



HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

ACQUISITION OF SHARES IN SUBSIDIARIES PURSUANT TO THE 88GLOW PLAN

1. INTRODUCTION

The Board of Directors of HRnetGroup Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that HRnet One Pte Ltd (“**HRnet One**”), a wholly-owned subsidiary of the Company, had on 5 June 2021 entered into share purchase agreements (the “**Share Purchase Agreements**”) with Lorencz Tay Yuh Shiuan (the “**Relevant Co-Owner**”), pursuant to which the Relevant Co-Owner had agreed to sell, and HRnet One had agreed to purchase, the following:

- (a) 13,333 ordinary shares (the “**PSTPL Sale Shares**”) of PeopleSearch (Taiwan) Pte. Ltd. (“**PSTPL**”), a subsidiary of the Company, representing approximately 2.67% of the issued ordinary shares of PSTPL; and
- (b) 10,500 Preference A shares (the “**PSS Sale Shares**”) of PeopleSearch Pte. Ltd. (“**PSS**”), a subsidiary of the Company, representing approximately 1.50% of the total number of issued shares of PSS,

(collectively, the “**Acquisition**”) for a total consideration of S\$672,866.

Pursuant to the terms of the Share Purchase Agreements, the Relevant Co-Owner has agreed to take steps reasonably required to enable HRnet One to be registered in the electronic register of members of PSTPL and PSS (maintained with the Accounting and Corporate Regulatory Authority of Singapore) as the holder of the PSTPL Sale Shares and the PSS Sale Shares as soon as practicable following the date of the Share Purchase Agreements. The Relevant Co-Owner has agreed to sell and HRnet One has agreed to purchase the PSTPL Sale Shares and the PSS Sale Shares free from all encumbrances and together with all rights, dividends and advantages attaching thereto with effect from 1 January 2021.

2. INFORMATION ON THE ACQUISITION

2.1 Information on the Relevant Co-Owner

The Relevant Co-Owner is an Executive Officer of the Company, and a Group Business Leader and Managing Director of the PeopleSearch group of companies. Apart from being a co-owner of PSTPL and PSS, he is also a co-owner with minority equity or economic stakeholding in certain other subsidiaries of the Company, namely, PeopleSearch (Shanghai) Limited, PeopleSearch K.K., PeopleSearch Limited and YP! Solutions Pte. Ltd.

2.2 Information on PSTPL and PSS

PSTPL is a subsidiary of the Company, which principal activities comprise activities of employment recruitment and personnel placement at its branch in Taiwan. Prior to the acquisition of the PSTPL Sale Shares, the Company held an interest of approximately 72.0% of the issued ordinary shares of PSTPL. Following the completion of the acquisition of the PSTPL Sale Shares, the Company's interest in the issued ordinary shares of PSTPL would increase to approximately 74.67% of the issued ordinary shares of PSTPL.

PSS is a subsidiary of the Company, which principal activities comprise the provision of executive search services and human resource consultancy services. Prior to the acquisition of the PSS Sale Shares, the Company held an interest of approximately 89.5% of the total number of issued shares of PSS¹ (comprising 100.0% of the issued ordinary shares of PSS and approximately 12.5% of the issued Preference A shares of PSS). Following the completion of the acquisition of the PSS Sale Shares, the Company's interest in PSS would increase to approximately 91.0% of the total number of issued shares of PSS¹ (comprising 100.0% of the issued ordinary shares of PSS and approximately 25.0% of the issued Preference A shares of PSS).

2.3 Rationale for the Acquisition

As stated in the prospectus dated 8 June 2017 issued by the Company in connection with the Company's initial public offering and listing on the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Company has implemented the 88GLOW Plan (the "88GLOW Plan") whereby selected employees ("88GLOW Co-Owners") were given the opportunity to continue to own shares or interests in certain operating subsidiaries or branches, together with an opportunity to swap their stakes in the operating subsidiaries or branches for Shares based on the relative valuations of the operating subsidiaries or branches at the relevant time of the swap. The terms of the 88GLOW Plan provide that the Group shall have a right of first refusal over the minority interest held by the 88GLOW Co-Owners who may at their discretion offer such minority interest to the Group at cumulative blocks.

Pursuant to the 88GLOW Plan, the Relevant Co-Owner had offered the Group the right of first refusal over, and the Group had exercised the right to acquire, the PSTPL Sale Shares and the PSS Sale Shares.

2.4 Consideration for the Acquisition

Pursuant to the terms of the 88GLOW Plan, the consideration was determined on the basis of a mutually agreed price earnings ratio based on, among other things, the operating profits and historical growth in operating profits of the relevant subsidiary, and was determined by an independent professional valuer. The valuation was capped at the prevailing PER of the

1 The issued shares of PSS comprise ordinary shares, Preference A shares and Preference B shares. All of the Preference B shares are held by the Relevant Co-Owner.

