to allow us to continue to improve. As the Board, we are committed to supporting these various initiatives and we have empowered the HRnetGroup management team to drive this agenda.

The Board is ultimately responsible and provides oversight for the sustainability approach, performance, monitoring and reporting. On the Board, our two Executive Directors are championing sustainability. Our Board champions are supported by the Sustainability Steering Committee (“SCC”), which comprise our senior management team tasked with developing sustainability objectives and strategies, keeping in view the Group’s overall long-term plans and vision, setting relevant KPIs and targets, managing and monitoring overall sustainability performance and reporting to the Board. The SCC is in turn supported by the Sustainability Task Force (“STF”), which implements and executes actionable and measurable plans and initiatives across the organisation and monitors the results.

The Group looks forward to continue sharing its performance on its sustainability journey.

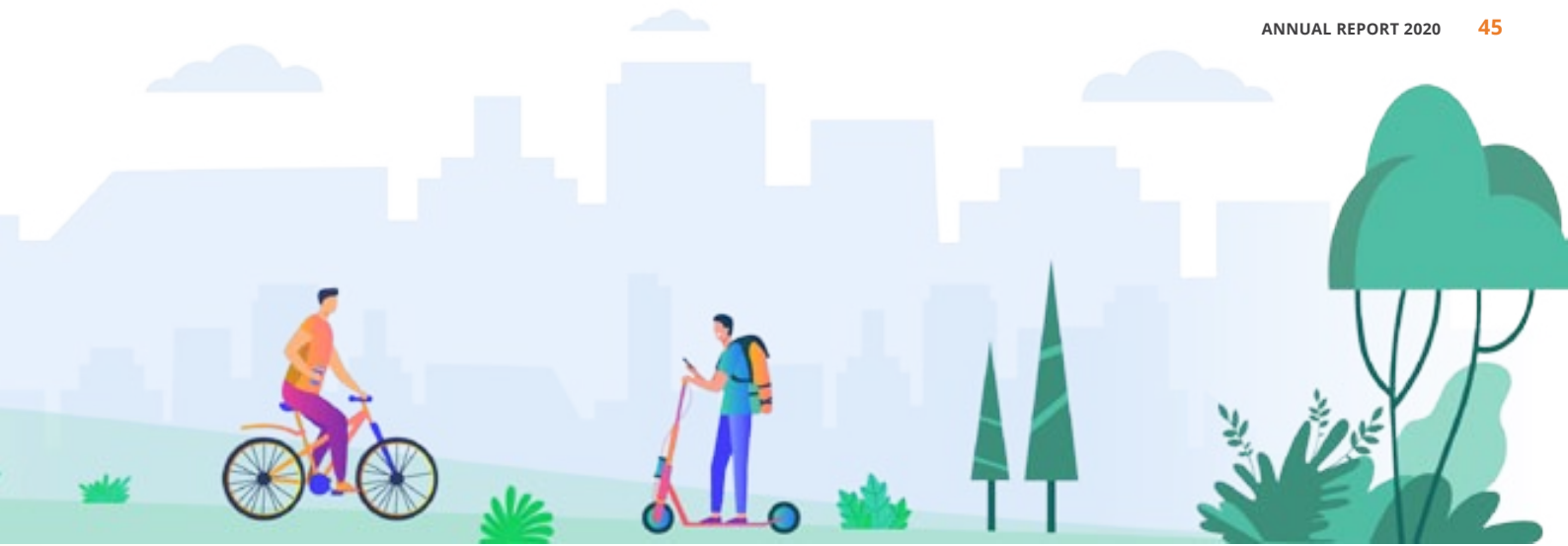
## OVERVIEW

We aim to build working environments that last beyond a lifetime. Lasting organisations can only be so with the right talent in the right roles who can drive these companies towards sustainable success. Connecting the right people to the right roles is our forte.

To us, sustainability refers to the longevity of our clients’, as well as our own, businesses, which can only be achieved through due consideration of all the issues that may affect that longevity. ESG related risks and opportunities that can both impact our business and be impacted by our business must, therefore, be part of our story.

The management of ESG related issues in our business is an integral component of our business model, which seeks to create value for our stakeholders in a sustainable manner, including addressing the concerns from investors, who understand that ESG risks and opportunities can affect our bottom line, the younger generation, a critical subset of our candidates pool, who are demanding more from corporates and their employers than just a paycheck, and our employees, whose well-being is highly correlated to the performance of our businesses.

Several trends in the recruitment and Human Resource (“HR”) sector also point towards a need to invest in sustainability related issues. For example, employees nowadays prefer more flexibility in their work and are tending towards shorter-term jobs roles. There is also a developing skills imbalance in new job markets such as technology segment, and Artificial Intelligence (AI) and automation are causing a shift in the demand for certain skills. Upskilling and reskilling are therefore important HR requirements. Furthermore, digitalisation is transforming businesses and operational processes and the HR industry is increasingly going digital. These trends lean toward a need for reassessment of various aspects of our business ranging from internal areas such as our own benefits management, working arrangements, and training and education for our workforce, to external facing elements such as our methods of outreach to our clientele and candidates, and helping to bridge the gap between the employees and employers.



Being sustainable means addressing these social trends and keeping HRnetGroup relevant in the changing world, and maximise value creation for our stakeholders in the long run. Being sustainable means addressing these social trends and keeping HRnetGroup relevant in the changing world, and maximise value creation for our stakeholders in the long run. We have identified the following areas as effective means to achieve our sustainability objectives:

- 1 Support the growth of new markets, such as technology, AI and digitalisation, by supplying talents and skills where needed and as the demand grows
- 2 Building capacity in local communities by increasing job seekers' access to job markets, via identifying their capabilities and skillsets and matching them to the right roles for long term job satisfaction
- 3 Cultivating and spurring our own talents on by making sure they have the relevant skills in the changing environment and roles that keep them inspired and satisfied
- 4 Incentivising our staff through our Co-Ownership scheme to help drive accountability and leadership to guide our company in the right direction
- 5 Encouraging a diverse rich staff base, with a wide range of skills, experience and knowledge to allow us to remain agile and respond to changing market needs
- 6 Practising responsible operations and being on top of regulatory requirements

### ESG MATERIALITY ASSESSMENT

The sustainability landscape is wide, therefore, it is important to focus our efforts in the areas that we make the most impact. We engaged an external consultant to assist us in conducting a materiality assessment of the ESG factors that are relevant to us. This assessment is in line with the Materiality and Stakeholder Engagement Principles of the GRI Standards in September 2017. The materiality assessment took into consideration:

- HRnetGroup's business strategy, vision and mission
- Sustainability and business trends in the recruitment and staffing industry
- Insights gained from regular interactions with internal and external stakeholders

As our operations are predominately office-based, we focused on the social and governance impacts of our business as we believe we can make more material positive changes in those areas, taking into consideration where our business opportunities lay.

### MATERIAL ESG FACTORS, IMPACTS AND BOUNDARIES

As a business, we are aware that the impacts of our activities can have effects both internally, that is within our business, and externally, that is across our entire value chain. We believe that we have influence over the resulting effects of our business and we strive to mitigate any negative impacts and encourage the positive ones.

### SUSTAINABLE DEVELOPMENT GOALS

In September 2015, the UN launched its 17 Sustainable Development Goals (SDG). Countries have adopted these goals to end poverty, protect the planet to ensure prosperity for all by 2030.

At HRnetGroup, we aim to contribute to a sustainable future, both socially and economically, through facilitating the development of fair and efficient labour markets in the countries we operate in. We have therefore committed ourselves to the UN's Sustainable Development Goals, in particular with regard to promoting sustainable economic growth, decent work for all, and reducing inequalities.

# SUSTAINABILITY

## TARGETS AND PROGRESS

MATERIAL ESG FACTORS		GRI TOPICS	STAKEHOLDERS	IMPACT BOUNDARIES	REPORTING BOUNDARIES	DETAILS ON WHAT WE HAVE DONE	
Economic	Business performance <sup>1</sup>	GRI 201- Economic Performance	<ul style="list-style-type: none"> <li>• Investors</li> <li>• Employees</li> </ul>	Internal and External	Internal	Page 19 - Letter to Shareholders Page 89 - Financial statements	
	Enabling Market Growth	N/A	<ul style="list-style-type: none"> <li>• Clients &amp; Candidates</li> <li>• Society</li> </ul>	Internal and External	Internal	Page 27 - What we do for our clients and candidates Page 39- What we do for the society	
Community	Building Capacity in the Local Community	GRI - 203 - Indirect economic impacts	<ul style="list-style-type: none"> <li>• Clients &amp; Candidates</li> <li>• Society</li> </ul>	External	External	Page 27 - What we do for our clients and candidates Page 39 - What we do for the society	
Social	Talent Retention, Development and Engagement	GRI 404 - Training and Education	<ul style="list-style-type: none"> <li>• Employees</li> </ul>	Internal	Internal	Page 31 - What we do for our employees	
	Co-Ownership	N/A	<ul style="list-style-type: none"> <li>• Employees</li> </ul>	Internal	Internal	Page 31 - What we do for our employees	
	Diversity and Equal Opportunity	GRI 405 - Diversity and Equal Opportunity	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Clients &amp; Candidates</li> <li>• Society</li> </ul>	Internal and External	Internal	Page 27 - What we do for our clients and candidates Page 31 - What we do for our employees Page 39 - What we do for the society	
Governance	Professional Ethics and Regulatory Compliance	GRI 419 - Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> <li>• Government &amp; Regulators</li> </ul>	Internal and External	Internal	Page 42 - What we do for the Governments and Regulators	

<sup>1</sup>Please refer to Letter to Shareholders and the financial statements set out in the Annual Report 2020 for more information on the Group's economic performance for the financial year ended 31 December 2020.



KPIs	2020 ACHIEVEMENTS	2021 TARGETS	SDGS
-	-	-	
<ul style="list-style-type: none"> <li>• Breaking in to new accounts</li> <li>• Client's length of stay with HRnetGroup</li> <li>• Number of market segments, specialisations</li> </ul>	<ul style="list-style-type: none"> <li>• Our top 5 clients have been with us for an average of 17 years</li> <li>• We have 23 industry specialisations</li> </ul>	<ul style="list-style-type: none"> <li>• Minimal account attrition</li> <li>• Maintain or increase the number of industry specialisations</li> </ul>	 
<ul style="list-style-type: none"> <li>• Number of contractor employees for flexible staffing in FY2020</li> <li>• Number of successful placements for professional recruitment in FY2020</li> </ul>	<ul style="list-style-type: none"> <li>• 42,998 contractor employees</li> <li>• 7,022 placements into mid to senior-level positions in 2020 which works out to almost 1 placement per hour</li> </ul>	<ul style="list-style-type: none"> <li>• Keep the number of contractor employees and successful placements for professional recruitment in FY2021 steady</li> </ul>	 
<ul style="list-style-type: none"> <li>• Average hours of training per year per employee</li> </ul>	<ul style="list-style-type: none"> <li>• 72 hours</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain an average of at least 60 hours of training per year per employee</li> </ul>	 
<ul style="list-style-type: none"> <li>• Number of employees under the Co-Ownership Scheme (as at 31 December 2020)</li> <li>• % of employees under the Co-Ownership Scheme</li> </ul>	<ul style="list-style-type: none"> <li>• 218 Co-Owners</li> <li>• 25% of total permanent staff base</li> </ul>	<ul style="list-style-type: none"> <li>• Increase total number of Co-Owners to 30%</li> </ul>	 
<ul style="list-style-type: none"> <li>• Diversity of governance bodies and employees: percentage of individuals within the organisation's governance bodies by gender, age group, and other diversity categories; percentage of employees per employee category by gender, age group, and other diversity categories</li> </ul>	<ul style="list-style-type: none"> <li>• 74% of permanent staff are female</li> <li>• 33% of the Board are female</li> </ul>	<ul style="list-style-type: none"> <li>• At least 70% permanent staff to be female</li> <li>• Maintain current gender composition for Board of Directors</li> </ul>	  
<ul style="list-style-type: none"> <li>• Confirmed incidents of corruption</li> <li>• Non-compliance with laws and regulations resulting in significant fines and non-monetary sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Zero confirmed incidents of corruption</li> <li>• Zero incidents of non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions</li> </ul>	<ul style="list-style-type: none"> <li>• Zero confirmed incidents of corruption</li> <li>• Zero incidents of non-compliance with laws and/or regulations resulting in significant fines and non-monetary sanctions</li> </ul>	

# SUSTAINABILITY

## SUMMARY OF DISCLOSURES GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI TOPICS STAKEHOLDERS		NOTES/PAGE NUMBER(S)
<b>GENERAL DISCLOSURES</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	HRnetGroup Limited
102-2	Activities, brands, products, and services	Annual Report, page 2
102-3	Location of headquarters	Annual Report, page 38
102-4	Location of operations	Annual Report, page 8
102-5	Ownership and legal form	Annual Report, page 97
102-6	Markets served	Annual Report, page 8
102-7	Scale of the organisation	Annual Report, page 89 Our staff profile, page 32
102-8	Information on employees and other workers	Our staff profile, page 32 There is no significant variation in employment numbers during the reporting period.
102-9	Supply chain	Supply chain is minimal and not significant to report on.
102-10	Significant changes to organisation and its supply chain	There is no significant change to the organisation and its supply chain during the reporting period.
102-11	Precautionary principle or approach	HRnetGroup does not specifically address the principles of the Precautionary approach.
102-12	External initiatives	Tripartite Alliance for Fair and Progressive Employment Practices
102-13	Membership of associations	Singapore Institute of Directors
<b>Strategy</b>		
102-14	Statement from senior decision-maker	Letter to Shareholders, page 19 Board Statement, page 44
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	Sustainability at HRnetGroup, page 44
<b>Governance</b>		
102-18	Governance structure	Sustainability at HRnetGroup, page 44
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Stakeholder Engagement, page 26
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 26
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 26
102-44	Key topics and concerns raised	Stakeholder Engagement, page 26

GRI TOPICS STAKEHOLDERS		NOTES/PAGE NUMBER(S)
<b>GENERAL DISCLOSURES</b>		
<b>Reporting Practice</b>		
102-45	Entities included in the consolidated financial statements	Annual Report, page 125
102-46	Defining report content and topic Boundaries	Our sustainability report has been prepared in line with the requirements of SGX-ST Listing Rules 711A and 711B, and in accordance with the Global Reporting Initiative (“GRI”) Standards, “Core” option.
102-47	List of material topics	ESG Materiality Assessment, page 45
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	1 January 2020 – 31 December 2020
102-51	Date of most recent report	2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About this Report, page 38
102-54	Claims of reporting in accordance with GRI Standards	About this Report, pages 46-47
102-55	GRI content index	The GRI content index is laid out on pages 48-50
102-56	External assurance	Not applicable
<b>MANAGEMENT APPROACH</b>		
103-1	Explanation of the material topic and its boundary	Sustainability at HRnetGroup, page 44
103-2	The management approach and its components	ESG Materiality Assessment, page 45
103-3	Evaluation of the management approach	A Market Leader with Deep Expertise, page 28 Building Capacity in the Local Community, page 39 Talent Development and Engagement, page 34 Co-Ownership, page 35 Diversity and Equal Opportunity, page 32 Professional Ethics and Regulatory Compliance, page 43
<b>MATERIAL TOPICS</b>		
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	Annual report, page 89
203-2	Significant indirect economic impacts	A Market Leader with Deep Expertise, page 26 Building Capacity in the Local Community, page 39
<b>Anti-corruption</b>		
205-3	Confirmed incidents of corruption and actions taken	Professional Ethics and Regulatory Compliance, page 43

# SUSTAINABILITY

## SUMMARY OF DISCLOSURES GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX (CONT)

GRI TOPICS STAKEHOLDERS		NOTES/PAGE NUMBER(S)
<b>MATERIAL TOPICS</b>		
<b>Training and Education</b>		
404-1	Average hours of training per year per employee	Talent Development and Engagement, page 34
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity, page 32
<b>Local Community</b>		
416-2	Operations with local community engagement, impact assessments, and development programs	Building Capacity in the Local Community, page 39
<b>Socioeconomic Compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	Professional Ethics and Regulatory Compliance, page 43

# Corporate Governance

**HRnetGroup Limited** (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to adopt and comply with Rule 710 of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX-ST Listing Manual”) to describe its corporate governance practices with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the “**Code**”). The practices of the Board and management of the Group adhere closely to the provisions under the Code. To the extent Company’s practices may vary from any provision, Company will explain the reason for the variation and how its practices nevertheless are consistent with the intent of the relevant principle of the Code.

This statement outlines the main corporate governance policies and practices during the financial year with specific reference to the Code.

## **BOARD MATTERS**

### **1. THE BOARD’S CONDUCT OF AFFAIRS**

**Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.**

#### ***Provision 1.1***

#### ***Board’s Role***

The principal functions of the Board include, *inter alia*, providing entrepreneurial leadership, setting the appropriate tone-from-the-top and desired organisational culture monitoring Management’s performance, establishing a framework for prudent and effective internal controls to manage risk, safeguarding shareholders’ interests and the Group’s assets as well as setting values and standards (including ethical standards) for the Group.

#### ***The Board’s Conduct of Affairs***

During FY2020, as was in the past years, in addition to carrying out its statutory responsibilities, the Board performed the following role:

- (a) overseeing and approving the formulation of the Group’s overall long-term strategic objectives and directions, as well as focus on value creation, innovation and sustainability.
- (b) establishing and maintaining a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group’s performance;
- (c) overseeing and reviewing the management of the Group’s business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its strategic objectives;
- (d) instilling an ethical corporate culture and ensure that the Group’s values, standards, policies and practices are consistent with the culture;
- (e) ensuring transparency and accountability to key stakeholder groups;
- (f) ensuring compliance with the Code, the Companies Act (Chapter 50) of Singapore, the Company’s Constitution, the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”), accounting standards and other relevant statutes and regulations; and
- (g) assuming the responsibilities for corporate governance.

# Corporate Governance

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with Management to take objective decisions in the interest of the Group. Any director who has conflict of interest which is likely to impact his or her independence or conflict with a subject under discussion by the Board, is required to immediately declare his or her interest to the Board, and recuse himself or herself from participating in any further discussions or voting on the subject matter, unless the Board is of the opinion that his or her presence and participation is necessary to enhance the efficacy of such discussion.

