



HRNETGROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201625854G)

RESPONSE TO QUESTIONS ON HRNETGROUP LIMITED'S
2021 RESULTS ANNOUNCEMENT & ANNUAL REPORT

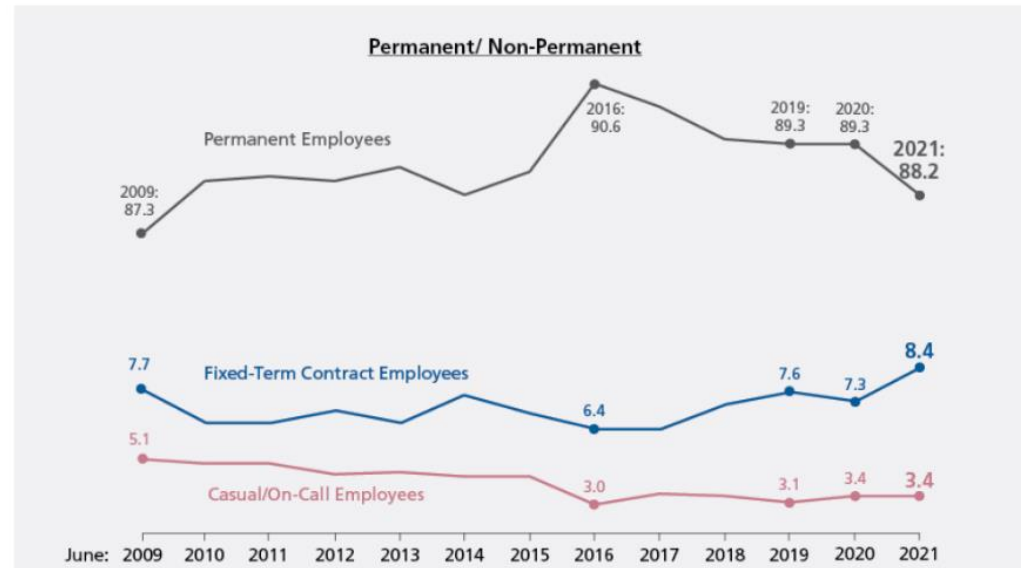
The Board of Directors (the "Board") of HRnetGroup Limited (the "Company", together with its subsidiaries, the "Group") refers to the questions raised by Shareholders and The Share Investor on the Group's FY2021 Results Announcement and Annual Report, and wishes to respond to the questions as follows:

QUESTION REFERENCE	QUESTIONS FROM SHAREHOLDERS	HRNETGROUP'S RESPONSE
1	Management recently signed a long term contract with the ministry of education for flexible staffing. What is the typical contract duration for HRnet flexible staffing contracts?	The contract duration for our flexible staffing business typically ranges from 3 months to a year, subject to renewal upon maturity.
2	With healthy cash flow, will the company consider paying interim dividend yearly?	The company intends to continue its practice of paying out 50% of net profits, after adjusting for one-offs and other exceptional items, via interim/special/final dividend payouts.
3	The wave of 'Great resignation' around the globe, is it real? Does it have any impact on the company's financial results going forward?	It's very real and has a positive impact on our financial results as it causes an increase in both the demand for our services, as well as salary levels.

Question Reference	Questions from The Share Investor	HRnetGroup's response
4	How does HRnetGroup stand out among other recruitment agencies like Kelly Services, ManpowerGroup, and Randstad?	<p>HRnetGroup</p> <ul style="list-style-type: none"> Operates in Asia. Our people are co-owners, with skin in the game. We have a culture of entrepreneurship, very fast and nimble. Has a lean operating model, where 81% of our people are fee earners. Not a typical corporate with heavy overheads and bureaucracy. No secretaries, no drivers, no receptionists. No red tape. Is focused on value creation, profit generation. Remuneration is pegged to profits instead of solely on sales.
5	HRnetGroup recorded a strong set of results in FY2021. Could you share with us the factors that lead to this record performance?	<ul style="list-style-type: none"> Growth of the flexible staffing (FS) market. GP for FS increased by 41.5% from S\$55.4m to S\$78.3m. Average monthly contractor headcount increased by 34%, while GP/average contractor increased by 4%. Given how fluid the external environment has been, many more companies are appreciating the functionality of our FS product and the number of clients we serve has increased from 3,732 to 4,012. On the other end of the equation, jobseekers are also far more receptive to contract employment as choice and flexibility are greatly prized. Recovery of the Professional Recruitment (PR) segment. The permanent placement market had been suppressed in the early stages of the pandemic when uncertainty was at its worst. In 2021, faced also with turnover due to the Great Resignation, companies started hiring for permanent roles, though we believe there is more to come. In 2021, GP for PR increased by S\$21.7m to S\$94.1m, up 30%. Volume increased by 11% while GP/Placement increased 17%, due largely to the sharp increase in salary levels.
6	One interesting phenomenon that we saw in FY2021 would be the payment of a special dividend. Could you share more on the rationale of this special dividend? Moving forward, will the	We achieved record high results in 2021 after a challenging 2020 and wanted to celebrate that with our shareholders. We fully intend to maintain a progressive track record of dividend payout and will definitely consider ramping up dividend in accordance with performance.

