



HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

RESPONSES TO SGX-ST'S QUERIES ON FY2022 RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of HRnetGroup Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 March 2023 in respect of the Company's unaudited financial statements for the year ended 31 December 2022 (the "**Financial Statements**") and wishes to respond to the queries as follows:

SGX-ST's query (1)

As at 31 December 2022, the Group recorded S\$8,197,000 and S\$76,693,000 under the "Trade payables" and "Other payables and accruals" financial statement line items respectively.

On page 12, it is further noted that the Company disclosed a breakdown of 'Other payables and accruals', which showed 'Accrued operating expenses' amounting to S\$56,289,000 and 'Other trade accruals and payables' amounting to S\$11,607,000, as at 31 December 2022. In this regard:

- a) Please provide the reason(s) for the significant trade payables, and other payables and accruals, when the Group recorded cash and cash equivalents of S\$284,567,000 as at 31 December 2022.
- b) With regard to the "Other trade accruals and payables" of S\$11,607,000, please disclose the nature of the other trade accruals and payables. Please provide, the aging of these other trade accruals and payables. Please also address whether the counterparties are related parties.
- c) Please provide a breakdown of the "Accrued operating expenses" amounting to S\$56,289,000 as at 31 December 2022.

Company's response

- a) Trade payables, and other payables and accruals were amounts payable as at 31 December 2022. They are settled when due for payment or when the obligations are discharged, cancelled or they expired.
- b) Other trade accruals and payables were monies set aside in year 2020 and 2021 for contingencies to respond to trade related situations during the pandemic. The counterparties are not related parties.
- c) Accrued operating expenses consisted of S\$50.3m employees' payroll, incentives and bonuses and mandatory contributions; S\$1.5m provision for other employee benefits; and S\$4.5m other payables and accruals in the normal course of business.

SGX-ST's query (2)

On page 15, it was also disclosed that:

“Other payables and accruals reduced by S\$30.4m mainly due to the reversal of trade-related accruals, non-recurrence of special dividend declared in 2021 and paid in 2022, lower provision of incentives and bonuses, movement in client deposits and unearned revenue.”

Could you explain as to why there was a “reversal of trade-related accruals” in FY2022 and also disclose the amount involved, and the percentage it represents out of the S\$30.4m figure? Could you also address what “unearned revenue” specifically relates to and the amount involved? Is “unearned revenue” different from “advanced billings” and “deposits from customers”?

Company's response

The reversal was made from the “Other trade related accruals” explained in the response to query 1(b) above, after considering historical data and qualitative reasonable forward-looking information to estimate the amount that was no longer needed. The amount was S\$14.8m which was 48.7% out of S\$30.4m figure.

Unearned revenue is synonymous with advanced billings, and both refer to invoices issued to customers but services not yet rendered as of the financial year end. The amount of unearned revenue was S\$4.8m.

Deposits from customers refers to cash received from customers to be utilised for specific payments or to offset against receivables.

By Order of the Board

Sim Yong Siang
Founding Chairman

24 March 2023