## ***Provision 1.2***

### ***Continuous Training and Development of the Directors***

To ensure that the Directors keep pace with the regulatory changes that will have an important bearing on the obligations of Company or Directors, the Directors are updated on such changes in between or during Board meetings. The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. In FY2020, the external auditors updated the Directors on the new or revised financial reporting standards on an annual basis. Regulatory releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board on a timely basis. They also received on a regular basis reading material on topical matters or subjects and regulatory updates and their implications.

## ***Provision 1.3***

### ***Matters Requiring Board Approval***

Other matters specifically reserved for the Board's approval are those involving material acquisitions and disposal of assets, corporate or financial restructuring, major investments and expenditure, share issuances, dividends to shareholders, interested person transactions and any decision likely to have a material impact on the Company or Group from any perspective, including but not limited to, financial, operational, strategic or reputational.

The matters which are clearly decided on and approved by the Board are clearly documented in the minutes of meetings and kept with the Company.

## ***Provision 1.4***

### ***Delegation of Authority to Board Committees***

To assist in the execution of its responsibilities, the Board has, without abdicating its responsibility, established three Board Committees, comprising an Audit Committee (the "**AC**"), a Nominating Committee (the "**NC**") and a Remuneration Committee (the "**RC**"). These committees function within clearly defined written terms of reference and operating procedures. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lie with the Board.

## ***Provision 1.5***

### ***Meetings of Board and Board Committees***

The Board and its committees meet regularly through scheduled meetings and as warranted by particular circumstances. If Directors are unable to attend meetings in person, telephonic means of communications are allowed under the Constitution of the Company. To enable members of the Board and its committees to prepare for the meetings, agendas are circulated in advance, with board papers and related materials dispatched before the meetings.

Following the amendments to the SGX-ST Listing Manual which have taken effect on 7 February 2020, the Company will not be required to release its unaudited financial statements on a quarterly basis and therefore, the Board, after due deliberation and taking into consideration the compliance efforts required in the quarterly reporting, decided to release its unaudited financial statements on a half yearly basis, with effect from 27 February 2020. Accordingly, the frequency of meetings are changed from quarterly basis to half yearly basis.



# Corporate Governance

Notwithstanding of the above, the Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad hoc meetings are also convened as and when they are deemed necessary.

During FY2020, the Company held two Board Meetings.

## **Multiple Board Representations**

All Directors are required to declare their board representations. The NC will review the multiple board representations held by the Directors on an annual basis to ensure that sufficient time and attention are given to the affairs of the Company. The NC considers that the multiple board representations held presently by the Directors do not impede their respective performance in carrying out their duties as a Director of the Company.

The Directors had committed considerable time towards board meetings and board committee meetings held in FY2020 and adjusted their schedules to ensure participation in meetings for the deliberation of issues. The NC is of the view that the Directors have committed their time effectively to discharge their responsibility.

The frequency of meetings and the attendance of each Director at every Board and Board Committees meetings for FY2020 are disclosed in the table reflected below:

Type of Meetings	Board	AC	NC	RC	AGM
No. of Meetings Held	2	3	1	1	1
Name of Directors	No. of Meetings Attended				
Peter Sim	2	2*	1	1*	1
JS Sim	2	2*	1*	-	1
Adeline Sim	2	3*	1*	-	1
Sin Boon Ann	2	2	1	1	1
Mae Heng	2	3	1	1	1
NS Tan	2	3	1	1	1

\* Attended by Invitation

## **Provision 1.6**

### **Board's Access to Information**

Management places a high priority on providing complete, adequate and timely information to the Board prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Board members received half yearly financial performance of the Group and the Board will also be updated on industry trends and developments. As far as practicable, Board members will receive board papers seven days in advance of the meeting to enable them to have sufficient time to fully consider and deliberate issues to be considered at the meetings. Minutes of previous meetings are tabled and confirmed at Board meetings for the Directors' information.

## **Provision 1.7**

### **Board's Access to Management and Company Secretary**

The Board has at all times separate and independent access to Management and the Company Secretary through electronic mail, telephone and face-to-face meetings and are entitled at all times to request for any additional information needed to make informed decisions. Similarly, key management personnel, the Company's auditors or external consultants are also invited to attend Board and Board committee meetings to update and provide independent professional advice on specific issues, where necessary.

Under the direction of the Chairman, the Company Secretary ensures timely and good information flows within the Board and its Board Committees and between the Management and Independent Directors.

# Corporate Governance

The role of the Company Secretary includes responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. She assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committee meetings. She administers and attends all Board and Board Committee meetings of the Company and prepare minutes of meetings.

The appointment and removal of the company secretary is a decision of the Board as a whole.

Where required, procedures are also in place for the Board and individual Board Committees to seek independent professional advice, at the Company's expense.

## 2. BOARD COMPOSITION AND GUIDANCE

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

*Provisions 2.1, 2.2 and 2.3*

***Independent Element of the Board, Composition of the Independent Directors and Non-Executive Directors on the Board***

The Board comprises six Directors of whom three are Executive Directors and three are Independent Non-Executive Directors ("INEDs"), thus providing strong independent element on the Board, capable of open, constructive and robust debate on pertinent issues affecting the affairs and business of the Company and the Group. There are adequate safeguards and checks in place to ensure that decision making process by the Board is independent. Although the independent directors are not in majority, the Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority of the votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group. With half of the Directors deemed to be independent, the Board is able to exercise independent and objective judgement on Board affairs.

### ***Independent Directors***

The NC and the Board, in its determination of the independence of a Director, takes into account, inter alia, the criteria given in the Listing Manual and the Code, the existence of any relationships between such Director and the Group, its related corporations, its substantial shareholders and officers and if applicable, whether such relationships can interfere, or be reasonably perceived to interfere, with the existence of such Director's independent judgement.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of the Independent Directors also confirmed that they are independent and have no relationship identified in the Code except Sin Boon Ann who is a consultant with Drew & Napier LLC. During FY2020 and FY2019, the fees received by Drew & Napier LLC for such legal services were less than S\$200,000.

As at the date of this report, Sin Boon Ann does not have any interest in Drew & Napier LLC. As such, Drew & Napier LLC is not an associate of Sin Boon Ann and transactions between the Group and Drew & Napier LLC would not constitute interested person transactions for the purposes of Chapter 9 of the Listing Manual. Notwithstanding the foregoing, in the event that Sin Boon Ann is interested in any services proposed to be offered by Drew & Napier LLC involving the Group, he will abstain from reviewing and voting on that particular transaction (including as a member of the AC) and any legal matters involving the Group will be handled by other lawyers of Drew & Napier LLC.

The NC, having considered the above and the declarations made by each of the Independent Directors in respect of their independence, is of the view that the current Board has an appropriate level of independence to enable it to make decisions in the best interest of the Company notwithstanding that Sin Boon Ann is a consultant to Drew & Napier LLC.

# Corporate Governance

The Board confirms that none of the Independent Directors have served on the Board beyond nine years from the date of his or her first appointment.

## **Provision 2.4**

### **Composition and Size of the Board**

The composition and size of the Board are reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

Having considered the scope and nature of the operations of the Group, the requirements of the Group's business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the NC with the concurrence of the Board, is of the view that the current Board size of six Directors and its structure is appropriate and adequate and that the Board possesses the appropriate diversity.

The NC also takes into account the mix of skills, genders and core competencies of its members, to ensure a good balance and diversity of skills, knowledge and experience. The Board as a group comprises members with core competencies in accounting and finance, law, business management experience, industry knowledge, strategic planning and customer-based experience and knowledge.

In accordance with the Code, the Company has formalised a Board Diversity Policy. In recognition of the importance and value of gender diversity in the composition of the Board, the Board has two female directors, representing 33.33% of total Board membership. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide core competencies to allow for diverse and objective perspective on the Group's business and direction. Further information on the individual Director's background, experience and skills can be found in the Directors' Profiles set out on pages 12 to 15 of this Annual Report.

A summary of the composition of the Board and its Committees is set out below:

<b>Name of Directors</b>	<b>Board</b>	<b>AC</b>	<b>NC</b>	<b>RC</b>
Peter Sim	Founding Chairman Executive Director	-	Member	-
JS Sim	Executive Director	-	-	-
Adeline Sim	Executive Director	-	-	-
Sin Boon Ann	Lead Independent Director	Member	Chairman	Member
Mae Heng	Independent Director	Chairman	Member	Member
NS Tan	Independent Director	Member	Member	Chairman

## **Provision 2.5**

### **Regular Meetings of Non-Executive Directors and Independent Directors**

During the year, the Independent Non-Executive Directors on the Board, led by the Lead Independent Director or other Independent Director as appropriate, communicate among themselves without the presence of the Management as and when the need arises. They also communicate regularly to discuss matters related to the Group, including reviewing the performance of the Management in meeting agreed goals and objectives and monitoring the reporting of performance. The Chairman of such meetings provides feedback to the Board and/or Management as appropriate.

# Corporate Governance

## 3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

### *Provisions 3.1 and 3.2*

#### *Roles and Responsibilities of Chairman & Executive Director*

Peter Sim is the Founding Chairman of the Group since its founding in 1992.

As the Founding Chairman, Peter Sim plays a vital role in assisting the Board to develop policies and strategies and ensuring that they are implemented effectively, creating values with his exhaustive knowledge of business and industry. He ensures that decisions on important matters are made after extensive deliberation and in consultation with the entire Board. He engages in constructive communication with shareholders at the general meetings. He exercises objective judgement on corporate matters impartially, thus ensuring a balance of power and authority. He reviews Board papers before they are presented to the Board and ensures that the information provided is accurate, and consists of authentic details.

All the Board Committees are chaired by Independent Directors and at least half of the Board consists of Independent Directors. The Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

Through the establishment of various Board Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensure there is an appropriate balance of power which allows the Board to exercise objective decision-making in the interest of the Company. The Board is of the view that Peter Sim's role as an executive Board Chairman would continue to facilitate the Group's decision-making and implementation process.

### *Provision 3.3*

#### *Lead Independent Director*

Taking into account that the Board Chairman is an Executive Director and thus not independent, the Board has appointed Sin Boon Ann as the Lead Independent Non-Executive Director to serve as a sounding board for the Board Chairman and also an intermediary between the Independent Directors and the Board Chairman. He is also responsible for providing leadership in situations where the Chairman is conflicted and is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate and inadequate.

## 4. BOARD MEMBERSHIP

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

### *Provisions 4.1 and 4.2*

#### *NC Membership and Terms of Reference*

The NC comprises the following four Directors, a majority of whom are non-executive and independent:

Sin Boon Ann, Chairman	(Lead Independent Non-Executive Director)
Mae Heng, Member	(Independent Non-Executive Director)
NS Tan, Member	(Independent Non-Executive Director)
Peter Sim, Member	(Executive Director and Founding Chairman)

During FY2020, the NC held one scheduled meeting, which all members attended.

# Corporate Governance

The NC is guided by its written terms of reference, which set out its authority and duties. The principal functions of the NC include, *inter alia*:

The written terms of reference of the NC have been approved and adopted, and they include the following:

- (a) making recommendations to the Board on all Board appointments and the composition of the Board of Directors, taking into account, among other things, the future requirements of the Group, the need for diversity on the Board as well as other considerations in accordance with the guidelines recommended under the Code;
- (b) making recommendations to the Board on relevant matters relating to the appointment and re-appointment of the directors (including alternate directors, if applicable);
- (c) regularly reviewing the structure, independence, size and composition of the Board of Directors and recommending to the Board such adjustments as it may deem necessary;
- (d) reviewing and determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (e) reviewing other directorships held by each director and deciding whether or not the director is able to carry out, and has been adequately carrying out, his duties as director, taking into consideration the director's number of listed company board representations and other principal commitments;
- (f) developing a process for evaluating the effectiveness and performance of the Board and its committees; and proposing objective performance criteria, as approved by the Board, that allow comparison with the industry peers (if available) and address how the Board has enhanced long-term shareholders' value;
- (g) assess the performance of the Board as a whole and contribution of each director to the effectiveness of the Board;
- (h) review of succession plans for directors, in particular, for the Chairman and key management personnel;
- (i) review of training and professional development programs for the Board;
- (j) review and approve any new employment of persons related to the director(s) and substantial shareholder(s), and the proposed terms of their employment; and
- (k) other acts as may be required by the SGX-ST and the Code from time to time.

## **NC Responsibilities**

The key responsibilities of the NC include making recommendations to the Board on the relevant matter such as the process for evaluating the performance of the Board as a whole. It also ensures compliance with the provisions of the Company's Constitution which stipulates that at each annual general meeting of the Company, one-third of the Directors for, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office by rotation in accordance with the Constitution, and may stand for re-election.

Pursuant to Article 94 of the Company's Constitution, Adeline Sim and NS Tan will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. The Board has accepted the NC's recommendation for the re-election of Adeline Sim and NS Tan. In making the recommendation, the NC had considered the Directors' overall contribution and performance.

# Corporate Governance

When a Director has multiple listed company board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that the two of the directors, Sin Boon Ann and Mae Heng have multiple board representations. The NC is of the view that the matter relating to multiple listed company board representations should be left to the judgement of each Director given that time requirements for different board representations vary. And as such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a Director may hold at this point in time.

Each member of the NC has abstained from reviewing and voting on any resolution relating to the assessment of his performance and independence, or his re-nomination as Director, or in any matter where he has an interest.

## **Alternate Directors**

There are currently no alternate directors on the Board.

## **Provision 4.4**

### **Determining Directors' Independence**

Each Director completes a checklist to confirm his or her independence on an annual basis. The NC has reviewed the independence of the Directors as mentioned under Provision 2.1 above and is of the view that Sin Boon Ann, Mae Heng and NS Tan are independent based, *inter alia*, on the criteria given in the Listing Manual and the Code and their respective declarations.

## **Provisions 4.3 and 4.5**

### **Process for the Selection and Appointment of New Directors**

The NC determines a suitable size and composition of the Board, and evaluates the balance of skills, knowledge and experience of members of the Board required to add value and facilitate effective decision-making of the Company, taking into the consideration the scope and nature of the operations of the Company.

However, the Company does not have a formal selection criterion for the appointment of new directors to the Board. When a vacancy arises under any circumstances, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC will make reference checks, meet up with the candidates, assess their suitability, and make recommendations to the Board. Shortlisted candidates will then meet up with the other Board members before the Board approves the appointment.

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board and the Board approves the appointment. Pursuant to the Constitution of the Company, each director is required to retire at least once every three years by rotation, and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring directors are eligible to offer themselves for re-election.

Formal letters will be sent to newly-appointed Director upon his or her appointment stating his or her duties and obligations as director.



# Corporate Governance

## Key information on Directors

Each Director's position, date of initial appointment, date of last re-election and Directorships/chairmanships held by the Directors in other listed companies are as follows:

Name of Directors	Date of initial appointment	Date of last re-election	Current directorship in listed companies	Past directorship in listed companies (preceding three years)
Peter Sim	21 September 2016	6 May 2020	-	-
JS Sim	21 September 2016	26 April 2019	-	-
Adeline Sim	16 May 2017	27 April 2018	-	-
Sin Boon Ann	16 May 2017	26 April 2019	<ul style="list-style-type: none"> <li>● CSE Global Limited</li> <li>● Healthway Medical Corporation Limited</li> <li>● OUE Limited</li> <li>● Rex International Holding Limited</li> <li>● Sarine Technologies Ltd.</li> <li>● The Trendlines Group Ltd.</li> <li>● TIH Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Datapulse Technology Limited</li> </ul>
Mae Heng	16 May 2017	6 May 2020	<ul style="list-style-type: none"> <li>● Apex Healthcare Berhad</li> <li>● Chuan Hup Holdings Limited</li> <li>● Grand Venture Technology Limited</li> <li>● Ossia International Limited</li> </ul>	<ul style="list-style-type: none"> <li>● Asiatravel.com Holdings Ltd</li> <li>● Pacific Star Development Limited</li> </ul>
NS Tan	16 May 2017	27 April 2018	-	<ul style="list-style-type: none"> <li>● Plastoform Holdings Limited</li> <li>● Serrano Limited</li> </ul>

The principal commitments of the Directors, if any, and other key information regarding the Directors are set out in the Directors' profile section in this Annual Report.

# Corporate Governance

## 5. BOARD PERFORMANCE

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.**

### *Provisions 5.1 and 5.2*

#### ***Board Performance***

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with applicable laws, and members of the Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board Committees, and the contribution of Chairman and each individual director to the Board.

For FY2020, all Directors participated in the evaluation by providing feedback to the NC in completing the form of Board and Board Committee Performance Evaluation. To ensure confidentiality and frank assessment, the evaluation forms completed by Directors were submitted to the Company Secretary and the consolidated responses were presented to the NC for review and discussion. The NC has reported to the Board on its review of the Board's performance for the year.

The Board Chairman will act on the results of the performance evaluation and propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

In view of the size and composition of the Board, whereby all Independent Directors sit in the various Board Committees, the Board deems that there would be no value add for the NC to assess the effectiveness of each Board Committee.

#### ***Performance Criteria for Board Evaluation***

The form of Board and Board Committee Performance Evaluation is circulated and completed by each member of the Board annually. This involves scoring and an invitation for feedback on a number of key areas, including Board composition and size, Board independence, Board process, Board access to timely and accurate information, internal controls and risk management, Board accountability to shareholders, Board interaction with Management, etc.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

#### ***Evaluation of Individual Directors***

The NC assesses the individual Directors' performance, which takes into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings, the technical knowledge of the Directors, communication and interaction, knowledge of the Group's business and operations, etc.

For FY2020, the NC duly observed the aforesaid process and criteria and was satisfied with the results of the review. No external facilitator has been engaged to perform the Board assessment process. Where relevant and when the need arises, the NC will consider such an engagement.

# Corporate Governance

## REMUNERATION MATTERS

### 6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 6: Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

Matters concerning remuneration of the Board, key management personnel and employees who are related to the substantial shareholders, the Directors, if any, are handled by the RC whose primary functions include development of formal and transparent policies on remuneration matters in the Company.

#### **Provisions 6.1, 6.2 and 6.3**

#### **Remuneration Committee and Terms of Reference**

The RC comprises the following three Directors, all of whom are non-executive and independent:

NS Tan, Chairman	(Independent Non-Executive Director)
Sin Boon Ann, Member	(Lead Independent Non-Executive Director)
Mae Heng, Member	(Independent Non-Executive Director)

During FY2020, the RC has held one scheduled meeting, which all members attended.