Company based on the 90-day volume-weighted average price of the Shares at the relevant time. The consideration may be satisfied either through the issue of Shares and/or in cash. In the event that Shares are issued, the price of the Shares will be based on the higher of (a) the 90-day volume-weighted average price of Shares (“**VWAP**”) at the relevant time, and (b) any minimum price at which Shares can be issued in accordance with the rules of the Listing Manual of the SGX-ST (the “**Listing Manual**”) in reliance on the prevailing general share issue mandate in force at the relevant time and without requiring further specific approval of the Company’s shareholders.

Pursuant to the terms of the Share Purchase Agreements, the consideration for the Acquisition shall be satisfied through the transfer of an aggregate of 1,101,253 ordinary shares of the Company (“**Shares**”) which are held in treasury, based on a Share swap price of S\$0.611 per Share. The Share swap price represents the higher of (i) the 90-day VWAP prior to the date of notice of the right of first refusal in respect of the given by the Relevant Co-Owner, and (ii) a discount of approximately 9.87% to S\$0.6779, being the weighted average price for trades done on the SGX-ST on 4 June 2021 which is the preceding market day up to the time the Share Purchase Agreements were signed.

Pursuant to the terms of the Share Purchase Agreements, HRnet One shall procure the Company to make an application to the SGX-ST for the listing of and quotation for the treasury Shares to be transferred to the Relevant Co-Owner.

2.5 Value of the PSTPL Sale Shares and the PSS Sale Shares

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 (the “**FY2020 Results**”), the aggregate book value and net tangible asset value of the PSTPL Sale Shares and the PSS Sale Shares is approximately S\$0.6 million.

Based on the FY2020 Results, the aggregate profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests attributable to the PSTPL Sale Shares and the PSS Sale Shares is approximately S\$0.1 million.

3. FINANCIAL EFFECTS

Purely for illustrative purposes only, based on the FY2020 Results:

- (a) assuming that the Acquisition had been completed on 31 December 2020, the consolidated net tangible asset value per Share would have increased from approximately S\$0.3243 to approximately S\$0.3245; and
- (b) assuming that the Acquisition had been completed on 1 January 2020, the consolidated earnings per Share would have increased from approximately S\$0.0467 to approximately S\$0.0468.

4. CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Acquisition computed on the relevant bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(b)	Net profit attributable to the PSTPL Sale Shares and the PSS Sale Shares compared with the Group's net profit ⁽¹⁾	0.18
(c)	The aggregate value of the consideration ⁽²⁾ given compared with the market capitalisation ⁽³⁾ of the Company	0.11
(d)	The number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities previously in issue	0.11

Notes:

(1) Net profit is defined as profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. Based on the FY2020 Results, the net profit attributable to the PSTPL Sale Shares and the PSS Sale Shares is approximately S\$0.1 million while the Group's net profit is approximately S\$59.0 million.

(2) Where the consideration is in the form of shares, the value of the consideration shall be determined by reference either to the market value of such shares or the net asset value represented by such shares, whichever is higher.

On the basis of the foregoing, the value of the 1,101,253 Shares in treasury to be transferred to the Relevant Co-Owner is deemed, for the purposes of Chapter 10 of the Listing Manual, to be approximately S\$0.7 million, calculated based on the higher of the following values:

(a) the market value of each Share of approximately S\$0.6779, based on the weighted average price for trades done on the SGX-ST on 4 June 2021 which is the preceding market day up to the time the Share Purchase Agreements were signed; and

(b) the net asset value represented by each Share of approximately S\$0.33, based on the FY2020 Results.

(3) The market capitalisation of the Company of approximately S\$679.7 million is calculated on the basis of 1,002,672,135 Shares in issue (excluding 8,734,737 treasury Shares) as at 4 June 2021 multiplied by the weighted average price for trades done on the SGX-ST on 4 June 2021 which is the preceding market day up to the time the Share Purchase Agreements were signed.

5. FURTHER INFORMATION

5.1 Directors' and Controlling Shareholders' Interests

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Acquisition.

5.2 Directors' Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Acquisition.

5.3 Documents available for Inspection

Copies of the Share Purchase Agreements are available for inspection during normal business hours at the registered office of the Company at 391A Orchard Road, Ngee Ann City Tower A #23-06, Singapore 238873 for a period of three months commencing from the date of this announcement.

BY ORDER OF THE BOARD

Sim Yong Siang
Founding Chairman
7 June 2021