

# **HRnetGroup Limited**

Condensed Financial Statements

For the six months and full year ended 31 December 2023

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## A. Performance Summary and Outlook

### Review of the Group's performance

#### FY2023 Financial Results

#### Earnings Outperformed Analysts' Expectations

The Board of HRnetGroup is delighted to report full year earnings (PATMI) which exceeded market expectations by 10.4% of S\$63.6m (2022: S\$67.5m). Accordingly, as a result of the accompanying strong trading cash generation, a final dividend of 2.13 cents per share, representing a 57.5% payout from the 2H2023 NPAT is proposed for shareholders' approval at the coming AGM in April 2024 and for payout to shareholders in May 2024.

The resilient results were underpinned by an industry leading EBITDA/GP conversion rate which rose to 57.2% (2022: 53.4%) and a firm profit margin of 11.4% (2022: 11.8%) despite revenue slightly lower by 5.4% to S\$578.5m (2022: S\$611.8m) in the face of challenging economic conditions and sector wide profit downgrades.

#### Business Mix

The Group's 2 key business segments namely, Flexible Staffing (**FS**) and Professional Recruitment (**PR**) saw the change of business mix resulting in the blended GP margin shifting from 28.5% to 24.0%.

**1. FS** is the more resilient service of providing corporate clients with contract or temporary manpower solutions from talent sourcing, selection, onboarding to payroll funding and employer responsibilities. After accounting for the direct cost of contractors' salaries and social insurance benefits, FS generated a Gross Profit Margin (**GPM**) of 13.7% (2022: 14.4%). The uncertain economic climate saw continued shifts towards FS and the revenue proportion rose to 88.0% (2022: 83.4%), while the GP proportion rose to 50.3% (2022: 42.1%). It is the Group's strategy to capitalise on its strong cash position to pursue a recurring revenue stream.

**2. PR** is the higher margin cash generating service of placing permanent talents for employment by corporate clients. Our service fees are typically a percentage of the successfully placed candidate's first year remuneration, the GPM being 99.8% (2022: 99.6%). The revenue and GP proportions dropped to 11.3% (2022: 15.9%) and 47.0% (2022: 55.5%) respectively as hiring freezes and cautious sentiments prevailed across the Asian cities that we operated in.

Typically, whilst permanent placements are highly attractive from a profit and cash flow perspective, visibility is limited. On the contrary, contract and temporary manpower solutions provide resilience, visibility and annuity revenues but also tend to absorb working capital and have a lower margin.

#### Business Dynamics

GP, a common denominator between FS and PR, declined on a blended basis by 20.2%:

1. GP for FS dipped by 4.7% with a 6.8% drop in average number of contractors (**FS Volume**) to 16,141 (2022: 17,310) partially offset by a 2.2% increase in average GP per placement (**Pricing**). 2022 benefited from one-off Covid-related FS volume that dissipated in April 2023 but predominantly made good by contractor requirements in non-Covid-related spaces.

2. In contrast, the GP for PR fell 32.4% with 19.1% decline in placement volume (**PR Volume**) to 5,774 (2022: 7,138) and 16.4% decline in Pricing. Pricing in the more resilient junior placement market was less impacted than the mid to senior placements. After the Great Resignation wave that saw salary expectations rocketed to double-digit increases in 2022, material corporate retrenchments initiated in early 2023 sparked off the Great Regret or the Big Stay. As such, salary expectations in 2023 became more moderate.

#### Geographical Segmentation

Revenue trends across the 9 geographies comprising 17 cities were patchy, with Hong Kong S.A.R., Jakarta and Taipei registering FS growth that was offset by reduced demand elsewhere. Overall GP reduction of S\$(35.2m) was mainly in Singapore and Greater China. Singapore as our largest market contributing 66.7% (2022: 64.9%) to our Group revenue, had narrowly escaped a technical recession with a GDP growth rate of 1.2%; and both our PR and FS businesses were impacted. Our business in Mainland China consisted in PR business, bore the brunt of the weak economic performance.