The RC is guided by its terms of reference, which sets out its authority and duties. The principal functions of the RC include, *inter alia*:

- (a) reviewing and recommending to the Board, in consultation with the Chairman of the Board (where applicable, such as in a case where the Chairman of the Board is not a member of the RC), for endorsement, a comprehensive remuneration policy framework and general framework and guidelines for remuneration of the directors and key management personnel;
- (b) reviewing recommendations made by the GROW Committee with regards to the administration of the HRnet GROW Plan, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
- (c) reviewing and recommending to the Board, for endorsement, specific remuneration packages for each of the directors and the key management personnel;
- (d) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service;
- (e) recommending to the Board, for endorsement, performance targets for assessing the performance of each of the Executive Directors and key management personnel; and
- (f) other acts as may be required by the SGX-ST and the Code from time to time.

On annual basis, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Directors and key management personnel based on the Company's key performance indicator. Thereafter, RC's recommendations will be submitted for endorsement by the Board. Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him or her. No director is involved in deciding his or her own remuneration, compensation or any form of benefits to be granted to him or her.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous with an aim to be fair and avoid rewarding poor performance.

# Corporate Governance

## ***Provision 6.4***

### ***RC's Access to Advice on Remuneration Matters***

The Board is ultimately accountable for all remuneration decisions. The members of the RC are familiar with executive compensation matters as they manage their own businesses, and/or have held or are holding other senior positions and directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2020.

## **7. LEVEL AND MIX OF REMUNERATION**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

### ***Provisions 7.1 and 7.3***

#### ***Remuneration of Executive Director and Key Management Personnel***

The Company's remuneration structure for its Executive Director and key management personnel comprises both fixed and variable components. The variable component is linked to the Group or Company's performance and the individual personnel's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The Group has entered into fixed-term service agreements with the Executive Directors, namely Peter Sim, JS Sim and Adeline Sim. The service agreements are valid for an initial period of five years with effect from the date of admission of the Company to the Mainboard of the SGX-ST and thereafter may be renewed for an additional one-year period or such period as the parties may agree.

Either party may terminate the service agreements at any time by giving the other party not less than three months' notice in writing, or in lieu of such notice, an amount equivalent to three months' salary based on Executive Directors' last drawn base salary.

For FY2020, the RC considered and approved the annual increments, variable bonus to be granted to the Executive Directors and the key management personnel based on the key performance indicators set out by the Company. Save for the share awards scheme disclosed in Provision 8.3, there were no long-term incentive schemes introduced by the Company in FY2020.

#### ***Contractual Provisions Protecting the Company's Interests***

The Company does not have any contractual provisions in the employment contracts with the Executive Directors and key management personnel pursuant to which the Company may reclaim the variable components of remuneration from the Executive Director and key management personnel in exceptional circumstances, such as any misstatement of financial results, or misconduct resulting in financial loss of the Company and the Group.

The Board is of the view that the formula for incentive bonus to Executive Directors and key management personnel is pegged to the profits of the Group. The Group has ample time to ensure that the revenue of the relevant period is collected and that profits are accurately accounted for and that any necessary adjustments can be made in the subsequent payout period.

# Corporate Governance

## Provision 7.2

### Remuneration of Non-Executive Directors

The Board has considered and approved the RC's proposal in respect of the Non-Executive Directors' fees for FY2021. Non-Executive Directors are compensated based on fixed directors' fees taking into consideration of their effort and time spent, responsibilities and level of contribution to the Board and Board Committees. The total Directors' fees of S\$175,000 for FY2021 is recommended by the Board for approval by the shareholders at the forthcoming annual general meeting of the Company.

None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him or her.

## 8. DISCLOSURE ON REMUNERATION

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

### Provisions 8.1 and 8.2

#### Remuneration Report

Details on the remuneration of Directors and key management personnel for FY2020 are presented in the following tables.

#### Remuneration of Directors

The table below shows the breakdown of the remuneration and fees of the Directors for FY2020. Shareholders' approval will be sought at the forthcoming annual general meeting for payment of fees for the financial year ending 31 December 2021.

The Board is of the view that full disclosure of the specific remuneration of each individual Director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the high competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group, and that the current disclosure on a named basis and in bands of S\$250,000 including the provision of a breakdown in percentage terms is sufficient.

The level and mix of remuneration paid or payable to the Directors and key management personnel for FY2020 are set out below in bands (in percentage terms):

Name of Directors <sup>(1)</sup>	Salary <sup>(2)</sup> %	Bonus <sup>(3)</sup> %	Director's Fees %	Other Benefits %	Total Compensation %
<b>DIRECTORS</b>					
<b>S\$250,001 to S\$500,000</b>					
Adeline Sim	67	24	-	9	100
JS Sim	100	-	-	-	100
Peter Sim	100	-	-	-	100
<b>Below S\$250,000</b>					
Mae Heng	-	-	100	-	100
NS Tan	-	-	100	-	100
Sin Boon Ann	-	-	100	-	100

# Corporate Governance

## Notes:

- (1) The sequence is presented according to alphabetical order of names within each band.
- (2) The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- (3) The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.

## **Remuneration of Key Management Personnel**

The Group had five key management personnel (who are not Directors or the CEO) in FY2020. The Company had not disclosed the exact remuneration paid to each key management personnel due to the sensitive and confidential nature of such remuneration matters and to ensure the Company's competitive advantage in the retention of such personnel.

The details of the remuneration paid to the five key management personnel of the Company during FY2020 are set out below in bands (in percentage terms):

Name of Key Management Personnel <sup>(1)</sup>	Salary <sup>(2)</sup> %	Bonus <sup>(3)</sup> %	Other Benefits %	Total Compensation %
<b>KEY MANAGEMENT PERSONNEL</b>				
<b>S\$500,001 to S\$750,000</b>				
Jacelyn Chua Meng Hoon	27	72	1	100
Lorenz Tay Yuh Shiuan	40	57	3	100
Madeline Wan Poh Cheng	33	65	2	100
<b>S\$250,001 to S\$500,000</b>				
Daisy Tan	76	19	5	100
Jennifer Kang Ah Eng	70	25	5	100

## Notes:

- (1) The sequence is presented according to alphabetical order of names within each band.
- (2) The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- (3) The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.

The aggregate remuneration paid to the top five key management personnel of the Group (who are not directors or CEO) in FY2020 amounted to S\$2.6million.

In FY2020, other than as disclosed, none of the employees who are substantial shareholders or are immediate family members of a director or a substantial shareholder of the Company were remunerated in excess of S\$100,000.

In FY2020, Aviel Sim, Joshua Sim and Jocelyn Ho, who are related to the executive directors of the Company, each received remuneration not exceeding S\$100,000.

## **Provision 8.3**

### **Other Payment and Benefits to Directors and Key Management Personnel including Employee Share Schemes**

The Company had adopted a share awards scheme known as the 123GROW Plan. The GROW Committee comprises Peter Sim, JS Sim and Adeline Sim. The GROW Committee, which is authorised and appointed by the Board to administer the 123GROW Plan, reports directly to the RC with its recommendations.



# Corporate Governance

The 123GROW Plan which comprised (a) Opp 1 Plan, (b) Opp 2 Plan and (c) HRnet GROW Plan in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 May 2017. Opp 1 Plan and Opp 2 Plan were one-off schemes which commenced prior to the Company listing on the SGX-ST and the relevant shares had since been granted on 19 June 2017 and fully vested as of 19 June 2020. HRnet GROW Plan was the employee share incentive plan under which 944,900 shares were granted on 1 July 2019 and 1,161,600 were fully vested as of 1 July 2020.

More details of 123GROW Plan can be found on pages 80 to 84, in the “Directors’ Statement” of this Annual Report.

There are no termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel of the Group.

## 9. RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders**

### *Provision 9.1*

#### ***Risk Management and Internal Control Systems***

The Board acknowledges that it is responsible for the overall risk management and internal control framework, but recognises that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group, in consultation with the internal auditors, has implemented the Enterprise Risk Management (“ERM”) framework which lays out the governing policies and procedures and complies with recommendation of the Code. The ERM framework is benchmarked against the Committee of Sponsoring Organisations of the Treadway Commission (i.e. “COSO Model”) which is designed to manage the Group’s risks and its internal control systems, so as to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

#### ***Risk Committee***

The responsibility of overseeing the Group’s risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the Group’s business operations as well as its existing internal controls and management systems, the Board is of the view that a separate Risk Committee is not required for the time being.

### *Provision 9.2*

#### ***Adequacy and Effectiveness of Risk Management and Internal Control Systems***

The Group engages a professional audit firm to conduct internal audit reviews based on the plan approved by the AC.

During the year, the AC also reviewed the reports submitted by the internal auditors relating to the effectiveness of the Group’s internal controls, including adequacy of the Group’s financial, operational compliance and information technology controls. In addition, the Group evaluates its risk exposures based on the likelihood and impact of each risk identified. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

# Corporate Governance

## ***Board's Comment on Adequacy and Effectiveness of Risk Management and Internal Control Systems***

The Board is satisfied that the Company worked closely with the internal and external auditors to implement the recommended measures and procedures, and strived to achieve high standards in risk management and internal controls.

In FY2020, the Board has received assurance from:

- (a) the Chairman and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements for FY2020 give a true and fair view of the Group's operations and finances; and
- (b) the Chairman and other key management personnel who are responsible for the system of risk management and internal controls in place within the Group's adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls and risk management framework established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees, and the Board, the Board, with the concurrence of the AC, are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks and those related to information technology systems and risk management systems are adequate and effective for FY2020..

## **10. AUDIT COMMITTEE**

**Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.**

### ***Provision 10.2***

#### ***Membership***

The AC comprises the following three Directors, all of whom are non-executive and independent:

Mae Heng, Chairman	(Independent Non-Executive Director)
Sin Boon Ann, Member	(Lead Independent Non-Executive Director)
NS Tan, Member	(Independent Non-Executive Director)

During FY2020, the AC has held three scheduled meetings, which all members attended, save for the meeting on 13 March 2020, which Sin Boon Ann did not attend due to prior engagement.

#### ***Expertise of AC Members***

The Chairman of the AC is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants. The other members of the AC have many years of experience in business management and finance services. The Board is satisfied that the members of AC have recent and relevant accounts or related financial management expertise and experience to discharge the functions of the AC.

### ***Provision 10.3 Partners and Directors of the Company's Auditing Firm***

None of the AC members were previously partners or directors of the Company's existing audit firm or auditing corporation within the previous 2 years nor does any of the AC members hold any financial interest in the Company's existing audit firm or auditing corporation.

# Corporate Governance

## **Provision 10.1 Roles, Responsibilities and Authorities of AC**

The AC is guided by its written terms of reference, which set out its authority and duties. The key functions of the AC include, *inter alia*:

- (a) undertake such other reviews and projects as may be requested by the Board and assist the Board in discharging its statutory responsibilities on financing and accounting matters;
- (b) review significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) review and report to the Board on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems at least annually;
- (e) review, with the external auditors, their evaluation of the system of internal accounting controls;
- (f) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (g) review the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;
- (h) review the statements to be included in the annual report concerning the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (i) review, with the internal auditor, his evaluation of the implementation and effectiveness of the Compliance Framework, and overseeing the Compliance Committee;
- (j) review any matters escalated by the Compliance Committee and making recommendations to the Compliance Committee and, if necessary or appropriate, the Board with a view to resolving or mitigating such matters;
- (k) review any interested person transactions as defined in the Listing Manual of SGX-ST;
- (l) review and approve all hedging policies and types of hedging instruments to be implemented by the Company, if any;
- (m) monitor and review the effectiveness of the internal audit function;
- (n) appraise and report to the Board on the audits undertaken by the external auditors and internal auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- (o) make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor;
- (p) review any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board and exercise directors' fiduciary duties in this respect;
- (q) review the policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The AC shall ensure that these arrangements allow such concerns to be raised, proportionate and independent investigation of such matters and appropriate follow up action to be taken;

# Corporate Governance

- (r) review and discuss with the external and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (s) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (t) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

During FY2020, the AC reviewed the financial results announcements of the Company on a half yearly basis before their submission to the Board for approval. In the process, the AC reviews the key areas of management judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the Group's financial performance. The AC also reviewed all Interested Person Transactions as well as the use of IPO proceeds.

The AC had reviewed the external auditor's audit memorandum for FY2020 and with the auditors' proposed significant areas of focus and assumptions that impact the financial statements before an audit commences. In its review of the financial statements of the Group for FY2020, the external auditors had discussed with Management together with the AC, the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered clarity of key disclosures in the financial statements. The AC also reviewed and addressed, amongst other matters, the key audit matters as reported by the external auditors for FY2020. The key audit matters can be found on page 86 of this Annual Report.

### ***AC to Keep Abreast of Changes to Accounting Standards***

In addition to the activities undertaken to fulfil its responsibilities, the AC is kept up to date by Management, external and internal auditors on changes to accounting standards, SGX-ST rules and other codes and regulations which can have an impact on the Group's business and financial statements.

### ***Independence of External Auditors***

The AC has reviewed the independence and objectivity of the external auditors through discussions with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the external auditors and the AC was of the view that the non-audit services provided by the external auditors in FY2020 did not prejudice their objectivity and independence.

The fees paid or payable to the external auditors in FY2020 for audit and non-audit services amounted to S\$321,000 and S\$173,000, respectively.

In respect of the audit quality indicators, the AC had reviewed, in particular, the following areas: audit hours planned, experience of the team, adequacy of training received by the team, results of internal and third party's inspection of their work, compliance with independence requirement, quality control, staff oversight, staff attrition rate.

On the basis of the above, the AC is satisfied with the standard and quality of work performed by the external auditors. It has recommended to the Board the nomination of the external auditors, Deloitte & Touche LLP, for re-appointment as external auditors at the forthcoming annual general meeting of the Company.

The Company has complied with Rules 712, 715 and 716 of the Listing Manual in relation to the appointment of its external auditors.

# Corporate Governance

## ***Whistle-blowing Policy***

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and to assure them that they will be protected from victimisation for whistle-blowing in good faith, whistle-blowers may report directly to the Chairman of the AC.

Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offence and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

The Group takes concerns raised in respect of the integrity and honesty of its employees very seriously. The whistle-blowing policy as well as whistle-blowing communication channel, has been disseminated to all staff via internal HR portal.

The whistle-blowing policy is reviewed by the AC from time to time to assess the effectiveness of the processes in place and to ensure that the said policy is updated to take into account any related changes in legal and regulatory requirements.

There were no reported incident pertaining to whistle-blowing during FY2020 and until to date of this Annual Report.

## ***Provision 10.4***

### ***Internal Audit***

The AC's responsibilities over the Group internal controls and risk management are completed by work of the Group's internal auditors.

The Company outsources the internal audit function to an external professional firm to perform the internal audit function, review and test of controls of the Group's processes. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the chairman of the AC and has full access to the Company's documents, records, properties and personnel.

In FY2020, the Board engaged Ernst & Young Advisory Pte Ltd as its internal auditors to review the pre-selected areas of the operations of the Group. The AC, having considered, amongst others, the reputation and track record of Ernst & Young Advisory Pte Ltd and the qualifications, experience and availability of resources and independence of the team at Ernst & Young Advisory Pte Ltd, is satisfied that the appointment of Ernst & Young Advisory Pte Ltd as the Group's internal auditors is appropriate.

### ***Internal Audit Function***

The internal auditor function plans its internal audit schedules in consultation with, but independent of, the Management. The internal auditors, Ernst & Young Advisory Pte Ltd, is staffed with professionals with relevant qualification and experience. The internal audit plan, the scope of audit examination and the internal audit budget are submitted to the AC for approval prior to the commencement of the internal audit. The internal audit is carried out in accordance with the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC annually reviews the activities of the internal auditors, including overseeing and monitoring the implementation of improvements required on internal control weaknesses identified.

Having reviewed the internal auditors' plan and activities, the AC is satisfied with the quality and effectiveness of the internal audit function and that the internal audit function is currently adequately resourced and has appropriate independent standing within the Group to perform its functions effectively.

# Corporate Governance

## ***Provision 10.5***

### ***Meeting with External and Internal Auditors***

During FY2020, the Group's external and internal auditors were invited to attend the AC meetings and make presentations as appropriate. The AC meets with the external and internal auditors without the presence of the Management, at least annually.

## **SHAREHOLDERS RIGHTS AND ENGAGEMENT**

### **11. SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

### ***Provisions 11.1 and 11.4***

#### ***Conduct of General Meetings***

All shareholders of the Company will receive the notice of the annual general meeting and the annual report will be available for download from the Company's website and SGXNET. The notice will also be advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at annual general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairperson of each of the Board committees.

Shareholders are also be informed of the rules and voting procedures governing such meetings.

All resolutions at general meetings are voted by poll so as to better reflect the shareholders' interests and ensure greater transparency. The Company adopts an electronic poll voting system to register the votes of shareholders who attend the general meetings. The Company appoints an independent external party as scrutineer for the electronic poll voting process.

Prior to each general meeting, the scrutineer will review the proxies and the electronic poll voting system to ensure that the information is compiled correctly. The scrutineer also attends the general meetings to ensure that the polling process is properly carried out. The rules, including the voting process, will be explained by the polling agents at such general meetings. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to shareholders at the general meetings. The total number of votes cast 'for' or 'against' the resolutions and the respective percentages are also announced on SGXNET after the general meetings.

The Board supports the Code's principle of encouraging shareholder participation. The Constitution of the Company allows a member (who are not relevant intermediaries as set out in the Companies Act) to appoint up to two proxies to attend general meetings and vote on their behalf. The Companies Act allows relevant intermediaries to appoint multiple proxies, and empower Central Provident Fund investors to attend and vote at general meetings of the Company as their Central Provident Fund agent banks' proxies.

### ***2021 AGM***

In view of the current COVID-19 situation in Singapore, the 2021 AGM will continue to be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the meeting as proxy, will be put in place for the AGM.



# Corporate Governance

The Notice of AGM, Annual Report and the accompanying proxy form will not be despatched to shareholders. These documents will be published on SGXNET and the Company's corporate website.

## **Provision 11.2**

### ***Separate Resolutions at General Meeting***

The Board ensures that there are separate resolutions at general meetings on each substantially separate issue. In the event that there are resolutions which are interdependent and interlinked, the Board will provide reasons and material implications.

## **Provision 11.3**

### ***Interaction with Shareholders***

The Directors attend all General Meetings of the Company to address issues raised by shareholders. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. Appropriate key management personnel are also present at the general meetings to respond, if necessary, to operational questions from shareholders.

