



HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

RESPONSE TO SIAS' QUESTIONS ON HRNETGROUP LIMITED'S 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 the Securities Investors Association (Singapore) ("**SIAS**") in respect of the Group's Annual Report for the year ended 31 December 2022 (the "**Annual Report**") and wishes to respond to the queries as follows:

QUESTION 1

Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- i) **Flexible staffing (FS):** The gross profit margin decreased from 15.9% to 14.4%, primarily due to a reduction in higher margin COVID-related business. Additionally, lower margin projects in Taiwan and Indonesia contributed to the decline. **What factors determine the margin for FS, and are there significant differences in the gross profit margin among the different countries in which the group operates?**
- ii) **Professional recruitment:** The IT & Tech sector became the top contributing sector in 2022. In recent months, the industry has experienced significant layoffs, particularly by major technology firms. **How does management view this development, and what steps is the group taking to capitalise on the opportunity presented by the changing landscape? How is the group positioned to address the demand for talent in the field of artificial intelligence?**
- iii) **Credit Linked Notes (CLN):** The group invested \$8.1 million in CLN issued by a bank with good credit rating with effective yield of 4.18%. **Was a thorough risk assessment conducted, and did the board approve the investment in the CLN?**
- iv) **Staffline and Bamboos: Can the company provide an update to shareholders regarding its plans for Staffline and Bamboos?**

Company's Response

- i) The FS gross profit margins are determined by market forces surrounding the industry that our client is in, the level of positions, the volume of work and commercial negotiation. There are significant differences in gross profit margin among various geographies that we operate in.
- ii) We view the labor market as being constantly in flux and job market is always cyclical. Whilst certain major technology firms have announced layoffs, there is still demand in the other sectors involved in the global digitalization movement. The Group has teams of recruiters in various geographies that are in the IT & Tech specialization and is well positioned to address the demand for talents in the digital space, including roles that involve artificial intelligence.
- iii) The CLN issued by DBS has an investment grade credit rating, reasonable yield and was assessed to be of low risk. The investment falls within the day-to-day treasury management and within its delegation of authority powers, which the board has approved.

- iv) The Group is currently a strategic long term investor in Staffline and Bamboos, however as with all investments these objectives are subject to regular review in the light of any new circumstances, opportunities or changes in the market that may impact shareholders' interests.

QUESTION 2

On 1 October 2022, the company appointed Mr Albert George Hector Ellis as an independent director. Mr Albert Ellis has been the chief executive officer of Staffline Group Plc since October 2020.

The company holds 25.07 million ordinary shares of Staffline Group Plc, making it the second largest shareholder with a 15.3% stake, behind Henry Spain Investment Services which has a 17.6% stake.

- i) **Can the nominating committee (NC) provide shareholders with additional information regarding its review of the independence of Mr. Albert Ellis? What factors did the NC consider with respect to Mr. Ellis's position as the CEO of Staffline Group Plc, in which the company holds a 15.3% stake?**
- ii) **Does the NC believe that the relationship is not likely to interfere, or be perceived to interfere, with the director's ability to exercise independent business judgement in the best interests of the company?**

Company's Response

- i) The NC considered Mr. Albert Ellis's (Albert) deep and extensive experience of circa 30 years in the international recruitment industry including 23 years of experience as a director on listed company boards to be a valuable addition in support of the Group's progression towards establishing an international board with relevant industry skills and expertise for its next phase of growth and development.

The NC conducted the review of the independence of Albert and was satisfied that the appointment was in compliance with the SGX Code of Corporate Governance 2018, and after obtaining confirmation that:

- a. Albert or any of his immediate family members did not have significant shareholdings in Staffline Group Plc (Staffline);
 - b. There had been no transactions between the Group and Staffline; and
 - c. There were no relationships with Albert that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interest of the Company.
- ii) The NC believes that the relationship is not likely to interfere, or be perceived to interfere, with the director's ability to exercise independent business judgement in the best interests of the company. It is a condition in Albert's appointment that he will recuse himself from participation and receipt of information which may involve a potential direct or indirect conflict of interest between the Company and any other duties or interests which he has.

QUESTION 3

The attendance of directors at board and board committee meetings is shown on page 81 of the annual report and reproduced 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
Mae Heng	2	3	1	1	1
Gao Yong (Appointed on 1 January 2022)	2	2*	1*	-	1
Pong Chen Yih (Appointed on 1 July 2022)	1	1	-	-	-
Hiroshi Sato (Appointed on 1 July 2022)	1	1	-	-	-
Albert Ellis (Appointed on 1 October 2022)	-	-	-	-	-
Sin Boon Ann (Retired at the AGM held on 28 April 2022)	1	1	1	1	1
NS Tan (Resigned on 2 May 2022)	1	1	1	1	1

* Attended by Invitation

(Source: company annual report)

- i) **Can the board help shareholders better understand if it is the usual practice for non-board committee members (especially the executive directors) to attend board committee meetings?**
- ii) Such board committee meetings would have included agenda items on interested party transactions, performance assessment and remuneration of the executive directors and on the audit/financial reporting/internal controls of the group. **What is the dynamic of the board committee meetings when the board committee members may be reviewing and discussing matters that are related to or affect the executive directors?**
- iii) **Specifically, would the board committee meetings become "regular" board meetings, potentially undermining the purpose of having independent board committees?**
- iv) **Are the board committees given the opportunity and the autonomy to make decisions objectively and independently?**

Company's Response

- i) It is the usual practice for relevant non-board committee members, including executive directors to be invited to attend board committee meetings.
- ii) Each of the committees is chaired by an independent director who takes the lead in the relevant agenda items to review and deliberate on issues with input from relevant attendees. The executive directors will only provide relevant information and recuse from participating in the discussion and decision-making process relating to matters that are related to or affect themselves.
- iii) The board committee meetings would not become "regular" board meetings to potentially undermine the purpose of having independent board committees.
- iv) Board committees are given the opportunity and the autonomy to make decisions objectively and independently. The Independent Non-Executive Directors on the Board, led by the Lead Independent Director or other Independent Directors as appropriate, communicate among themselves without the presence of the Management as and when the need arises.

By Order of the Board

Adeline Sim
Executive Director & Chief Corporate Officer

21 April 2023