**Other income** increased by S\$8.1m to S\$28.1m (2022: S\$20.0m) which comprised mainly:

- Reversal of trade-related accruals totalling S\$9.3m (2022: S\$14.8m);
- Government grants and subsidies totalling S\$9.2m (2022: S\$7.0m);
- Interest Income S\$6.9m (2022: S\$2.7m);
- Net fair value and disposal on financial assets mandatorily measured at FVTPL stood at a net gain of S\$1.4m (2022: S\$(6.6m)); and
- Dividend income S\$0.8m (2022: S\$0.9m).

**Management's tight grip on the overhead cost base resulted in selling, general, administrative and other expenses** quickly falling by 17.1% to S\$89.0m (2022: S\$107.4m) mainly due to a reduction in employee benefit expenses by payroll costs reductions. Lower profit-sharing incentive payouts followed the trend of lower GP and the model of co-ownership model also meant management exposure to the downside risk was shared with shareholders. New ways of working ensured facilities and depreciation costs reduced by reducing and shifting to co-working spaces for those office leases that expired during the year. Foreign exchange losses in 2023 was reduced as 2022 already bore the brunt of the JPY depreciation against SGD.

## Review of the Group's Financial Position

The Group's cash position reduced by S\$(13.0m) to S\$271.6m mainly due to:

- S\$57.6m generated from operating activities mainly comprising S\$77.3m operating cash flows before movements in working capital, increased by S\$5.2m reduction in trade receivables, S\$6.9m increase in interest received; offset by S\$(19.2m) reduction in other payables and accruals and S\$(13.0m) payment of income tax;
- S\$(17.7m) used in investing activities mainly comprising S\$(14.1m)<sup>1</sup> net investment in CLN and T-Bills<sup>2</sup>, S\$(2.2m) purchase of plant and equipment and intangible assets and S\$(2.0m) investment in other assets being gold certificates; and
- S\$(51.4m) used in financing activities mainly comprising S\$(38.9m) dividends paid, S\$(6.5m) repayment of lease liabilities and S\$(5.4m) share buyback.

Trade receivables reduced by S\$(5.3m) to S\$94.5m due to continued strong management of working capital and a slight reduction of revenue by 5.4% compared to last year.

Other financial assets (non-current) decreased by S\$(4.8m) mainly due to the upward fair value revaluation of bonds offset by downward market price movements of our investments in Staffline and Bamboos. The impact of revaluation of Staffline and Bamboos is similarly reflected in the change in investments revaluation reserve.

Other payables and accruals reduced by S\$19.2m mainly due to the lower provision for payroll and employee benefits and reversal of trade-related accruals.

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<sup>1</sup> Classified as Other financial assets

<sup>2</sup> Credit Linked Notes (CLN) are DBS issued notes with Monetary Authority of Singapore (MAS) bill as credit underlying, while T-bills are short-term Singapore Government Securities (SGS) issued by MAS

**A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months**

In the global competitive space, PR continues to face headwinds even though a soft landing is expected in the worst-case scenario. Cost and headcount reduction is a common phenomenon in the recruitment industry.

Our 3 largest markets are Singapore, Taiwan and Mainland China. Singapore is expected to continue to face external headwinds from weak growth in major economies, and GDP is expected to be between 1-3%. Taiwan is seeing mixed data, with certain projections of positive 2024 economic outlook with a steady GDP forecast of 3.5%, with domestic consumption demand appearing resilient and the tech focus likely to provide a strong base for our business. The recovery in Mainland China would very much depend on the government's efforts in stimulating the economy and resolving the embattled real estate situation. We expect South-East Asia to place a strong degree of reliance on Mainland China's recovery.