The attendance of Directors is set out on page 53 of this annual report.

## **Provision 11.5**

### ***Minutes of General Meetings***

Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

Beginning from the 2020 AGM, the Company has published minutes of general meetings of shareholders on its corporate website and SGXNET as soon as practicable after the relevant general meeting. Such minutes will record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management, which are addressed at the AGM.

## **Provision 11.6**

### ***Dividend Policy***

The Company currently does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors:

- (a) the Company's financial position, results of operations and cash flow;
- (b) the ability of the subsidiaries to make dividend payments to the Company;
- (c) the expected working capital requirements to support the Group's future growth;
- (d) the ability to successfully implement the Group's future plans and business strategies;
- (e) the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations governing the operations;
- (f) general economic conditions and other factors specific to the industry or specific projects; and
- (g) any other factors deemed relevant by the directors at the material time.

# Corporate Governance

The Board intends to declare and distribute dividends of at least 50% of the Company's net profit after tax (excluding exceptional items) to its shareholders to reward Shareholders for participating in the Group's growth.

The proposed dividend payout for FY2020 would constitute approximately 50.3% of net profit after tax in FY2020, subject to shareholders' approval at the forthcoming annual general meeting.

## 12. ENGAGEMENT WITH SHAREHOLDERS

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

*Provisions 12.1, 12.2 and 12.3*

### *Communication with Shareholders*

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable due to confidentiality reasons.

The Company does not practise preferential and selective disclosure to any group of shareholders. Where there is inadvertent disclosure made to a select group, the Company will endeavour to make the same disclosure publicly to all others promptly.

Shareholders are given the opportunity to pose questions to the Board or the Management at the general meetings. The members of the AC, NC and RC will be present at the general meetings to answer questions relating to matters overseen by the respective committees. To enhance and encourage communication with shareholders and investors, shareholders and investors can send their enquiries through email to the Company's investor relations at [ir@hrnetgroup.com](mailto:ir@hrnetgroup.com).

### *Investor Relations Policy*

The Company has adopted an investor relations policy to formalise the principles and practices that the Company applies to provide current and prospective investors with information necessary to make well-informed investment decision and to ensure a level playing field.

The Investor Relations Policy is set out on pages 36 to 38 of this Annual Report.

## 13. ENGAGEMENT WITH STAKEHOLDERS

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

*Provisions 13.1 and 13.2*

### *Relationship with Stakeholders*

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, clients and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Stakeholders' Report is set out on pages 26 to 43 of this Annual Report.

# Corporate Governance

## **Provision 13.3**

### **Communications with stakeholders**

The Company's contact information is reflected on its current corporate website, to enable stakeholders to contact the Company.

## **OTHER CORPORATE GOVERNANCE MATTERS**

### **DEALINGS IN SECURITIES OF THE COMPANY**

In compliance with Rule 1207(19) the Listing Manual on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing one month before the announcement of the Company's half year and full year financial statements respectively, and ending on the date of the announcement of the results.

All Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two business days of the transactions. The Board is satisfied with the Group's commitment in compliance with the Code. The Company has complied with Rule 1207(19)(c).

### **MATERIAL CONTRACTS**

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, there are no material contracts of the Group involving the interests of a Director or controlling shareholder, either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the previous financial year.

### **INTERESTED PERSON TRANSACTIONS**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transactions required to be disclosed under Rule 907 of the Listing Manual of the SGX-ST are as follows:

<b>Name of Interested Person and Transactions</b>	<b>Aggregate value of all interested person transactions in FY2020 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000</b>	<b>Aggregate value of all interested person transactions conducted in FY2020 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000 <sup>(2)</sup></b>
<b>RecruitFirst Limited<sup>(1)</sup></b>		
(a) Working capital loan	2,217	N.A.
(b) Provision of Management Services	181	N.A.
(c) Provision of Recruitment Services	12	N.A.

#### **Notes:**

- (1) Aviel Sim, who is one of the controlling shareholders, son of Peter Sim and brother of Adeline Sim, holds 20% of the equity interest in RecruitFirst Limited. Accordingly, RecruitFirst Limited is an associate of Aviel Sim and an interested person in relation to the Group.
- (2) The Group did not obtain a shareholders' mandate under Rule 920 of the Listing Manual.

# Corporate Governance

## USE OF IPO PROCEEDS

Pursuant to the Company's IPO, the Company received gross proceeds from the IPO of approximately S\$174.1 million, the utilisation of which as of 31 December 2020 is set out as below:

	<b>Amount utilised</b>
	<b>S\$ million</b>
Underwriting commission	4.7
Professional fees and other miscellaneous expenses (including listing fees)	4.4
Purchase of financial assets mandatorily measured at FVTPL	28.6
Purchase of financial assets designated at FVTPL	6.4
Purchase of equity instruments designated at FVTOCI	64.0
Acquisition and investment in subsidiaries	4.1
Start-up of subsidiaries	7.6
	<u>119.8</u>

# Corporate Governance

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION – APPENDIX 7.4.1 TO THE LISTING MANUAL

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the Company shall provide the information relating to the directors who are standing for re-election at the forthcoming annual general meeting as set out in Appendix 7.4.1 to the Listing Manual.

Adeline Sim and NS Tan are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 21 April 2021 under Ordinary Resolutions 4 and 5 respectively set out in the notice of annual general meeting dated 6 April 2021 (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to each Retiring Director as set out in Appendix 7.4.1 to the Listing Manual is set out below:

Name of Directors	Adeline Sim	NS Tan
Date of first appointment	16 May 2017	16 May 2017
Date of last re-Appointment	27 April 2018	27 April 2018
Age	40	68
Country of principal residence	Singapore	Singapore
The Board’s comments on re-appointment	After due consideration, the Board concurs with the Nominating Committee’s views that Adeline Sim, being an Executive Director & Chief Legal Officer of the Group, if re-elected, will continue to provide valuable insights and contributions to the Board, given her skills, experience and commitment in the discharge of her duties as the Executive Director & Chief Legal Officer of the Group.	After due consideration, the Board concurs with the Nominating Committee’s views that NS Tan, if re-elected, will continue to provide valuation insights and contributions to the Board, given his skills, experience and commitment in the discharge of his duties as a Director. This is especially in view of NS Tan’s extensive experience in HR sector.
Whether the appointment is executive, and if so, the area of responsibility	Executive.  Adeline Sim is Chief Legal Officer and member of the Investment Committee of the Group. Her areas of responsibility include, but are not limited to, leads strategic and tactical initiatives, identifying and executing investments and acquisitions. She also oversees the technology, digital marketing, investor relations and communication functions of the Group.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> <li>● Executive Director</li> <li>● Chief Legal Officer</li> </ul>	<ul style="list-style-type: none"> <li>● Independent Non-Executive Director</li> <li>● Chairman of the Remuneration Committee</li> <li>● Member of Nominating Committee</li> <li>● Member of Audit Committee</li> </ul>
Professional qualifications	Bachelor of Laws from the National University of Singapore	Graduate Diploma in Personnel Management from the Singapore Institute of Management/Singapore Institute of Personnel Management

# Corporate Governance

Name of Directors	Adeline Sim	NS Tan
<b>Working experience and occupation(s) during the past 10 years</b>	<ul style="list-style-type: none"> <li>As Group Legal Counsel successfully closed the S\$15m pre-IPO investment by Temasek-subsidary Heliconia into the Group, and subsequently brought the Group through its IPO.</li> <li>As Executive Director has also taken on responsibility for the Technology Team, Communications &amp; Marketing Team and Investor Relations function.</li> <li>As a member of the Investment Committee led the successful acquisition of 51% of Rimbun Job Agency's business along with the Group's investment into technology companies.</li> </ul>	<ul style="list-style-type: none"> <li>Regional HR Director, Asia Pacific for Eastman Chemical till Dec 2013</li> <li>Independent director, RC Chair, HRnetGroup Limited since May 2017</li> <li>Independent director, NC and RC Chair, Plastoform Holdings Ltd, July 2018 to April 2019</li> <li>Independent director, NC and RC Chair, Serrano Ltd, August 2018 to April 2019</li> </ul>
<b>Shareholding interest in the listed issuer and its subsidiaries</b>	Direct interest in shares: 489,600 Deemed interest in shares: 753,226,000	Nil
<b>Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries</b>	Adeline Sim is daughter of Peter Sim, Executive Director, sister of Aviel Sim and niece of JS Sim, Executive Director of the Company.	No
<b>Conflict of interest (including any competing business)</b>	No	No
<b>Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer</b>	Yes	Yes
<b>Other Principal Commitments including Directorships</b>		
<b>Past (for the last 5 years)</b>	No	<ul style="list-style-type: none"> <li>Plastoform Holdings Limited</li> <li>Serrano Limited</li> </ul>
<b>Present</b>	<ul style="list-style-type: none"> <li>HRnetGroup Limited's subsidiaries               <ul style="list-style-type: none"> <li>HRnet Consulting Limited</li> <li>HRnet One Inc</li> <li>PT HRnet Rimbun Indonesia</li> <li>PT Recruit First Indonesia</li> </ul> </li> <li>Playhao Pte. Ltd.</li> <li>Singapore Institute of Management Society</li> </ul>	No
<b>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</b>	No	No



# Corporate Governance

Name of Directors	Adeline Sim	NS Tan
<p>(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?</p>	No	No
<p>(c) Whether there is any unsatisfied judgement against him?</p>	No	No
<p>(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?</p>	No	No
<p>(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?</p>	No	No

# Corporate Governance

Name of Directors	Adeline Sim	NS Tan
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		

## Corporate Governance

Name of Directors	Adeline Sim	NS Tan
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

# Directors' Statement

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 89 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debt when they fall due.

## 1. Directors

The directors of the Company in office at the date of this statement are:

Sim Yong Siang  
Sim Joo Siang  
Sim Wei Ling, Adeline  
Sin Boon Ann  
Heng Su-Ling Mae  
Tan Ngiap Siew

## 2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the Bonus Shares and GROW Shares granted under the 123GROW Plan mentioned in paragraph 4 of the Directors' Statement.

## Directors' Statement

### 3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company (Ordinary shares)				
Sim Yong Siang	-	-	753,025,600 <sup>(1)</sup>	753,226,000 <sup>(1)</sup>
Sim Joo Siang	-	-	753,025,600 <sup>(1)</sup>	753,226,000 <sup>(1)</sup>
Sim Wei Ling, Adeline	445,200	489,600	753,025,600 <sup>(1)</sup>	753,226,000 <sup>(1)</sup>
Tan Ngiap Siew	65,000	65,000	-	-
The ultimate holding company SIMCO Global Limited (Ordinary shares)				
Sim Yong Siang	-	-	2 <sup>(1)</sup>	2 <sup>(1)</sup>
Sim Joo Siang	-	-	2 <sup>(1)</sup>	2 <sup>(1)</sup>
Sim Wei Ling, Adeline	-	-	2 <sup>(1)</sup>	2 <sup>(1)</sup>
The immediate holding company SIMCO Limited (Ordinary shares)				
Sim Yong Siang	-	-	100 <sup>(1)</sup>	100 <sup>(1)</sup>
Sim Joo Siang	-	-	100 <sup>(1)</sup>	100 <sup>(1)</sup>
Sim Wei Ling, Adeline	-	-	100 <sup>(1)</sup>	100 <sup>(1)</sup>

Notes:

- (1) The directors' deemed interest in SIMCO Global Limited is through SIMCO Trust. SIMCO Trust is controlled by Mr Sim Joo Siang, Mr Sim Yong Siang and his spouse and the discretionary beneficiaries comprise Mr Sim Yong Siang and his spouse, Mr Sim Joo Siang and his spouse and Ms Sim Wei Ling, Adeline among other beneficial owners.

By virtue of section 7 of the Singapore Companies Act, Mr Sim Yong Siang, Mr Sim Joo Siang and Ms Sim Wei Ling, Adeline are deemed to have an interest in all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2021 were the same at 31 December 2020.

### 4. 123GROW Plan

The 123GROW Plan which comprised (a) Opp 1 Plan, (b) Opp 2 Plan and (c) HRnet GROW Plan (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 May 2017. Opp 1 Plan and Opp 2 Plan were one-off schemes which commenced prior to the Company listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the relevant shares have since been granted on 19 June 2017 and fully vested as of 19 June 2020. HRnet GROW Plan was the employee share incentive plan under which 944,900 shares were granted on 1 July 2019 and 1,161,600 shares were fully vested as of 1 July 2020.

## Directors' Statement

### 4. 123GROW Plan (cont'd)

The Scheme was administered by the GROW Committee which reports directly to the Remuneration Committee, whose members are:

Sim Yong Siang  
 Sim Joo Siang  
 Sim Wei Ling, Adeline

Awards comprising an aggregate of 6.8 million Bonus Shares were granted under the Opp 1 Plan and Opp 2 Plan on 19 June 2017, of which 93,200 Bonus Shares were forfeited in 2020 (2019 : 422,300).

Details of the movement in the Bonus Shares vested and forfeited under Opp 1 Plan and Opp 2 Plan during the financial year were as follows:

	<b>Balance as at 1 January 2020</b>	<b>Vested</b>	<b>Forfeited</b>	<b>Balance as at 31 December 2020</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
<u>Opp 1 Plan</u>				
Tranche 1	-	-	-	-
Tranche 2	-	-	-	-
Tranche 3	1,360,800	(1,289,900)	(70,900)	-
Subtotal	1,360,800	(1,289,900)	(70,900)	-
<u>Opp 2 Plan</u>				
Tranche 1	-	-	-	-
Tranche 2	-	-	-	-
Tranche 3	317,100	(294,800)	(22,300)	-
Subtotal	317,100	(294,800)	(22,300)	-
Total	1,677,900	(1,584,700)	(93,200)	-

On 1 July 2019, the GROW Shares were granted to eligible employees. GROW Shares were allotted and issued on 1 July 2020 when all vesting conditions were met. The aggregate number of GROW Shares awarded to the participants were based on the achievement of certain predetermined performance targets as determined by the GROW committee or otherwise in accordance with the rules of the HRnet GROW Plan.

Awards comprising an aggregate of 944,900 GROW Shares were granted under the HRnet GROW Plan on 1 July 2019, of which 92,600 GROW Shares were forfeited in 2020 (2019: 94,400). Eligible employees who achieve certain predetermined performance targets are entitled to additional shares, termed as "multiplier shares".

Details of the movement in the GROW Shares granted, forfeited and vested during the financial year were as follows:

	<b>Balance as at 1 January 2020</b>	<b>Multiplier shares</b>	<b>Forfeited</b>	<b>Vested</b>	<b>Balance as at 31 December 2020</b>
	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
HRnet GROW Plan	1,221,000	33,200	(92,600)	(1,161,600)	-



## Directors' Statement

### 4. 123GROW Plan (cont'd)

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Balance as at	Vested	Forfeited	Balance as at
	1 January			31 December
	2020	No. of shares	No. of shares	2020
	No. of shares	No. of shares	No. of shares	No. of shares
<u>Opp 1 Plan</u>				
Sim Wei Ling, Adeline	36,500	(36,500)	-	-
<u>Opp 2 Plan</u>				
Sim Wei Ling, Adeline	7,900	(7,900)	-	-
Total	44,400	(44,400)	-	-

Other than Ms Sim Wei Ling, Adeline (who is an associate of a controlling shareholder of the Company), there are no participants under the 123GROW Plan who are controlling shareholders and their associates.

There were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares during the financial year.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

### 5. Audit Committee

The Audit Committee of the Company, consisting all non-executive directors, is chaired by Ms Heng Su-Ling Mae, an independent director, and includes Mr Sin Boon Ann and Mr Tan Ngiap Siew who are also independent directors. The Audit Committee has met 3 times during the year and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- The audit plans and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
- The Group's financial and operating results and accounting policies;
- The audit plans and results of the external auditors;
- The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditor's report on those financial statements;
- The half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- The co-operation and assistance given by management to the Group's external auditors and internal auditors; and
- The re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

# Directors' Statement

## 5. Audit Committee (cont'd)

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

## 6. Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

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Sim Yong Siang

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Sim Joo Siang

15 March 2021

# Independent Auditor's Report

To the members of HRnetGroup Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of HRnetGroup Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 136.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the members of HRnetGroup Limited

Key audit matter	How the matter was addressed in the audit
<p><u>Revenue recognition for professional recruitment and flexible staffing</u></p> <p>The Group recognised professional recruitment and flexible staffing revenue of \$73 million and \$358 million respectively for the year ended 31 December 2020.</p> <p>Revenue from professional recruitment is recognised at a point in time the permanent placement candidate signs the employment contract or commences full-time employment, depending on the terms of the contract. There is a risk that professional recruitment revenue is recognised for placements that did not occur. In addition, if the placement is not taken up by the candidate as agreed, it could result in the reversal of previously recorded revenue. There is also a risk that revenue is recognised before revenue recognition criteria are met, resulting in revenue being recognised in the incorrect period.</p> <p>Revenue for flexible staffing is recognised over time as the customer simultaneously receives and consumes the services the Company provides. There is a risk that flexible staffing revenue may be recognised prior to or after the contractor employee provides the service, resulting in revenue being recognised in the incorrect period.</p>	<p>Our procedures in relation to this key audit matter on revenue recognition included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the revenue processes, evaluated the design and implementation and tested the operating effectiveness of relevant controls relating to revenue recognition.</li> <li>• Performed test of details on a sample of professional recruitment revenue to verify that the entity has satisfied the performance obligation demonstrated by the right to payment, evidenced by the candidate's commencement of work or signed letter of appointment, as indicated in the Terms of Service.</li> <li>• Performed cut off testing: (1) for professional recruitment revenue, verified that the candidate's date of work commencement or date of signed letter of appointment was in the current year; and (2) for flexible staffing revenue, verified that the approved timesheet relates to days worked in the current year.</li> </ul> <p>We have also assessed and reviewed the adequacy and appropriateness of the disclosures made in the financial statements.</p>

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

# Independent Auditor's Report

To the members of HRnetGroup Limited

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# Independent Auditor's Report

To the members of HRnetGroup Limited

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tay Hwee Ling.