	company also consider paying out interim dividend, on top of the usual final dividend?	
7	We also noticed that HRnetGroup adopted a dividend policy of paying out at least 50% of net profit after tax as dividends. Is there any chance that the management will increase this percentage in the long term?	We adopt a dividend practice which is guided by at least 50% NPAT, after adjustment for one-offs and other exceptional items. We have declared more than 50% before: 53.7% for 2018 and we are proposing to declare 57% for 2021 in the coming AGM on 28 Apr 2022.
8	HRnetGroup saw a significant increase in its accounts receivable in FY2021. While we understand the increase is in line with business growth, but allowance for doubtful receivables saw a decline in the same period. Could you share with us the rationale behind this?	Our allowance for doubtful receivables is based on specific provisions i.e. actual doubtful debts of specific clients which occur, rather than a general provision. It therefore does not have a direct correlation with the volume of accounts receivable.
9	Given the ongoing labor crunch situation and latest relaxation of measures in Singapore, what are the spillover effects on both the flexible staffing and professional recruitment segment?	We believe the evolving environment is positive for both business segments. FS will continue its upward trend as organizations turn to a contingent workforce to be able to respond quickly to changes in the market. See The contingent workforce in Asia Pacific: 2022 trends and insights HR must know (humanresourcesonline.net) . The past 2 years' demand for FS skewed towards coping with needs arising from Covid-19 related situations including healthcare, social distancing, vaccination, online food & deliveries; and digitalization (IT & technology). This year, we are seeing retail and consumer sectors, manufacturing and logistics also jumping on the bandwagon.

Chart 6 Incidence of resident employees by type of employment
Per Cent



(Source: [mrsd-labour-force-in-singapore-advance-release-2021.pdf \(mom.gov.sg\)](https://www.mom.gov.sg/mrds-labour-force-in-singapore-advance-release-2021.pdf))

PR will continue to do well as business opportunities pick up pace alongside higher salaries in 2022.

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With majority of HRnetGroup's revenue derived from Singapore, what is the growth opportunity remaining here in Singapore?

Our Singapore businesses have been reporting good numbers and growth! There are still many areas we can dig deeper into, particularly large contracts with government agencies and corporate clients who take comfort in our strong balance sheet and robust platform and processes.

11	<p>Are there any substantial impact on HRnetGroup's operation in China, given the recent surge in COVID-19 cases and several high-profile companies cutting their workforce significantly?</p>	<p>We are fortunate that our Chinese business units have not had to issue profit warnings. This may be because they have been able to quickly pivot to emerging growth areas e.g. semi-con, automotive, food ingredients etc., and have also adjusted their client mix to partner the companies who continue to hire.</p> <p>In relation to the current COVID-19 situation, our Shanghai office recently released a report https://mp.weixin.qq.com/s/Ovr2zOFuTNLPsnByh0ywXA to show that 76% of companies fully intend to press on with their hiring plans despite the lockdown. As we enter the third year of living with the pandemic, many companies have adapted to having employees work from home when needed.</p>
12	<p>Shifting gears to Staffline, what is the latest development within this UK recruitment agency? How will this ongoing strategic investment benefit HRnetGroup in the long term?</p>	<p>According to Staffline-Annual-Report-2021 (1).pdf, Staffline reported after-tax profit of GBP 1.2m, V-turning after the last 3 years of losses. It is certainly helpful to have 2 qualified accountants serving as CEO and CFO to steer it through its financial challenges. Staffline is a strategic investment which we believe will pay off in the future.</p>
13	<p>With the substantial amount of cash in HRnetGroup's balance sheet, will the company undertake any potential M&A activities in the near term or perhaps return excess cash to shareholders through a capital reduction?</p>	<p>We continue to work on M&A opportunities.</p> <p>We do believe however, in having a strong war chest as we do want to take advantage of opportunities in the market e.g. like when we had to deploy an additional S\$40m within the first few months of 2021 due to the rapidly growing staffing business, and have seen for ourselves in the Staffline situation the disadvantages of relying on external funding.</p>
14	<p>How do you see the recruitment industry evolving in the future, given existing competition within the</p>	<p>LinkedIn is almost 20 years old, so it is really not a new phenomenon. Neither are job portals. Corporates come to us because they want an expert in their specific area to identify the best hire</p>

space and the rise of online platforms such as LinkedIn? In addition, could you provide an update on HRnetGroup's latest digital initiatives?

for them. Hiring managers really have no desire to spend hours interviewing and assessing. To them, it is a pure waste of time. They want our recruiters to identify the best one or two options for them, quickly plug them in and get to work!

Internally however, we have ramped up our use of digital tools and processes to enhance our work product. We have transitioned to soft phones so that clients can reach us no matter where we may be working, we have standardized our reporting formats across our business units so that there is a seamless experience working with us across the region.

For our FS business, we have brought the entire employment relationship onto mobile. Our Ease app is on the App Store and the Google Playstore, there is a mobile-optimized web version, and also a Wechat mini-app. Using Ease, contractors can selfie check-in into work, data which is cross-verified using GPS coordinates, and perform many other employment related transactions e.g. leave applications, overtime requests, claims for reimbursements, downloading of pay-slips etc. Clients can similarly approve all such transactions on the go.

We are also constantly working to augment our products by plugging into the wider ecosystem. So in our key market Singapore, our candidates are able to provide verified data via myinfo for their job applications, and easily access TraceTogether within Ease. In Malaysia, access would be to MySejahtera.

15 What is the biggest challenge the company is facing in the management's opinion?

International political uncertainties and the pandemic etc. causing volatility in the global market. We have to keep adapting to the changes and riding the waves.

16 HRnetGroup's low trading liquidity has always been a talking point within the investment community. What measures will the management take to resolve this concern?

In recent times we have been consciously providing greater operational insights to our stakeholders e.g. the MOE contract win, key personnel movements etc., and have stepped up our dialogues with research and broking houses in Singapore and internationally.

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Finally, what is HRnetGroup's view on its upcoming FY2022 Performance? Any significant development that HRnetGroup's shareholders can anticipate in FY2022?

2022 is looking to be a good year once again. Shareholders can look forward to benefiting from a rise in salaries, along with an active labor market.

By Order of the Board

Adeline Sim
Executive Director & Chief Corporate Officer
22 April 2022