Our strategy to pivot towards growth sectors or pockets of opportunities within relevant sectors remains our focus. Whilst evergreen sectors like healthcare & life science and IT and technology will continue to be strong for our business, semiconductor is expected to gain traction across the region as various economies looking to diversify supply chain risk and ramp up efforts to advance and ride on the wave of artificial intelligence technologies. We are investing in AllwaysHRnet, a JV in Shanghai that is in the recruitment business within the semiconductor sector in China. AllwaysHRnet is operated by 4 co-owners who are engineers by training, and is one of our many building blocks to ride on the wave that is to come.

We will continue to capitalise on our balance sheet which is one of the strongest in the market relative to the market capitalisation, to fund the growth of FS, as well as championing other businesses with annual recurring revenue which we already have springboards such as our payroll services YesPay!, our workforce management solutions at Octomate and our newest app-based Octomate Staffing. We will also be leveraging our cash position to take market share from financially weaker competitors and pursue investments and partners in HR-related outsourcing.

Beyond moving to co-working space offices in 2023, we embarked on an office space optimisation move with our very own hotdesking concept at our Singapore corporate office adopting a large interactive format to step up face-to-face engagements between our colleagues and candidates and clients. Riding on the benefits of maximising space utilisation efficiencies while reducing costs, we have scheduled similar implementations at our workplaces in Kuala Lumpur, Hong Kong S.A.R. and Shanghai.

## B. Condensed consolidated statement of profit or loss and other comprehensive income

	Note	Group					
		Six months ended 31 December			Year ended 31 December		
		2023	2022	Change	2023	2022	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%	
<b>Revenue</b>	3	283,713	297,617	(4.7)	578,469	611,775	(5.4)
Sub-contractor expenses		(216,244)	(215,363)	0.4	(439,503)	(437,621)	0.4
<b>Gross profit ("GP")</b>	3	67,469	82,254	(18.0)	138,966	174,154	(20.2)
Other income		18,432	11,048	66.8	28,089	19,982	40.6
Selling, general, administrative and other expenses ("SG&A"):							
Other employee benefit expenses		(34,417)	(42,343)	(18.7)	(71,076)	(87,867)	(19.1)
Facilities and depreciation expenses		(5,299)	(5,600)	(5.4)	(10,836)	(11,499)	(5.8)
Selling expenses		(1,577)	(1,453)	8.5	(3,064)	(2,757)	11.1
Other expenses		(1,657)	(2,676)	(38.1)	(3,610)	(4,835)	(25.3)
Finance costs		(256)	(200)	28.0	(454)	(418)	8.6
		(43,206)	(52,272)	(17.3)	(89,040)	(107,376)	(17.1)
<b>Profit before income tax</b>	4	42,695	41,030	4.1	78,015	86,760	(10.1)
Income tax expense	5	(6,260)	(6,282)	(0.4)	(11,956)	(14,300)	(16.4)
<b>Profit for the year ("NPAT")</b>		36,435	34,748	4.9	66,059	72,460	(8.8)
<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		(1,586)	(4,008)	(60.4)	(5,309)	(10,920)	(51.4)
<i>Items that may be reclassified subsequently to profit or loss</i>							
Exchange differences on translation of foreign operations		(744)	(3,142)	(76.3)	(1,899)	(5,122)	(62.9)
<b>Other comprehensive loss for the year, net of tax</b>		(2,330)	(7,150)	(67.4)	(7,208)	(16,042)	(55.1)
<b>Total comprehensive income for the year</b>		34,105	27,598	23.6	58,851	56,418	4.3
<b>Profit attributable to:</b>							
Owners of the Company ("PATMI")		35,280	32,938	7.1	63,563	67,535	(5.9)
Non-controlling interests		1,155	1,810	(36.2)	2,496	4,925	(49.3)
		36,435	34,748	4.9	66,059	72,460	(8.8)
<b>Total comprehensive income attributable to:</b>							
Owners of the Company		33,137	26,468	25.2	56,735	52,534	8.0
Non-controlling interests		968	1,130	(14.3)	2,116	3,884	(45.5)
		34,105	27,598	23.6	58,851	56,418	4.3
Basic earnings per share (cents)		3.58	3.30		6.44	6.75	
Diluted earnings per share (cents)		3.58	3.30		6.44	6.75	