Public Accountants and  
Chartered Accountants  
Singapore

15 March 2021



# Statements of Financial Position

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	332,234	266,162	76,725	76,076
Trade receivables	7	66,261	74,693	-	-
Other receivables and prepayments	8	6,615	6,922	98,809	97,464
Other financial assets	9	6,886	8,555	6,886	8,555
Total current assets		411,996	356,332	182,420	182,095
<b>Non-current assets</b>					
Pledged deposits	6	988	1,003	-	-
Plant and equipment	10	1,503	1,558	-	-
Right-of-use assets	11	8,202	14,144	-	-
Other intangible assets	12	1,353	1,501	-	-
Goodwill	13	5,185	5,185	-	-
Subsidiaries	14	-	-	48,427	48,427
Other financial assets	9	21,838	38,733	21,220	38,115
Deferred tax assets	15	1,314	808	-	-
Total non-current assets		40,383	62,932	69,647	86,542
<b>Total assets</b>		<b>452,379</b>	<b>419,264</b>	<b>252,067</b>	<b>268,637</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	16	6,478	6,034	-	-
Other payables and accruals	17	75,591	39,071	4,791	83
Lease liabilities	18	5,893	7,470	-	-
Deferred considerations	32	3,942	2,954	-	-
Income tax payable		10,361	9,984	645	1,099
Total current liabilities		102,265	65,513	5,436	1,182
<b>Non-current liabilities</b>					
Deferred tax liabilities	15	323	349	-	-
Lease liabilities	18	2,643	6,794	-	-
Total non-current liabilities		2,966	7,143	-	-

See accompanying notes to the financial statements.

# Statements of Financial Position

For the financial year ended 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Capital, reserves and non-controlling interests</b>					
Share capital	19	260,605	260,605	260,605	260,605
Treasury shares	19	(5,153)	(3,631)	(5,153)	(3,631)
Equity reserve	20	(47,656)	(47,204)	(437)	(437)
Share-based payment reserve	21	-	1,758	-	1,758
Investments revaluation reserve	22	(42,663)	(25,241)	(42,663)	(25,241)
Translation reserve	23	935	(240)	-	-
Retained earnings		165,598	145,961	34,279	34,401
Equity attributable to owners of the Company		331,666	332,008	246,631	267,455
Non-controlling interests		15,482	14,600	-	-
Total equity		347,148	346,608	246,631	267,455
<b>Total liabilities and equity</b>		<b>452,379</b>	<b>419,264</b>	<b>252,067</b>	<b>268,637</b>

See accompanying notes to the financial statements.

# Consolidated Statement of Profit or Loss and other Comprehensive Income

For the financial year ended 31 December 2020

		Group	
	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>	24	433,041	423,081
Sub-contractor expenses		(303,695)	(277,523)
<b>Gross profit</b>		129,346	145,558
Other income	25	17,826	17,686
Selling, general, administrative and other expenses:			
Other employee benefit expenses		(69,124)	(73,598)
Facilities and depreciation expenses		(11,917)	(12,102)
Selling expenses		(3,486)	(4,671)
Other expenses		(3,197)	(4,167)
Finance costs		(413)	(334)
<b>Profit before income tax</b>		59,035	68,372
Income tax expense	26	(9,246)	(12,596)
<b>Profit for the year</b>	27	49,789	55,776
<b>Other comprehensive loss:</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net fair value loss on investments in equity instruments designated at FVTOCI		(17,422)	(25,241)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		1,495	(335)
<b>Other comprehensive loss for the year, net of tax</b>		(15,927)	(25,576)
<b>Total comprehensive income for the year</b>		33,862	30,200
<b>Profit attributable to:</b>			
Owners of the Company		46,865	51,604
Non-controlling interests		2,924	4,172
		49,789	55,776
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		30,618	26,094
Non-controlling interests		3,244	4,106
		33,862	30,200
Basic earnings per share (cents)	28	4.67	5.13
Diluted earnings per share (cents)	28	4.67	5.11

See accompanying notes to the financial statements.

# Statement of Changes in Equity

For the financial year ended 31 December 2020

Group	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
									\$'000		
Balance as at 1 January 2019		260,605	(4,903)	(47,563)	2,137	-	29	122,981	333,286	11,964	345,250
<i>Total comprehensive income (loss) for the year</i>											
Profit for the year		-	-	-	-	-	-	51,604	51,604	4,172	55,776
Other comprehensive loss for the year		-	-	-	-	(25,241)	(269)	-	(25,510)	(66)	(25,576)
Total		-	-	-	-	(25,241)	(269)	51,604	26,094	4,106	30,200
<i>Transactions with owners, recognised directly in equity</i>											
Dividends	29	-	-	-	-	-	-	(28,163)	(28,163)	-	(28,163)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	(2,334)	(2,334)
Purchase of treasury shares	19	-	(331)	-	-	-	-	-	(331)	-	(331)
Treasury shares reissued pursuant to Bonus Shares vested under 123GROW Plan	19	-	1,569	-	(1,569)	-	-	-	-	-	-
Treasury shares reissued in connection with Rimbun's deferred consideration		-	34	-	-	-	-	-	34	-	34
Recognition of share-based payment	21	-	-	-	1,190	-	-	-	1,190	-	1,190
Change in ownership interests in subsidiaries	14	-	-	1	-	-	-	(103)	(102)	(183)	(285)
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	-	1,047	1,047
Liquidation of a subsidiary		-	-	358	-	-	-	(358)	-	-	-
Total		-	1,272	359	(379)	-	-	(28,624)	(27,372)	(1,470)	(28,842)
Balance as at 31 December 2019		260,605	(3,631)	(47,204)	1,758	(25,241)	(240)	145,961	332,008	14,600	346,608

See accompanying notes to the financial statements.

# Statement of Changes in Equity

For the financial year ended 31 December 2020

Group	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Translation reserve	Retained earnings	Equity	Non-controlling interests	Total equity	
									attributable to owners of the Company			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance as at 1 January 2020		260,605	(3,631)	(47,204)	1,758	(25,241)	(240)	145,961	332,008	14,600	346,608	
<i>Total comprehensive income (loss) for the year</i>												
Profit for the year		-	-	-	-	-	-	46,865	46,865	2,924	49,789	
Other comprehensive loss for the year		-	-	-	-	(17,422)	1,175	-	(16,247)	320	(15,927)	
Total		-	-	-	-	(17,422)	1,175	46,865	30,618	3,244	33,862	
<i>Transactions with owners, recognised directly in equity</i>												
Dividends		29	-	-	-	-	-	(28,002)	(28,002)	-	(28,002)	
Dividends paid to non-controlling shareholders			-	-	-	-	-	-	-	(1,635)	(1,635)	
Purchase of treasury shares		19	-	(3,146)	-	-	-	-	(3,146)	-	(3,146)	
Treasury shares reissued pursuant to Bonus Shares and GROW Shares vested under 123GROW Plan		19	-	1,624	-	(2,398)	-	774	-	-	-	
Recognition of share-based payment		21	-	-	-	640	-	-	640	-	640	
Change in ownership interests in subsidiaries		14	-	-	(452)	-	-	-	(452)	(1,027)	(1,479)	
Capital contribution by non-controlling shareholders			-	-	-	-	-	-	-	300	300	
Total			-	(1,522)	(452)	(1,758)	-	(27,228)	(30,960)	(2,362)	(33,322)	
Balance as at 31 December 2020			260,605	(5,153)	(47,656)	-	(42,663)	935	165,598	331,666	15,482	347,148

See accompanying notes to the financial statements.

# Statement of Changes in Equity

For the financial year ended 31 December 2020

Company	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Retained earnings	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2019		260,605	(4,903)	(437)	2,137	-	28,021	285,423
<i>Total comprehensive income (loss) for the year</i>								
Profit for the year		-	-	-	-	-	34,543	34,543
Other comprehensive loss for the year		-	-	-	-	(25,241)	-	(25,241)
Total		-	-	-	-	(25,241)	34,543	9,302
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	29	-	-	-	-	-	(28,163)	(28,163)
Purchase of treasury shares	19	-	(331)	-	-	-	-	(331)
Treasury shares reissued pursuant to Bonus Shares vested under 123GROW Plan	19	-	1,569	-	(1,569)	-	-	-
Treasury shares reissued in connection with Rimbun's deferred consideration		-	34	-	-	-	-	34
Recognition of share-based payment	21	-	-	-	1,190	-	-	1,190
Total		-	1,272	-	(379)	-	(28,163)	(27,270)
Balance as at 31 December 2019		260,605	(3,631)	(437)	1,758	(25,241)	34,401	267,455

Company	Note	Share capital	Treasury shares	Equity reserve	Share-based payment reserve	Investments revaluation reserve	Retained earnings	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2020		260,605	(3,631)	(437)	1,758	(25,241)	34,401	267,455
<i>Total comprehensive income (loss) for the year</i>								
Profit for the year		-	-	-	-	-	27,106	27,106
Other comprehensive loss for the year		-	-	-	-	(17,422)	-	(17,422)
Total		-	-	-	-	(17,422)	27,106	9,684
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	29	-	-	-	-	-	(28,002)	(28,002)
Purchase of treasury shares	19	-	(3,146)	-	-	-	-	(3,146)
Treasury shares reissued pursuant to Bonus Shares and Grow Shares vested under 123GROW Plan	19	-	1,624	-	(2,398)	-	774	-
Recognition of share-based payment	21	-	-	-	640	-	-	640
Total		-	(1,522)	-	(1,758)	-	(27,228)	(30,508)
Balance as at 31 December 2020		260,605	(5,153)	(437)	-	(42,663)	34,279	246,631

See accompanying notes to the financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

	Group	
	2020	2019
	\$'000	\$'000
<b>Operating activities</b>		
Profit before income tax	59,035	68,372
Adjustments for:		
Depreciation of plant and equipment	1,169	1,024
Depreciation of right-of-use assets	8,282	5,278
Amortisation of intangible assets	305	343
Interest income	(2,177)	(4,313)
Finance costs	413	334
Dividend income	(629)	(730)
Share-based payment expenses	640	1,190
Gain on disposal of plant and equipment	-	(2)
Gain on disposal of financial assets mandatorily measured at FTVPL	(2,551)	(6,096)
Net fair value loss (gain) on financial assets mandatorily measured at FVTPL	1,113	(1,602)
Fair value loss on deferred consideration	928	17
Negative variable lease payments <sup>(ii)</sup>	(64)	-
Allowance for doubtful receivables	781	126
Operating cash flows before movements in working capital	67,245	63,941
Trade receivables	7,667	6,447
Other receivables and prepayments	(570)	(977)
Trade payables	444	(452)
Other payables and accruals	36,492	(350)
Cash generated from operations	111,278	68,609
Interest received	3,129	4,264
Interest paid	(413)	(334)
Income tax paid	(9,534)	(13,242)
Net cash from operating activities	104,460	59,297
<b>Investing activities</b>		
Dividends received	540	730
Purchase of plant and equipment and intangible assets	(1,231)	(1,276)
Proceeds from disposal of plant and equipment	-	5
Purchase of financial assets mandatorily measured at FVTPL	(14,926)	(6,594)
Proceeds from disposal of financial assets mandatorily measured at FVTPL	18,033	21,522
Proceeds from disposal of financial assets designated at FVTPL	-	6,764
Proceed from disposal of quoted debt instrument at amortised cost	-	5,053
Purchase of equity instruments designated at FVTOCI	(527)	(63,356)
Change in ownership interests in subsidiaries (Note 14)	(1,479)	(285)
Consideration paid on acquisition of subsidiaries	(76)	(2,163)
Net cash from (used in) investing activities	334	(39,600)

See accompanying notes to the financial statements.



# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

	Group	
	2020	2019
	\$'000	\$'000
<b>Financing activities</b>		
Dividends paid to non-controlling shareholders	(2,066)	(1,841)
Dividends paid	(28,002)	(28,163)
Net withdrawal (placement) of pledged deposits	34	(162)
Purchase of treasury shares	(3,146)	(331)
Capital contributions by non-controlling shareholders in subsidiaries	300	1,047
Repayment of lease liabilities	(8,022)	(5,149)
Net cash used in financing activities	(40,902)	(34,599)
Net increase (decrease) in cash and cash equivalents	63,892	(14,902)
Cash and cash equivalents at beginning of the year	266,162	281,810
Effect of foreign exchange rate changes	2,180	(746)
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<b>332,234</b>	<b>266,162</b>

## Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows <sup>(i)</sup>	Non-cash changes			31 December 2020
			New lease liabilities	Negative variable lease payments <sup>(ii)</sup>	Foreign exchange movement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	14,264	(8,022)	2,046	(64)	312	8,536

	1 January 2019	Financing cash flows <sup>(i)</sup>	Non-cash changes			31 December 2019
			New lease liabilities	Negative variable lease payments <sup>(ii)</sup>	Foreign exchange movement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	8,691	(5,149)	10,772	-	(50)	14,264

(i) The cash flows represent repayments of lease liabilities in the consolidated statement of cash flows.

(ii) In 2020, the Group received rental rebates from landlords of \$64,000 (2019: \$Nil) for the rental of office premises. The rental rebates have been accounted for as negative variable lease payments in profit or loss and are included in the "other income" line item.

See accompanying notes to the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 1 GENERAL

HRnetGroup Limited (the "Company") (Registration No.201625854G) is incorporated in Singapore with its principal place of business and registered office at 391A Orchard Road, #23-06 Ngee Ann City Tower A, Singapore 238873. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the significant subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 15 March 2021.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and SFRS(I)s.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**ADOPTION OF NEW AND REVISED STANDARDS** - On 1 January 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/ revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

### Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity via equity reserve and attributed to owners of the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I)s are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all financial assets other than debt instruments are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or fair value through other comprehensive income (FVTOCI) criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### *Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (cont'd)

#### Classification of financial assets (cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

#### *Equity instruments designated at FVTOCI*

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated investments in equity instruments that are not held for trading at FVTOCI on initial application of SFRS(I) 9 (see Note 9).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

#### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically, investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination at FVTOCI on initial recognition.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (cont'd)

#### Classification of financial assets (cont'd)

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item (Note 25). Fair value is determined in the manner described in Note 4(b)(vii).

#### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item; and
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line item.
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

#### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.



# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (cont'd)

#### Impairment of financial assets (cont'd)

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP), the future prospects of the industries in which the Group's debtors operate and the forecast economic information that relate to the Group's operations to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

##### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets (cont'd)

#### Impairment of financial assets (cont'd)

##### *Measurement and recognition of expected credit losses (cont'd)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

### Financial liabilities and equity instruments

#### Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial liabilities and equity instruments (cont'd)

#### *Financial liabilities at FVTPL*

Financial liabilities are classified at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other income" or "other expenses" line item.

Fair value is determined in the manner described in Note 4(b)(vii).

#### *Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not contingent consideration of an acquirer in a business combination are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other income" and "other expenses" line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**LEASES** - The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial liabilities and equity instruments (cont'd)

#### Derecognition of financial liabilities (cont'd)

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentive.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**PLANT AND EQUIPMENT** - Plant and equipment are carried at cost less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Furniture and fittings	-	2 to 5 years
Office equipment	-	2 to 5 years
Renovation	-	2 to 5 years
Computers and systems	-	1 to 10 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the consolidated financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**INTANGIBLE ASSETS** - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives as below:

Computer software	-	2 to 5 years
Customer relationship	-	8 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

**GOODWILL** - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indicator that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**PROVISIONS** - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**SHARE-BASED PAYMENTS** - The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of the equity-settled share-based transactions are set out in Note 21. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimates of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**GOVERNMENT GRANTS** - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systemic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION** - The Group recognises revenue from the hourly sales of services by contractor employees to customers ("flexible staffing" revenue) and the recruiting of permanent employees for our customers ("professional recruitment" revenue).

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when control of the promised services is transferred to the customer. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the promised services before transferring them to the customer.

The average credit period for the rendering of services is 7 to 60 days. Management does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the services to the customer will be less than one year. The Group does not have any significant financing components or extended payment terms.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Flexible staffing revenue

Flexible staffing contracts are short-term in nature. Billings are generally negotiated and invoiced on a per-hour basis as the flexible staffing services are transferred to the customer. Revenue from the majority of the flexible staffing services continues to be recognised over time as the customer simultaneously receives and consumes the services the Group provides. The Group has applied the practical expedient to recognise revenue for these services over the term of the agreement in proportion to the amount the Group has the right to invoice the customer.

### Professional recruitment

Revenue from professional recruitment is recognised at the point in time the permanent placement candidate signs the employment contract or commences full-time employment. The point of recognition is dependent on the terms of the contract of when the Group becomes entitled to invoice customers for the services rendered. The right to bill the customer signifies when the point that the customer considers the control has been transferred.

Revenue from other fee-based services, such as our provision of payroll services, is recognised when the services are provided.

**SUB-CONTRACTOR EXPENSES** - Sub-contractor expenses are costs directly associated with the earning of revenue which primarily consists of payroll cost of contractor employees.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.



# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

Current and deferred tax are recognised as an expense or income in profit or loss, except where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of translation reserve.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS** - Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the Group's accounting policies*

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Lack of significant influence over Staffline Group plc ("Staffline")

Judgement is required in assessing whether Group has significant influence over another entity in which it holds an interest. Significant influence is presumed to be present when an entity owns more than 20% of the voting power of the investee. The Group considered several indicators that overcome the presumption of significant influence which include the inability to obtain timely or adequate financial information required to apply the equity method and the lack of board representation. The Group owns 29.95% of the voting shares of Staffline Group plc. Notwithstanding that Group owns more than 20% of the voting power in Staffline, the Group is unable to obtain timely financial information and it does not have a board representation in order to participate in the financial and operating policy decisions of Staffline. Management therefore considers that the Group has no significant influence over Staffline and hence it has classified the investment as financial assets and made an irrevocable election to measure at FVTOCI.

### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. When selecting the techniques and inputs to be used in the estimation of the fair value of an asset or a liability, the Group maximises the use of observable inputs and minimises the use of unobservable inputs. Management uses its best estimate on assumptions that market participants would use when pricing the asset or liability. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 4(vii).

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets at amortised cost	404,825	347,640	175,522	173,526
Financial assets mandatorily measured at FVTPL	7,504	9,173	6,886	8,555
Equity instruments designated at FVTOCI	21,220	38,115	21,220	38,115
	<u>433,549</u>	<u>394,928</u>	<u>203,628</u>	<u>220,196</u>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	71,305	38,524	4,791	83
Lease liabilities	8,536	14,264	-	-
Deferred considerations for business combinations	3,942	2,954	-	-
	<u>83,783</u>	<u>55,742</u>	<u>4,791</u>	<u>83</u>

### (b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks. The Group does not hold or issue derivative financial instruments for hedging and speculative purposes.

#### (i) Foreign exchange risk management

Foreign exchange risk occurs as a result of the Group's transactions that are not denominated in their respective functional currencies. These transactions arise from the Group's ordinary course of business.

The Group's foreign currency exposures arise mainly from the exchange rate movements of the Singapore dollar, United States dollar, Japanese yen, Great British Pound, Hong Kong dollar and Chinese yuan against the functional currencies of the respective Group entities.

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

Group	Assets		Liabilities	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	3,200	1,164	-	-
United States dollar	1,710	1,646	(98)	(31)
Japanese yen	17,732	5,024	-	-
Great British pound	19,224	36,101	-	-
Hong Kong dollar	5,168	8,144	-	-
Chinese yuan	133	5,392	(11)	-

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (b) Financial risk management policies and objectives (cont'd)

#### (i) Foreign exchange risk management (cont'd)

	Assets		Liabilities	
	2020	2019	2020	2019
<b>Company</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Japanese yen	17,732	5,024	-	-
Great British pound	19,224	36,101	-	-
Hong Kong dollar	4,898	6,551	-	-

The Group has a number of direct foreign investments, whose net assets are exposed to currency translation risk. Exposures to foreign currency risks are managed as far as possible by natural hedges of matching assets and liabilities and management reviews periodically that the net exposure is kept at an acceptable level.

#### Foreign currency sensitivity analysis

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit before tax will increase by:

	Group		Company	
	2020	2019	2020	2019
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Singapore dollar	320	116	-	-
United States dollar	161	162	-	-
Japanese yen	1,773	502	1,773	502
Great British pound	1,922	3,610	1,922	3,610
Hong Kong dollar	517	814	490	655
Chinese yuan	12	539	-	-

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit before tax will decrease by the same amount.

10% represents management's assessment of the possible change in foreign exchange rates. This sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the period end for a 10% change in foreign currency rates.

#### (ii) Interest rate risk management

Interest rate risk refers to changes in market interest rates which would have an impact on the interest income from cash and bank balances of the Group. The Group's exposure to interest rate risk relates primarily to the amounts held in bank deposits, however, such impact is not expected to be significant.

#### (iii) Equity price risk management

The Group is exposed to equity risk arising from equity investments classified at FVTPL and at FVTOCI. Equity investments measured at FVTOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Note 9.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (b) Financial risk management policies and objectives (cont'd)

#### (iii) Equity price risk management (cont'd)

##### *Equity price sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

In respect of equity investments at FVTOCI, if equity prices had been 10% higher/lower, the Group's investments revaluation reserve would decrease/increase by \$2.1 million (2019 : \$3.8 million).

In respect of equity investments at FVTPL, if equity prices had been 10% higher/lower, the Group's net profit for the year ended 31 December 2020 would increase/decrease by \$0.8 million (2019 : \$0.9 million).

#### (iv) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (b) Financial risk management policies and objectives (cont'd)

#### (iv) Overview of the Group's exposure to credit risk (cont'd)

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<b>Group</b>						
<u>2020</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	67,146	(885)	66,261
Other receivables	8	Performing	12-month ECL	5,342	- <u>(885)</u>	5,342
<u>2019</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	76,261	(1,568)	74,693
Other receivables	8	Performing	12-month ECL	5,782	- <u>(1,568)</u>	5,782
<b>Company</b>						
<u>2020</u>						
Other receivables	8	Performing	12-month ECL	98,798	- <u></u>	98,798
<u>2019</u>						
Other receivables	8	Performing	12-month ECL	97,450	- <u></u>	97,450

- (i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 include further details on the loss allowance for trade receivables.

The carrying amount of the Group's financial assets at FVTPL as disclosed in Note 9 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives (cont'd)*

#### (v) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a mean of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers to assess the credit ratings of its counterparties. The Group's exposure and the credit ratings of its counterparties are monitored continuously and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit approvals and other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group reviews the recoverable amount of each trade debt on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 5% of gross monetary assets at any time during the financial year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### (vi) Liquidity risk management

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

All financial assets and liabilities as at 31 December 2020 and 2019, except for the fixed deposits as disclosed in Note 6, the equity securities as disclosed in Note 9 and the lease liabilities as disclosed in Note 18, are interest-free and are repayable on demand or due within 1 year from the end of the reporting period.



# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### (b) Financial risk management policies and objectives (cont'd)

(vii) Fair value of financial assets and financial liabilities

Some of the Group's financial assets and financial liabilities are measured at fair value as at the end of the reporting period.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value as at (\$'000)

Financial assets/ financial liabilities	Group		Company		Fair value hierarchy	Valuation technique(s) and input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2020	2019	2020	2019				
<b>Financial assets mandatorily measured at fair value through profit or loss (see Note 9)</b>								
1) Quoted equity securities	6,886	8,555	6,886	8,555	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
2) Unquoted equity securities	618	618	-	-	Level 2	Unquoted bid prices in markets that are not active	N.A.	N.A.
<b>Financial assets designated at fair value through other comprehensive income (see Note 9)</b>								
3) Quoted equity securities	21,220	38,115	21,220	38,115	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
<b>Others - deferred considerations in business combinations (see Note 32)</b>								
4) Deferred considerations	3,942	2,954	-	-	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the deferred consideration.	Weighted average cost of capital (WACC) of 18.2% per annum, determined using a Capital Asset Pricing Model.	A slight increase in the WACC used in isolation would not result in a significant decrease in the fair value. (Note A)

Note A: A 5% increase/decrease in the WACC used while holding all other variables constant would not result in significant changes in fair value.

The carrying amounts of cash and cash equivalents, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in the period.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

### c) *Capital management policies and objectives*

The Group reviews its capital structure annually to ensure that the Group will be able to continue as a going concern. The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings. The Group's overall strategy remains unchanged from prior year.

## 5 HOLDING COMPANY AND RELATED PARTY TRANSACTIONS

The immediate and ultimate holding companies of the Company are SIMCO Ltd, incorporated in the British Virgin Islands and SIMCO Global Ltd, incorporated in the Bahamas respectively. Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

There are no significant related party transactions during the financial year.

### *Compensation of directors and key management personnel*

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2020	2019
	\$'000	\$'000
Short-term benefits	4,218	4,813
Post-retirement benefits	127	141
Share-based payments	13	27
	4,358	4,981

## 6 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	258,662	136,012	24,725	3,476
Fixed and structured deposits	71,808	128,587	52,000	72,600
Restricted cash	1,764	1,563	-	-
Cash and cash equivalents in the statement of cash flows	332,234	266,162	76,725	76,076
Pledged deposits	988	1,003	-	-

Fixed and structured deposits bore interest at rates ranging from 0.05% to 3.6% (2019 : 0.08% to 4.8%) per annum and for a tenure of 7 days to 36 months (2019 : 7 days to 36 months).

Restricted cash relates to deposit placed by customers and can only be utilised for specified payment, and cash held in bank account for the sole purpose of establishment of subsidiary.

Pledged deposits act as a security for bank guarantees issued in the normal course of business.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 7 TRADE RECEIVABLES

	Group	
	2020	2019
	\$'000	\$'000
Outside parties	67,146	76,261
Loss allowance	(885)	(1,568)
	66,261	74,693

The average credit period for the rendering of services is 7 to 60 days (2019 : 7 to 60 days). Interest is charged on certain overdue trade receivables.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. The expected credit loss rate is approximately 0% for trade receivables outstanding for less than 90 days and for trade receivables past due for more than 90 days, the Group has recognised a loss allowance of 100%, except for the adjustment to factors that are specific to the debtors, because historical experience has indicated that these receivables are generally not recoverable. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group					Total
	Trade receivables - days past due					
	Not past due	≤ 30 days	31 to 60 days	61 to 90 days	> 90 days	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>						
Estimated total gross carrying amount at default	39,360	19,394	5,864	1,148	1,380	67,146
Lifetime ECL	-	-	-	(47)	(838)	(885)
						66,261
<b>2019</b>						
Estimated total gross carrying amount at default	41,839	22,123	7,319	2,621	2,359	76,261
Lifetime ECL	-	-	-	-	(1,568)	(1,568)
						74,693

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 7 TRADE RECEIVABLES (cont'd)

The table below shows the movement in lifetime ECL - credit impaired that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	<b>Group</b>
	<b>\$'000</b>
Balance as at 1 January 2019	1,442
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	126
Balance as at 31 December 2019	1,568
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	781
Amounts written off	(1,464)
Balance as at 31 December 2020	885

## 8 OTHER RECEIVABLES AND PREPAYMENTS

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deposits	2,882	2,946	-	-
Prepayments	1,273	1,140	11	14
Dividends due from subsidiaries	-	-	24,800	26,000
Other receivables due from subsidiaries	-	-	73,592	70,308
Interest receivable	348	1,309	329	1,140
Dividend receivable	75	-	75	-
Accrued revenue	1,047	1,150	-	-
Grant receivable	396	-	-	-
Others	594	377	2	2
	<u>6,615</u>	<u>6,922</u>	<u>98,809</u>	<u>97,464</u>

The amount due from subsidiaries are unsecured, interest-free and repayable on demand.

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 9 OTHER FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial assets mandatorily measured at FVTPL:				
Held-for-trading non-derivative financial assets				
- quoted equity securities (current)	6,886	8,555	6,886	8,555
- unquoted equity security (non-current)	618	618	-	-
	7,504	9,173	6,886	8,555
Financial assets at FVTOCI:				
Investments in equity instruments designated at FVTOCI				
- quoted equity securities (non-current)	21,220	38,115	21,220	38,115
Total other financial assets (current)	6,886	8,555	6,886	8,555
Total other financial assets (non-current)	21,838	38,733	21,220	38,115
Total other financial assets	28,724	47,288	28,106	46,670

### Financial assets mandatorily measured at FVTPL

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

Unquoted equity investment comprise venture capital investment in 1 entity (2019 : 1) which represent less than 20% shareholdings in the entity. The investment is measured at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*, as it represents an investment which the Group manages together with an intention of profit taking when the opportunity arises.

### Investments in equity instruments designated at FVTOCI

The investments in quoted equity securities offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on the quoted closing market prices on the last market day of the financial year.

The investments in quoted equity securities include 29.95% equity interest in Staffline, a company involved in the provision of recruitment and outsourced human resource services to industry and the provision of skills training and probationary services. Management considers that the Group has no significant influence over Staffline as it does not have a board representation and there is no access to financial information of Staffline.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

No investment in equity investments designated at FVTOCI has been disposed of during the current reporting period.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 10 PLANT AND EQUIPMENT

<b>Group</b>	<b>Furniture and fittings \$'000</b>	<b>Office equipment \$'000</b>	<b>Renovation \$'000</b>	<b>Computers and systems \$'000</b>	<b>Total \$'000</b>
Cost:					
At 1 January 2019	634	750	8,398	4,274	14,056
Additions	67	30	568	367	1,032
Exchange realignment	(3)	1	(24)	(7)	(33)
Disposals	(2)	(18)	(579)	(178)	(777)
At 31 December 2019	696	763	8,363	4,456	14,278
Additions	18	71	432	553	1,074
Exchange realignment	12	6	131	49	198
Disposals	(6)	(9)	(33)	(263)	(311)
At 31 December 2020	720	831	8,893	4,795	15,239
Accumulated depreciation:					
At 1 January 2019	(569)	(664)	(7,318)	(3,946)	(12,497)
Depreciation for the year	(41)	(61)	(608)	(314)	(1,024)
Exchange realignment	2	(1)	19	7	27
Eliminated on disposals	2	18	579	175	774
At 31 December 2019	(606)	(708)	(7,328)	(4,078)	(12,720)
Depreciation for the year	(55)	(59)	(697)	(358)	(1,169)
Exchange realignment	(10)	(5)	(104)	(39)	(158)
Eliminated on disposals	6	9	33	263	311
At 31 December 2020	(665)	(763)	(8,096)	(4,212)	(13,736)
Carrying amount:					
At 31 December 2019	90	55	1,035	378	1,558
At 31 December 2020	55	68	797	583	1,503

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 11 RIGHT-OF-USE ASSETS

The Group leases office premises. The lease term ranges from 3 months to 5 years (2019 : 1.6 years to 5 years).

<b>Group</b>	<b>Office premises \$'000</b>
Cost:	
At 1 January 2019	8,691
Additions	10,772
Exchange realignment	(91)
At 31 December 2019	19,372
Additions	2,110
Exchange realignment	367
Eliminated on disposals	(143)
At 31 December 2020	21,706
Accumulated depreciation:	
At 1 January 2019	-
Depreciation for the year	(5,278)
Exchange realignment	50
At 31 December 2019	(5,228)
Depreciation for the year	(8,282)
Exchange realignment	(75)
Eliminated on disposals	81
At 31 December 2020	(13,504)
Carrying amount:	
At 31 December 2019	14,144
At 31 December 2020	8,202



# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 12 OTHER INTANGIBLE ASSETS

The amortisation expense has been included in the line item “facilities and depreciation expense” in profit or loss.

Group	Computer software \$'000	Customer relationship \$'000	Total \$'000
Cost:			
At 1 January 2019	1,679	1,362	3,041
Additions	244	-	244
At 31 December 2019	1,923	1,362	3,285
Additions	157	-	157
At 31 December 2020	2,080	1,362	3,442
Accumulated amortisation:			
At 1 January 2019	(1,441)	-	(1,441)
Amortisation for the year	(116)	(227)	(343)
At 31 December 2019	(1,557)	(227)	(1,784)
Amortisation for the year	(135)	(170)	(305)
At 31 December 2020	(1,692)	(397)	(2,089)
Carrying amount:			
At 31 December 2019	366	1,135	1,501
At 31 December 2020	388	965	1,353

## 13 GOODWILL

	Group \$'000
Cost representing carrying amount:	
At 1 January 2019, 31 December 2019 and 2020	5,185

Goodwill acquired in business combinations are allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combinations. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	Group	
	2020 \$'000	2019 \$'000
Professional recruitment - a single CGU in People's Republic of China	4,683	4,683
Others*	502	502
	5,185	5,185

\* Others comprise goodwill relating to CGUs which are individually not significant.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 13 GOODWILL (cont'd)

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs using the CGUs' WACC determined using Capital Asset Pricing Model. The growth rates are based on CGUs-specific growth forecasts.

The Group prepares and extrapolates cash flows forecasts for the following three years (2019 : four years) based on an estimated revenue growth rate of 10% (2019 : 10%) and extrapolates cash flows for the remaining years based on an estimated growth rate of 2% (2019 : 2%). This rate does not exceed the average long-term revenue growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the single CGU in People's Republic of China is 18.2% (2019 : 18.2%) per annum.

As at 31 December 2020, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

## 14 SUBSIDIARIES

	Company	
	2020	2019
	\$'000	\$'000
Unquoted equity shares, at cost	48,427	48,427

Details of the Company's significant subsidiaries at 31 December 2020 are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest and voting power held	
			2020	2019
			%	%
HRnet One Pte Ltd ("HRS") <sup>(1)</sup>	Singapore	Personnel recruitment and provision of human resources related services.	100	100
Recruit Express Pte Ltd ("RES") <sup>(1)</sup>	Singapore	Personnel recruitment and provision of human resources related services.	100	100

(1) Audited by Deloitte & Touche LLP, Singapore.

The following schedule shows the effects of changes in the Group's ownership interest in certain subsidiaries that did not result in change on control, on the equity attributable to owners of the Company:

	2020	2019
	\$'000	\$'000
Consideration paid for changes in ownership interest in subsidiaries	(1,479)	(182)
Non-controlling interests acquired	1,027	183
Difference recognised in equity reserves (Note 20)	(452)	1

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 14 SUBSIDIARIES (cont'd)

Information about the composition of the Group at the end of the financial year is as follows:

Principal activities	Place of incorporation and operation	Number of subsidiaries	
		2020	2019
Personnel recruitment and provision of human resource related services.	Singapore, Japan, South Korea, People's Republic of China, Indonesia	11	13
Employment, recruitment and personnel placement agency.	Singapore	4	4
Head office of enterprises operating abroad as employment, recruitment and personnel placement agency.	Singapore, Taiwan	4	4
Investment holding.	Singapore, Hong Kong	3	3
Outsourcing of HR related service and personnel recruitment.	People's Republic of China	1	-
Labour dispatch and personnel recruitment.	People's Republic of China	1	-
Management of human resource functions and human resource consultancy services.	Singapore	1	1
Executive search and personnel placement agency.	Hong Kong	2	2
Provision of recruitment agency services.	Hong Kong	3	3
Personnel recruitment agency.	Malaysia	4	3
Provision of permanent recruitment services.	Malaysia	-	1
Provision of temporary and contracted staffing services.	Malaysia	2	2
Investment holding and management consultancy.	Thailand	1	1
Executive and management recruitment.	Thailand	1	1
Private employees procurement agency business licence.	Indonesia	2	-
Dormant.	Singapore, Hong Kong, Taiwan, Malaysia, Australia	5	5
		45	43

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 15 DEFERRED TAX ASSETS (LIABILITIES)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2020	2019
	\$'000	\$'000
Deferred tax assets	1,314	808
Deferred tax liabilities	(323)	(349)
	991	459

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the financial year:

Group	Accelerated tax depreciation	Provisions and other temporary differences	Total
	\$'000	\$'000	\$'000
At 1 January 2019	(4)	543	539
Exchange realignment	(1)	(4)	(5)
Credit (Charge) to profit or loss for the year (Note 26)	7	(82)	(75)
At 31 December 2019	2	457	459
Exchange realignment	(1)	16	15
Charge to profit or loss for the year (Note 26)	30	487	517
At 31 December 2020	31	960	991

## 16 TRADE PAYABLES

The trade payables mainly consist of Goods & Services Tax, Sales & Services Tax, Value-Added Tax and Consumption Tax payable to respective local tax authorities.

## 17 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	38,680	35,547	111	83
Other payables	28,621	-	-	-
Advanced billings	4,409	617	-	-
Deposits from customers	1,751	1,158	-	-
Dividends payable	1,297	1,749	-	-
Deferred grant income	833	-	-	-
Other payables due from subsidiary	-	-	4,680	-
	75,591	39,071	4,791	83

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 18 LEASE LIABILITIES

	Group	
	2020	2019
	\$'000	\$'000
Maturity analysis:		
Year 1	6,068	7,843
Year 2	2,301	5,074
Year 3	287	1,554
Year 4	125	212
Year 5	-	120
	8,781	14,803
Less: Unearned interest	(245)	(539)
	8,536	14,264
Analysed as:		
Current	5,893	7,470
Non-current	2,643	6,794
	8,536	14,264

The Group does not face a significant liquidity risk with regard to its lease liabilities.