## C. Condensed statements of financial position

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2023	2022	2023	2022
		S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents		271,586	284,567	33,325	11,050
Trade receivables		94,490	99,830	-	-
Other receivables and prepayments		6,858	7,035	81,307	91,126
Other assets		3,328	1,093	3,328	1,093
Other financial assets	10	61,785	46,584	50,983	46,584
<b>Total current assets</b>		<b>438,047</b>	<b>439,109</b>	<b>168,943</b>	<b>149,853</b>
<b>Non-current assets</b>					
Pledged deposits		1,210	1,031	-	-
Plant and equipment	8	2,105	1,532	-	-
Right-of-use assets		10,130	9,630	-	-
Other intangible assets		1,746	1,340	-	-
Goodwill		5,862	5,862	-	-
Subsidiaries		-	-	48,428	48,427
Other financial assets	10	19,242	24,036	17,641	22,435
Deferred tax assets		1,600	1,446	-	-
<b>Total non-current assets</b>		<b>41,895</b>	<b>44,877</b>	<b>66,069</b>	<b>70,862</b>
<b>Total assets</b>		<b>479,942</b>	<b>483,986</b>	<b>235,012</b>	<b>220,715</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables		8,788	8,197	-	-
Other payables and accruals	11	57,542	76,693	23,881	198
Leases liabilities		5,301	5,466	-	-
Income tax payable		9,650	10,657	199	84
<b>Total current liabilities</b>		<b>81,281</b>	<b>101,013</b>	<b>24,080</b>	<b>282</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		477	356	-	-
Leases liabilities		5,243	4,394	-	-
<b>Total non-current liabilities</b>		<b>5,720</b>	<b>4,750</b>	<b>-</b>	<b>-</b>
<b>Capital, reserves and non-controlling interests</b>					
Share capital	9	260,605	260,605	260,605	260,605
Treasury shares	9	(19,709)	(14,494)	(19,709)	(14,494)
Equity reserve		(47,193)	(47,369)	(437)	(437)
Investments revaluation reserve		(51,660)	(46,351)	(51,660)	(46,351)
Translation reserve		(4,172)	(2,653)	-	-
Retained earnings		238,743	212,081	22,133	21,110
Equity attributable to owners of the Company		376,614	361,819	210,932	220,433
Non-controlling interests		16,327	16,404	-	-
<b>Total equity</b>		<b>392,941</b>	<b>378,223</b>	<b>210,932</b>	<b>220,433</b>
<b>Total liabilities and equity</b>		<b>479,942</b>	<b>483,986</b>	<b>235,012</b>	<b>220,715</b>

## D. Condensed statements of changes in equity

<u>Group</u>	<u>Note</u>	Share capital	Treasury shares	Equity reserve	Investments revaluation reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	Total equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2023</b>										
Balance as at 1 January 2023		260,605	(14,494)	(47,369)	(46,351)	(2,653)	212,081	361,819	16,404	378,223
<i>Total comprehensive (loss) income for the year</i>										
Profit for the year		-	-	-	-	-	63,563	63,563	2,496	66,059
Other comprehensive loss for the year		-	-	-	(5,309)	(1,519)	-	(6,828)	(380)	(7,208)
Total		-	-	-	(5,309)	(1,519)	63,563	56,735	2,116	58,851
<i>Transactions with owners, recognised directly in equity</i>										
Dividends	6	-	-	-	-	-	(36,910)	(36,910)	(1,578)	(38,488)
Repurchase of shares		-	(5,432)	-	-	-	-	(5,432)	-	(5,432)
Treasury shares reissued pursuant to share-based payment expenses	9	-	217	-	-	-	9	226	-	226
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	393	393
Change in ownership interests in subsidiaries		-	-	176	-	-	-	176	(1,008)	(832)
Total		-	(5,215)	176	-	-	(36,901)	(41,940)	(2,193)	(44,133)
Balance as at 31 December 2023		260,605	(19,709)	(47,193)	(51,660)	(4,172)	238,743	376,614	16,327	392,941