## 19 SHARE CAPITAL AND TREASURY SHARES

### Share capital

	Group and Company			
	Number of shares		Issued and paid up	
	2020	2019	2020	2019
	'000	'000	\$'000	\$'000
Issued and paid up:				
- At 1 January and 31 December	1,011,407	1,011,407	260,605	260,605

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

### Treasury shares

	Group and Company			
	Number of treasury shares		Amount	
	2020	2019	2020	2019
	'000	'000	\$'000	\$'000
At 1 January	4,334	5,587	3,631	4,903
Treasury shares purchased	7,147	572	3,146	331
Treasury shares reissued pursuant to 123GROW Plan (Note 21)	(2,746)	(1,787)	(1,624)	(1,569)
Treasury shares reissued in connection with Rimbun's deferred consideration	-	(38)	-	(34)
At 31 December	8,735	4,334	5,153	3,631

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 19 SHARE CAPITAL AND TREASURY SHARES (cont'd)

### Treasury shares (cont'd)

The Company acquired 7,147,000 (2019 : 572,000) of its issued shares through purchases on the SGX-ST during the financial year. The total amount paid to acquire the shares was \$3.1 million (2019 : \$0.3 million) and this was presented as a component within shareholders' equity. The Company reissued 2,746,000 (2019 : 1,787,000) treasury shares during the financial year pursuant to the 123GROW Plan (Note 21). The 123GROW Plan expired on 1 July 2020 (Note 21). The Company expects to use the treasury shares for future employee share plans or acquisitions.

## 20 EQUITY RESERVE

Equity reserves represent the following:

- (i) difference between purchase consideration and net assets transferred for business combination involving entities under common control; and
- (ii) difference between consideration for changes in ownership interest in subsidiaries and non-controlling interest acquired or disposed.

## 21 SHARE-BASED PAYMENT RESERVE

### 123GROW Plan

The Company has adopted a share plan known as the "123GROW Plan" which consists of three distinct components namely (a) Opp 1 Plan; (b) Opp 2 Plan; and (c) HRnet GROW Plan. Opp 1 Plan and Opp 2 Plan are one-off schemes which commence prior to the Company listing on SGX-ST while HRnet GROW Plan is the employee share incentive plan which commences after the listing. They have been approved by the shareholders of the Company on 24 May 2017.

### Opp 1 Plan and Opp 2 Plan

Opp 1 Plan is a scheme to utilise the accumulated Loyalty Fund Credits from the Loyalty Fund Scheme. The Loyalty Fund Scheme is a loyalty incentive scheme for employees set up by the Group from 2000 to 2015 which was essentially a cash bonus entitlement ("Loyalty Fund Credits") given to eligible employees. Employees who participated in this plan would have subscribed for Investment Shares (i.e. shares issued in consideration for cash pursuant to the Opp 1 Plan) that are satisfied in cash at the share price on the date of listing and Loyalty Shares (i.e. shares issued in consideration for Loyalty Fund Credits pursuant to the Opp 1 Plan) equivalent to the number of Investment Shares subscribed, satisfied by utilising the employee's Loyalty Fund Credits. In conjunction with this, the Company granted share awards ("Bonus Shares") equivalent to the number of Investment Shares. Bonus Shares are allotted and issued to them in 3 equal tranches over a period of 3 years.

There are vesting conditions to be met every year. The vesting conditions comprise being a productive heardcount ("PHC") which is to achieve gross profit of 3 times their payroll costs for sales employees and 80% of their key performance indicators for non-sales employees set for the relevant financial year and remaining in employment. The entitlement for the allotment and issue of the Bonus Shares in each year is not cumulative towards the following year if the condition is not met in that year.

Opp 2 Plan is a scheme catered for certain employees who were not entitled to participate in Opp 1 Plan. Eligible employees who participated in this plan would have subscribed for Investment Shares (i.e. shares issued in consideration for cash pursuant to the Opp 2 Plan) and Buy-in Shares (i.e. shares issued in consideration for cash pursuant to the Opp 2 Plan) equivalent to the number of Investment Shares subscribed, satisfied by cash. The Company then granted Bonus Shares equivalent in number to 50% of the aggregate of the Investment Shares and Buy-in Shares, and it will be allotted and issued to the employee in 3 equal tranches over a period of 3 years. The Bonus Shares under the Opp 2 Plan are subjected to the same vesting conditions as Bonus Shares under the Opp 1 Plan.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 21 SHARE-BASED PAYMENT RESERVE (cont'd)

### *Opp 1 Plan and Opp 2 Plan (cont'd)*

Details of the Bonus Shares under the Opp 1 Plan and Opp 2 Plan are as follows:

	Group and Company		Fair value at grant date (\$)
	2020 Number of share awards	2019 Number of share awards	
At 1 January	1,677,900	3,887,300	0.90
Vested during the year	(1,584,700)	(1,787,100)	
Forfeited during the year	(93,200)	(422,300)	
At 31 December	-	1,677,900	

The fair value at grant date is determined based on the share price on the date of listing.

### *HRnet GROW Plan*

On 1 July 2019, the GROW Shares were granted to eligible employees. GROW Shares were allotted and issued on 1 July 2020. The aggregate number of GROW Shares to be finally awarded to the participants were based on the achievement of certain predetermined performance targets as determined by the GROW committee or otherwise in accordance with the rules of the HRnet GROW Plan.

Awards comprising an aggregate of 944,900 GROW Shares were granted under the HRnet GROW Plan on 1 July 2019, of which 92,600 GROW Shares were forfeited in 2020 (2019: 94,400). Eligible employees who achieved certain predetermined performance targets were entitled to additional shares, termed as "multiplier shares".

Details of the GROW Shares under HRnet GROW Plan are as follows:

	Group and Company		Fair value at grant date (\$)
	2020 Number of share awards	2019 Number of share awards	
At 1 January	1,221,000	-	
Granted on 1 July 2019	-	944,900	0.71
Multiplier shares	33,200	370,500	
Vested during the year	(1,161,600)	-	
Forfeited during the year	(92,600)	(94,400)	
At 31 December	-	1,221,000	

The fair value at grant date is determined based on the share price on the date of the grant.

The Group and the Company recognised total expenses of \$640,000 (2019 : \$1,190,000) related to share-based payment transactions during the year. The 123GROW Plan expired on 1 July 2020.



# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 22 INVESTMENTS REVALUATION RESERVE

The investments revaluation reserve represents the cumulative losses arising on the revaluation of investments in equity instruments designated at FVTOCI.

Movement in investments revaluation reserves:

	Group and Company	
	2020	2019
	\$'000	\$'000
At 1 January	25,241	-
Fair value loss on investments in equity instruments designated at FVTOCI	17,422	25,241
At 31 December	42,663	25,241

## 23 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserve.

## 24 REVENUE

The Group derives its revenue from the transfer of services over time and at a point in time for flexible staffing and professional recruitment services respectively. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 31). A disaggregation of the Group's revenue for the year has been disclosed in Note 31.

## 25 OTHER INCOME

	Group	
	2020	2019
	\$'000	\$'000
Interest income	2,177	4,313
Dividend income	629	730
Gain on disposal of financial assets mandatorily measured at FVTPL	2,551	6,096
Net fair value (loss) gain on financial assets mandatorily measured at FVTPL	(1,113)	1,602
Government grants/subsidies and rebates	11,959	4,761
Negative variable lease payments	64	-
Others	1,559	184
	17,826	17,686

Government grants/subsidies and rebates include pandemic-related grants/subsidies and reliefs from the various governments of geographies that the Group operates in amounting \$6.4 million (2019 : \$Nil).

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 26 INCOME TAX EXPENSE

	Group	
	2020	2019
	\$'000	\$'000
Current tax	10,029	11,929
(Over) Under provision of current tax in prior year	(681)	59
Deferred tax	(517)	75
Withholding tax	415	533
	9,246	12,596

Domestic income tax is calculated at 17% (2019 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Group	
	2020	2019
	\$'000	\$'000
Profit before income tax	59,035	68,372
Income tax expense at statutory tax rate	10,036	11,623
Non-taxable items	(837)	(471)
Tax rate differentials between Singapore and foreign countries	617	1,064
(Over) Under provision of current tax in prior year	(681)	59
Effect of tax exemption and rebate	(354)	(357)
Withholding tax	415	533
Others	50	145
	9,246	12,596

## 27 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2020	2019
	\$'000	\$'000
Defined contribution plans <sup>(1)</sup>	42,095	39,806
Allowance for doubtful receivables	781	126
Depreciation of plant and equipment	1,169	1,024
Depreciation of right-of-use assets	8,282	5,278
Amortisation of intangible assets	305	343
Expenses relating to short-term leases	18	2,836
Audit fees:		
- auditors of the Company	321	335
- other auditors	31	25
Non-audit fees:		
- auditors of the Company	173	150
- other auditors	42	47
	42	47

<sup>(1)</sup> The defined contribution plans of contractor employees have been included in this disclosure.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 28 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the owners of the Company is based on the following data:

	Group	
	2020	2019
	\$'000	\$'000
Profit attributable to owners of the Company	46,865	51,604

	Group	
	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares used to compute basic earnings per share	1,003,124	1,006,605
Adjustment for potential dilutive ordinary shares	-	2,891
Weighted average number of ordinary shares used to compute diluted earnings per share	1,003,124	1,009,496
Basic earnings per share (cents)	4.67	5.13
Diluted earnings per share (cents)	4.67	5.11

## 29 DIVIDENDS

On 26 April 2019, in connection with the financial year ended 31 December 2018, the Company declared a final one-tier tax exempt ordinary dividend of approximately \$28.2 million (\$0.028 per share) which were paid on 15 May 2019 to its registered shareholders.

On 6 May 2020, in connection with the financial year ended 31 December 2019, the Company declared a final one-tier tax exempt ordinary dividend of approximately \$28.0 million (\$0.028 per share) which were paid on 22 May 2020 to its registered shareholders.

In respect of the current year, the directors propose that a final one-tier tax exempt ordinary dividend of \$0.025 per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$25.1 million.

## 30 CONTINGENT LIABILITIES

	Group	
	2020	2019
	\$'000	\$'000
Banker's guarantees	741	723
Other pledged deposits	247	280
	988	1,003

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 30 CONTINGENT LIABILITIES (cont'd)

The amount disclosed represents the aggregate amount of the contingent liabilities for the Group. The banker's guarantees and other pledged deposits are provided as security deposits and earmarked amounts in connection with application for various employment agency licences in Singapore, Malaysia and Taiwan, and various Singapore government service contracts. There are no indirect and contingent indebtedness with respect to third parties.

## 31 SEGMENT INFORMATION

For purposes of resource allocation and assessment of segment performance, the Group's chief operating decision makers have focused on the business operating units which in turn are segregated based on the type of services supplied. This forms the basis of identifying the segments of the Group under SFRS(I) 8 *Operating segments* as follows:

- (i) Professional recruitment.
- (ii) Flexible staffing.
- (iii) Others.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of other income, other employee benefit expenses, facilities and depreciation expenses, selling expenses, other expenses and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

Information regarding the operations of each reportable segment is included below.

### Business segment revenue, gross profit and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Revenue		Gross Profit	
	2020	2019	2020	2019
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Professional recruitment	72,595	95,926	72,403	95,591
Flexible staffing	357,552	324,165	55,350	48,267
Others	2,894	2,990	1,593	1,700
	<u>433,041</u>	<u>423,081</u>	<u>129,346</u>	<u>145,558</u>
			Results	
			2020	2019
			<b>\$'000</b>	<b>\$'000</b>
Other income			17,826	17,686
Other employee benefit expenses			(69,124)	(73,598)
Facilities and depreciation expenses			(11,917)	(12,102)
Selling expenses			(3,486)	(4,671)
Other expenses			(3,197)	(4,167)
Finance costs			(413)	(334)
Profit before income tax			<u>59,035</u>	<u>68,372</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales.

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 31 SEGMENT INFORMATION (cont'd)

### *Geographical segment revenue and gross profit*

	Revenue		Gross Profit	
	2020	2019	2020	2019
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Singapore	311,927	300,218	70,514	73,919
North Asia*	110,759	113,919	54,712	66,575
Rest of Asia#	10,355	8,944	4,120	5,064
	<u>433,041</u>	<u>423,081</u>	<u>129,346</u>	<u>145,558</u>

### *Geographical segment assets*

	2020	2019
<b>Group</b>	<b>\$'000</b>	<b>\$'000</b>
Singapore	356,068	319,101
North Asia*	88,622	93,374
Rest of Asia#	7,689	6,789
	<u>452,379</u>	<u>419,264</u>

\* North Asia comprises Hong Kong, Taiwan, People's Republic of China, Japan and South Korea.

# Rest of Asia comprises Malaysia, Thailand and Indonesia.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision makers monitor the tangible, intangible and financial assets attributable to each segment.

Liabilities are not allocated as they are not monitored by the chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

### *Information about major customers*

No single customer accounted for more than 10% of the Group's total revenue during the financial year. The top ten customers represents 22% (2019 : 20%) of the Group's total revenue.

## 32 BUSINESS COMBINATIONS

On 1 September 2018, the Group acquired 51% of the issued share capital of REForce (Shanghai) Human Resources Management Consulting Co., Ltd ("REForce"), an entity incorporated in the People's Republic of China with its principal activity being personnel recruitment and provision of human resource related services. The acquisition includes a deferred consideration arrangement that comprises two tranches that will be calculated based on 45% of the applicable Price-to-Earnings (PE) on the profits for the 12 months after the completion date for the first tranche and 45% of the applicable PE on the profits for the subsequent 12 months for the second tranche. The fair value of the deferred consideration on acquisition date was \$5.1 million, and the first tranche payment of \$2.1 million was paid in 2019.

In view of the difficult trading conditions in Q1 2020, the Group agreed to the proposal by vendors of REForce to change the profit basis period relating to the calculation of the final tranche of consideration from the period commencing 1 September 2019 through 31 August 2020 ("SPA basis") to the period commencing 1 April 2020 through 31 March 2021. The Group recognises an additional provision of \$0.9 million in the current year. The fair value of the deferred consideration at the end of the reporting period is \$3.9 million, to be settled in 2021. Further disclosure on the fair value of deferred consideration has been detailed in Note 4(b) (vii).

# Notes to the Financial Statements

For the financial year ended 31 December 2020

## 33 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements relevant to the Group and Company were issued but not effective.

### Effective for annual periods beginning on or after 1 January 2021

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*

### Effective for annual periods beginning on or after 1 January 2022

- Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to SFRS(I)s 2018-2020

### Effective for annual periods beginning on or after 1 January 2023

- Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*

### Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Management anticipates that the adoption of the above SFRS(I)s, SFRS(I) INTs and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

# Shareholding Statistics

As at 8 March 2021

Issued and Paid-Up Capital	:	S\$266,062,054.87
Number of shares issued (including Treasury Shares)	:	1,011,406,872
Number and Percentage of Treasury Shares	:	8,734,737 and 0.87% <sup>1</sup>
Number of shares issued (excluding Treasury Shares)	:	1,002,672,135
Number and Percentage of Subsidiary Holdings <sup>2</sup>	:	Nil
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

<sup>1</sup> Percentage is calculated based on 1,002,672,135 issued shares, excluding treasury shares.

<sup>2</sup> "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.13	8	0.00
100 - 1,000	301	12.90	254,300	0.03
1,001 - 10,000	1,148	49.21	5,865,800	0.58
10,001 - 1,000,000	863	36.99	44,832,471	4.47
1,000,001 AND ABOVE	18	0.77	951,719,556	94.92
<b>TOTAL</b>	<b>2,333</b>	<b>100.00</b>	<b>1,002,672,135</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	771,326,520	76.93
2	DBS NOMINEES (PRIVATE) LIMITED	55,206,214	5.51
3	CITIBANK NOMINEES SINGAPORE PTE LTD	50,712,781	5.06
4	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	16,643,600	1.66
5	UOB KAY HIAN PRIVATE LIMITED	13,493,369	1.35
6	VANDA 1 INVESTMENTS PTE LTD	12,809,572	1.28
7	PHILLIP SECURITIES PTE LTD	5,144,300	0.51
8	TAY YUH SHIUAN	4,407,700	0.44
9	IFAST FINANCIAL PTE. LTD.	4,186,400	0.42
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,931,600	0.29
11	HSBC (SINGAPORE) NOMINEES PTE LTD	2,804,100	0.28
12	OCBC SECURITIES PRIVATE LIMITED	2,657,500	0.27
13	SIM WEI WEN AVIEL	2,334,500	0.23
14	ABN AMRO CLEARING BANK N.V.	1,675,100	0.17
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,590,700	0.16
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,539,400	0.15
17	DB NOMINEES (SINGAPORE) PTE LTD	1,213,700	0.12
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,042,500	0.10
19	LEE LAI HENG BRIAN	732,100	0.07
20	HENG SIEW ENG	617,000	0.06
	<b>TOTAL</b>	<b>953,068,656</b>	<b>95.06</b>



# Shareholding Statistics

As at 8 March 2021

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 8 March 2021)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
SIMCO Ltd	753,226,000	75.122	-	-
SIMCO Global Ltd. <sup>(1)</sup>	-	-	753,226,000	75.122
Credit Suisse Trust Limited <sup>(1)</sup>	-	-	753,226,000	75.122
Sim Yong Siang <sup>(2)</sup>	-	-	753,226,000	75.122
Sim Joo Siang <sup>(2)</sup>	-	-	753,226,000	75.122
Sim Wei Ling, Adeline Mrs Tan Wei Ling, Adeline <sup>(2)</sup>	489,600	0.049	753,226,000	75.122
Sim Wei Wen, Aviel <sup>(2)</sup>	2,334,500	0.233	753,226,000	75.122
Sim Wei Rong Joshua <sup>(2)</sup>	-	-	753,226,000	75.122
Nelly Sim Nee Tan Kheng Eng <sup>(2)</sup>	-	-	753,226,000	75.122
Tan Eei Choo <sup>(2)</sup>	-	-	753,226,000	75.122

### Notes:

1. SIMCO Global Ltd has a deemed interest by virtue of Section 4(5) of the Securities and Futures Act (Cap. 289) arising from the listing of the shares of HRnetGroup Limited on 16 June 2017. Credit Suisse Trust Limited's deemed interest in HRnetGroup Limited, in its capacity as trustee of the SIMCO Trust, arises by virtue of it having a 100% indirect holding in SIMCO Global Ltd. (via Seletar Limited and Serangoon Limited as nominees), which has a 100% shareholding in SIMCO Ltd, which in turn has a direct and deemed interest in 753,226,000 shares of HRnetGroup Limited.