## D. Condensed statements of changes in equity (cont'd)

<u>Group</u>	<u>Note</u>	Share capital S\$'000	Treasury shares S\$'000	Equity reserve S\$'000	Investments revaluation reserve S\$'000	Translation reserve S\$'000	Retained earnings S\$'000	Equity attributable to owners of the Company S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
<b>2022</b>										
Balance as at 1 January 2022		260,605	(4,503)	(47,838)	(35,431)	1,428	195,983	370,244	17,612	387,856
<i>Total comprehensive (loss) income for the year</i>										
Profit for the year		-	-	-	-	-	67,535	67,535	4,925	72,460
Other comprehensive loss for the year		-	-	-	(10,920)	(4,081)	-	(15,001)	(1,041)	(16,042)
Total		-	-	-	(10,920)	(4,081)	67,535	52,534	3,884	56,418
<i>Transactions with owners, recognised directly in equity</i>										
Dividends	6	-	-	-	-	-	(51,441)	(51,441)	(3,355)	(54,796)
Repurchase of shares		-	(10,085)	-	-	-	-	(10,085)	-	(10,085)
Non-controlling interests arising from acquisition and incorporation of subsidiaries		-	-	-	-	-	-	-	451	451
Treasury shares reissued pursuant to share-based payment expenses	9	-	67	-	-	-	4	71	-	71
Treasury shares reissued in connection with Octomate's consideration	9	-	27	(1)	-	-	-	26	-	26
Change in ownership interests in subsidiaries		-	-	470	-	-	-	470	(2,188)	(1,718)
Total		-	(9,991)	469	-	-	(51,437)	(60,959)	(5,092)	(66,051)
Balance as at 31 December 2022		260,605	(14,494)	(47,369)	(46,351)	(2,653)	212,081	361,819	16,404	378,223

## D. Condensed statements of changes in equity (cont'd)

<u>Company</u>	<u>Note</u>	Share capital S\$'000	Treasury shares S\$'000	Equity reserve S\$'000	Investments revaluation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<b>2023</b>							
Balance as at 1 Jan 2023		260,605	(14,494)	(437)	(46,351)	21,110	220,433
<i>Total comprehensive (loss) income for the year</i>							
Profit for the year		-	-	-	-	37,925	37,925
Other comprehensive loss for the year		-	-	-	(5,309)	-	(5,309)
Total		-	-	-	(5,309)	37,925	32,616
<i>Transactions with owners, recognised directly in equity</i>							
Dividends		-	-	-	-	(36,911)	(36,911)
Repurchase of treasury shares	6	-	(5,432)	-	-	-	(5,432)
Treasury shares reissued pursuant to share-based payment expenses	9	-	217	-	-	9	226
Total		-	(5,215)	-	-	(36,902)	(42,117)
Balance as at 31 Dec 2023		260,605	(19,709)	(437)	(51,660)	22,133	210,932

## D. Condensed statements of changes in equity (cont'd)

<u>Company</u>	<u>Note</u>	Share capital S\$'000	Treasury shares S\$'000	Equity reserve S\$'000	Investments revaluation reserve S\$'000	Retained earnings S\$'000	Total equity S\$'000
<u>2022</u>							
Balance as at 1 Jan 2022		260,605	(4,503)	(437)	(35,431)	34,698	254,932
<i>Total comprehensive (loss) income for the year</i>							
Profit for the year		-	-	-	-	37,849	37,849
Other comprehensive loss for the year		-	-	-	(10,920)	-	(10,920)
Total		-	-	-	(10,920)	37,849	26,929
<i>Transactions with owners, recognised directly in equity</i>							
Dividends						(51,441)	(51,441)
Repurchase of treasury shares	6	-	(10,085)	-	-	-	(10,085)
Treasury shares reissued pursuant to share-based payment expenses	9	-	67	-	-	4	71
Treasury shares reissued in connection with Octomate's consideration	9	-	27	-	-	-	27
Total		-	(9,991)	-	-	(51,437)	(61,428)
Balance as at 31 Dec 2022		260,605	(14,494)	(437)	(46,351)	21,110	220,433