2. Sim Yong Siang ("Peter Sim"), Sim Joo Siang ("JS Sim"), Sim Wei Ling (Mrs Tan Wei Ling, Adeline) ("Adeline Sim"), Sim Wei Wen, Aviel ("Aviel Sim"), Sim Wei Rong Joshua ("Joshua Sim"), Nelly Sim Wee Tan Kheng Eng ("Nelly Sim") and Tan Eei Choo are deemed to have an interest in the shares of HRnetGroup Limited arising from the shares held by SIMCO Ltd in HRnetGroup Limited. The shares of SIMCO Ltd are wholly-owned by SIMCO Global Ltd. The shares of SIMCO Global Ltd are held as property of the SIMCO Trust.

SIMCO Trust is a revocable trust and was established by Peter Sim, Nelly Sim and JS Sim. Credit Suisse Trust Limited acts as trustee of the SIMCO Trust and indirectly holds all the shares in SIMCO Global Ltd. (via Seletar Limited and Serangoon Limited as nominees). The settlors of the SIMCO Trust are Peter Sim, Nelly Sim, and JS Sim. The settlors have collectively retained the power to instruct the trustee on matters relating to the investments of the assets of the SIMCO Trust, including the shares in SIMCO Ltd. Otherwise, the trustee has all other rights and powers in relation to the property comprised in the SIMCO Trust (which includes the SIMCO Trust fund) as the legal owner of such property, acting in its capacity as trustee of the SIMCO Trust, subject to any powers and restrictions contained in the SIMCO Trust Deed.

The beneficial owners of the assets comprised in the SIMCO Trust are the discretionary beneficiaries of the SIMCO Trust which comprise Peter Sim, Nelly Sim, JS Sim and Tan Eei Choo and their respective issue and remoter issue (which include the two minor children of Adeline Sim, the two minor children of Aviel Sim and the minor child of Joshua Sim.) Peter Sim and Nelly Sim are spouses. Peter Sim and JS Sim are siblings. Adeline Sim and Aviel Sim are the children of Peter Sim and Nelly Sim. Joshua Sim is the child of JS Sim and Tan Eei Choo.

3. Percentage is calculated based on 1,002,672,135 issued shares, excluding treasury shares.

## SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 23.2% of the issued ordinary shares of the Company is held in the hands of the public as at 8 March 2021 and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited is complied with.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM” or the “Meeting”) of HRnetGroup Limited (the “Company”) will be held by way of electronic means on Wednesday, 21 April 2021 at 10.00 a.m. (Singapore time) to transact the following businesses:

## AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors’ Report thereon. **Resolution 1**
2. To declare a final tax exempt (one-tier) dividend of 2.5 Singapore cents per ordinary share for the financial year ended 31 December 2020. **Resolution 2**
3. To approve the payment of Directors’ fees of S\$175,000 for the financial year ending 31 December 2021, payable half-yearly in arrears (2020: S\$175,000). **Resolution 3**
4. To re-elect Ms Sim Wei Ling, Adeline, who retires by rotation pursuant to Article 94 of the Company’s Constitution, as a Director of the Company. [See Explanatory Note (i)] **Resolution 4**
5. To re-elect Mr Tan Ngiap Siew, who retires by rotation pursuant to Article 94 of the Company’s Constitution, as a Director of the Company. [See Explanatory Note (ii)] **Resolution 5**
6. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

### 7. Authority to allot and issue shares and convertible securities

“That pursuant to Section 161 of the Companies Act, Cap. 50 (the “Act”) and Rule 806 of the Listing Manual Section B: Rules of Mainboard of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) (“Mainboard Rules”), authority be and is hereby given to the Directors of the Company to:

- (A)
  - (i) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise;
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,
  - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus, or capitalisation issues,
 

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (B) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

# Notice of Annual General Meeting

provided that:

- (a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a pro rata basis, then the aggregate number of Shares to be issued under such circumstances (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below); and
- (b) (subject to such manner of calculation and adjustments as may be prescribed by the Mainboard Rules) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:-
  - (i) new Shares arising from the conversion or exercise of convertible securities;
  - (ii) (where applicable) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of Shares,

and, in sub-paragraph (a) above and this sub-paragraph (b), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (d) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.” [See *Explanatory Note (iii)*]

**Resolution 7**

## 8. Proposed Renewal of the Share Purchase Mandate

THAT approval and authority be and is hereby given to the Directors of the Company:-

- (a) For the purposes of the Companies Act, Chapter 50 of Singapore (the “**Act**”), the exercise by the Directors all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limited (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
  - (i) on-market purchases (each a “**Market Purchase**”) on the SGX-ST; and/or
  - (ii) off-market purchases (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

## Notice of Annual General Meeting

and otherwise in accordance with all other provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
  - (ii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked; or
  - (iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate is carried out to the full extent mandated.

- (c) in this Resolution:

**"Prescribed Limit"** means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time and subsidiary holdings (as defined in the Listing Manual of the SGX-ST));

**"Relevant Period"** means the period commencing from the date on which the Annual General Meeting is held and the resolution relating to the Share Purchase Mandate is passed and expiring on the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier; and

**"Maximum Price"** in relation to a share to be purchased, means an amount (excluding related brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of Market Purchase: 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price or Highest Last Dealt Price,

where:

**"Average Closing Price"** means the average of the last dealt prices of a share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the Listing Manual for any corporate action that occurs during the relevant five-day period and the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and

**"day of the making of the offer"** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

# Notice of Annual General Meeting

- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See *Explanatory Note (iv)*] **Resolution 8**

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

## BY ORDER OF THE BOARD

**Sim Yong Siang**  
Founding Chairman

Singapore, 6 April 2021

### Explanatory Notes:

- (i) Ordinary Resolution 4, Ms Sim Wei Ling, Adeline will, upon re-election as a Director of the Company, remain as an Executive and Non-Independent Director. Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, detailed information on Ms Sim Wei Ling, Adeline can be found under the “Board of Directors” and “Corporate Governance Report” sections of the Company’s Annual Report.
- (ii) Ordinary Resolution 5, Mr Tan Ngiap Siew will, upon re-election as a Director of the Company, remain as an Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He is considered to be independent pursuant to Rule 704(8) of the Listing Manual of SGX-ST. There are no relationships including immediate family relations between Mr Tan Ngiap Siew and the other Directors or its 10% shareholders. Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, detailed information on Mr Tan Ngiap Siew can be found under the “Board of Directors” and “Corporate Governance Report” sections of the Company’s Annual Report.
- (iii) Ordinary Resolution 7, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting, to issue further Shares and to make or grant convertible securities convertible into Shares, and to issue Shares in pursuance of such instruments, up to an amount not exceeding in aggregate 50 per cent of the total number of issued Shares excluding treasury shares and subsidiary holdings of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 per cent of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company. As at 8 March 2021 (the “**Latest Practicable Date**”), the Company has 8,734,737 treasury shares and no subsidiary holdings.
- (iv) Ordinary Resolution 8, if passed, will renew the Share Purchase Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms of the Share Purchase Mandate as set out in the Letter to Shareholders dated 6 April 2021 (the “**Letter**”).

The Company may use internal resources and/or external borrowings to finance purchases or acquisitions of its Shares pursuant to the Share Purchase Mandate. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and disregarding the Shares held in treasury, the purchase or acquisition by the Company of up to the maximum limit of 10% of its issued Shares will result in the purchase or acquisition of 100,267,213 Shares.

# Notice of Annual General Meeting

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 100,267,213 Shares at the Maximum Price of S\$0.61 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,267,213 Shares is approximately S\$61,163,000.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 100,267,213 Shares at the Maximum Price of S\$0.70 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the Main Board of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 100,267,213 Shares is approximately S\$70,187,049.

The rationale for the authority and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 are set out in greater detail in the Letter enclosed together with the Annual Report.

## Notes relating to measures to minimise the risk of COVID-19:

### General

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the AGM is being convened, and will be held, by way of electronic means as part of the Company's efforts to minimise physical interactions and COVID-19 transmission risk.
2. Printed copies of this Notice will not be sent to shareholders. Instead, this Notice will be sent to members by electronic means via publication on the Company's corporate website at <http://investor.hrnetgroup.com/>. This Notice will also be made available on the SGXNet website at <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements are put in place to allow shareholders to participate in the AGM proceedings by:
  - (a) watching and/or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Paragraph 4 below;
  - (b) submitting questions ahead of the AGM. Please refer to Paragraphs 11 and 12 below for further details; and
  - (c) voting by proxy at the AGM. Please refer to Paragraphs 7 to 10 below for further details.

### Participate in the AGM via live webcast

4. As the AGM will be held by way of electronic means, shareholders will not be able to attend the AGM in person. All shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to participate in the AGM proceedings through a live webcast via their mobile phones, tablets or computers, or listen to these proceedings through a live audio feed via telephone ("**Live Webcast**"). To do so, the shareholders are required to pre-register their participation at the AGM ("**Pre-registration**") website at the URL <http://bit.ly/HRnetGroupAGM2021> by **no later than 10.00 a.m. on 18 April 2021 ("**Registration Deadline**")** for verification of their status as shareholders (or the corporate representatives of such shareholders).
5. Upon successful verification, authenticated shareholder or its corporate representative will receive an email **by 10.00 a.m. on 20 April 2021**. The email will contain a link to access the webcast of the AGM proceedings, together with the relevant log in details and instructions, as well as instructions on how to listen to the live audio feed. Shareholders or their corporate representatives must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM proceedings. Shareholders (or corporate representatives) who do not receive an email **by 10.00 a.m. on 20 April 2021**, but have pre-registered in accordance with Paragraph 4 above may contact the Share Registrar for assistance via email at [RSVP@boardroomlimited.com](mailto:RSVP@boardroomlimited.com) or alternatively call +65-6536 5355 during office hours on 20 April 2021.
6. Investors holding shares through relevant intermediaries (as defined in Section 181 of the Companies Act) who are not CPF or SRS investors, who wish to participate in the "live" broadcast of the AGM, should approach their relevant intermediary as soon as possible in order to make the necessary arrangements, as they will not be able to pre-register online for the "live" broadcast of the AGM. The relevant intermediary is required to submit a consolidated list of participants (setting out in respect of each participant, his/her name, email address and NRIC/ passport number) to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., via email to [RSVP@boardroomlimited.com](mailto:RSVP@boardroomlimited.com), **no later than 10.00 a.m. on 18 April 2021**.

# Notice of Annual General Meeting

## **Voting by proxy**

7. Shareholders may only exercise their voting rights at the AGM via proxy voting (see paragraphs 8 and 9 below).
8. Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint “Chairman of the Meeting” as their proxy to do so on their behalf. In appointing the Chairman of the AGM as proxy, shareholders must give specific instructions as to voting, or abstention from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
9. The duly executed proxy form must be submitted in the following manner:
  - (i) if submitted by post, be deposited at the office of the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
  - (ii) if submitted electronically, be submitted via email to the Company’s Share Registrar at [RSVP@boardroomlimited.com](mailto:RSVP@boardroomlimited.com),
 in either case, **not less than 72 hours** before the time appointed for the holding of the AGM of the Company i.e. **by 10:00 a.m. on 18 April 2021**.

**In view of the current Covid-19 situation, shareholders are strongly encouraged to submit completed proxy forms electronically via email.**

10. Shareholders who hold their shares through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) (including SRS investors and holders under depository agents) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective SRS approved banks or depository agents) to submit their voting instructions **by 5.00 p.m. on 12 April 2021**, being 7 working days before the date of AGM.

## **Submission of questions prior to AGM**

11. Shareholders may submit questions related to the resolutions to be tabled at the AGM via the pre-registration website at the URL <http://bit.ly/HRnetGroupAGM2021> or by post to the Company’s Share Registrar, **by 5.00 p.m. on 15 April 2021**, so that they may be addressed prior to the AGM through publication on SGXNET, or at the AGM. Shareholders will not be allowed to ask questions during the live webcast of the AGM.

Mailing address: Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623

Attention to: HRnetGroup Limited AGM

12. The Company will publish the minutes of the AGM on SGXNet and the Company’s website within one month after the date of AGM.

## **Personal Data Privacy:**

By (a) submitting an instrument appointing the “Chairman of the Meeting” as proxy to a vote at the AGM and/or any adjournment thereof, or (b) submitting any question prior to the AGM in accordance with the Notice, or (b) submitting the pre-registration form in accordance with Paragraph 4 above, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the “Chairman of the Meeting” as proxy for the AGM (including any adjournment thereof);
- (ii) processing of the pre-registration emails for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live webcast of the AGM proceedings and providing viewers with any technical assistance where necessary;
- (iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines.



# HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201625854G)

## ANNUAL GENERAL MEETING PROXY FORM

### IMPORTANT:

1. The Annual General Meeting ("AGM" or "Meeting") is being convened by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Order 2020.  
Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 6 April 2021 which has been uploaded together with this proxy form on SGXNet at the following URL <https://www.sgx.com/securities/company-announcements> and the Company's website at the following URL: <http://investor.hrnetgroup.com/> on the same day.
2. A member will not be able to attend the AGM in person. Please see Note 3 below for further details.
3. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the person data privacy terms set out in the Notice of AGM dated 6 April 2021.
4. This Proxy Form is not valid for the use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors should approach their relevant intermediary as soon as possible to specify voting instructions. CPF/SRS investors should approach their respective CPF Agent Banks or SRS Operators at least seven working days before the AGM to ensure their votes are submitted.
5. Please read the notes overleaf which contain instructions on, inter alia, the appointment of Chairman of the AGM as a member's proxy to vote his/her/its behalf at the AGM.

I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Co. Reg. No.)

of \_\_\_\_\_ (Address)

being a member/members of **HRNETGROUP LIMITED** (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our\* proxy, to attend and vote for me/us\* on my/our\* behalf at the Annual General Meeting ("**AGM**" or the "**Meeting**") of the Company to be held by electronic means via "live" audio-video or "live" audio-only feed ("**Live Webcast/Live Audio Feed**") on Wednesday, **21 April 2021 at 10.00 a.m.** (Singapore time) and at any adjournment thereof.

(Voting will be conducted by poll. If you wish to appoint the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "✓" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate a "✓" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. **In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.**)

No.	Resolutions relating to:	For**	Against**	Abstain**
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020 together with the Auditors' Report			
2	Declaration of a final tax exempt (one-tier) dividend of 2.5 Singapore cents per ordinary share			
3	Approval of Directors' fees of S\$175,000 for the financial year ending 31 December 2021, payable half yearly in arrears			
4	Re-election of Ms Sim Wei Ling, Adeline as Director			
5	Re-election of Mr Tan Ngiap Siew as Director			
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors and authority to fix their remuneration			
7	Authority to allot and issue shares and convertible securities			
8	Proposed Renewal of the Share Purchase Mandate			

### NOTE

\* Delete accordingly

\*\* If you wish to abstain or exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2021

Total No. of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s)/  
or Common Seal of Corporate Member

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM**



#### Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Company has the option to hold a virtual meeting, even where the Company is permitted under safe distancing measures to hold a physical meeting. Due to current COVID-19 situation and the Company's efforts to minimise physical interactions and COVID-19 transmission risk to a minimum, the AGM will be held by way of electronic means and members will NOT be allowed to attend the AGM in person.
3. A member will not be able to vote through the Live Webcast/Live Audio Feed. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. The Chairman of the Meeting, as a proxy, need not be a member of the Company.
5. This Proxy Form must be submitted to the Company in the following manner:-
  - (a) If submitted by post, be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623; or
  - (b) If submitted electronically, be submitted via email to the Company's Share Registrar at [RSVP@boardroomlimited.com](mailto:RSVP@boardroomlimited.com) ,in either case, no later than **10.00 a.m. on 18 April 2021, and failing which, this Proxy Form will not be treated as valid.**
6. A member who wishes to submit an instrument of proxy must first **download, complete and sign the proxy form**, before submitting it by depositing at the address provided above, or scanning and sending it by email to the email address provided above.
7. **In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.**
8. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing. The dispensation of the use of the common seal pursuant to Section 41A, 41B and 41C of the Companies Act, Chapter 50 of Singapore effective from 31 March 2017 is applicable at this AGM.

Where this Proxy Form is submitted by email, it must be authorised in the following manner:-

- (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
- (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing this Proxy Form under hand and submitting a scanned copy of the signed Proxy Form by email.

Where this Proxy Form is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.

#### General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting as proxy). In addition, in the case of members whose shares are entered against their names in the depository register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such members are not shown to have shares entered against their names in the depository register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:** By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2021.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr Peter Sim  
Founding Chairman

Mr JS Sim  
Executive Director and  
CEO of Recruit Express Group of Companies

Ms Adeline Sim  
Executive Director and Chief Legal Officer

Mr Sin Boon Ann  
Lead Independent Non-Executive Director

Ms Mae Heng  
Independent Non-Executive Director

Mr NS Tan  
Independent Non-Executive Director

## AUDIT COMMITTEE

Ms Mae Heng (Chairman)  
Mr Sin Boon Ann  
Mr NS Tan

## NOMINATING COMMITTEE

Mr Sin Boon Ann (Chairman)  
Ms Mae Heng  
Mr NS Tan  
Mr Peter Sim

## REMUNERATION COMMITTEE

Mr NS Tan (Chairman)  
Mr Sin Boon Ann  
Ms Mae Heng

## REGISTERED OFFICE

391A Orchard Road  
Ngee Ann City Tower A #23-06  
Singapore 238873  
Tel: +65 6730 7860  
Email: [ir@hrnetgroup.com](mailto:ir@hrnetgroup.com)  
Website: [www.hrnetgroup.com](http://www.hrnetgroup.com)

## COMPANY SECRETARY

Ms Shirley Lim Guat Hua

## SHARE REGISTRAR

**Boardroom Corporate & Advisory Services Pte Ltd**  
50 Raffles Place Singapore Land Tower #32-01  
Singapore 048623

## AUDITOR

**Deloitte and Touche LLP**  
6 Shenton Way OUE Downtown 2 #33-00  
Singapore 068809  
Partner-in-charge: Ms Tay Hwee Ling  
(Appointed on 12 August 2020)

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