## E. Condensed consolidated statement of cash flows

	Note	Group	
		2023 S\$'000	2022 S\$'000
<b>Operating activities</b>			
Profit before income tax		78,015	86,760
Adjustments for:			
Depreciation of plant and equipment		760	989
Depreciation of right-of-use assets		6,732	7,243
Amortisation of intangible assets		425	348
Gain on lease modification		(25)	(9)
Interest income		(6,899)	(2,719)
Finance costs		454	418
Dividend income		(843)	(941)
Share-based payment expenses		226	71
Gain on disposal of plant and equipment		(1)	(16)
Gain on disposal of investments		-	(865)
Net fair value (gain) loss on financial assets mandatorily measured at FVTPL		(1,419)	6,565
Net fair value gain on other assets		(235)	(13)
Allowance (write-back) for doubtful receivables		106	(71)
Operating cash flows before movements in working capital		77,296	97,760
Trade receivables		5,220	14,467
Other receivables and prepayments		168	(323)
Trade payables		596	(1,278)
Other payables and accruals		(19,159)	(20,711)
Cash generated from operations		64,121	89,915
Interest received		6,932	1,477
Interest paid		(454)	(418)
Income tax paid		(13,006)	(15,735)
Net cash from operating activities		57,593	75,239
<b>Investing activities</b>			
Dividends received		829	907
Purchase of plant and equipment and intangible assets		(2,196)	(1,536)
Proceeds from disposal of plant and equipment		2	18
Purchase of financial assets mandatorily measured at FVTPL		(41,104)	(23,990)
Proceeds from disposal of financial assets mandatorily measured at FVTPL		32,802	14,648
Purchase of financial assets designated at amortised cost		(51,923)	(17,859)
Disposal of financial assets designated at amortised cost		45,929	-
Purchase of other assets		(1,999)	(1,081)
Consideration paid on acquisition of subsidiaries		-	(635)
Net cash used in investing activities		(17,660)	(29,528)
<b>Financing activities</b>			
Dividends paid to non-controlling shareholders		(1,970)	(3,339)
Dividends paid	6	(36,911)	(61,478)
Net (placement) withdrawal of pledged deposits		(155)	56
Purchase of treasury shares	9	(5,431)	(10,085)
Capital contributions by non-controlling shareholders in subsidiaries		393	450
Change in ownership interests in subsidiaries		(819)	(1,667)
Repayment of lease liabilities		(6,486)	(7,172)
Net cash used in financing activities		(51,379)	(83,235)
Net decrease in cash and cash equivalents		(11,446)	(37,524)
Cash and cash equivalents at beginning of the year		284,567	327,078
Effect of foreign exchange rate changes		(1,535)	(4,987)
<b>Cash and cash equivalents at end of the year</b>		<b>271,586</b>	<b>284,567</b>

## **F. Notes to the condensed consolidated financial statements for the year ended 31 December 2023**

### **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, #23-03 Ngee Ann City Tower A, Singapore 238873. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). These condensed consolidated financial statements as at and for the year ended 31 December comprise the Company and its subsidiaries (collectively, the "Group").

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

The principal activities of the Group are providing services on:

- (a) Flexible Staffing; and
- (b) Professional Recruitment.

### **2. Basis of preparation**

The condensed financial statements have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* and should be read in conjunction with the annual 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 2022.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2022. The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards which have no material effect on the condensed financial statements of the Group.

#### **2.1. Use of judgements and estimates**

In preparing the condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022. 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 those relating to trade related accruals. Management determines trade related accruals by considering historical data and forward-looking information, which is the key assumptions in measuring the expected amount of trade related accruals.

### 3. Segment and revenue 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:

- (a) Flexible staffing;
- (b) Professional recruitment; and
- (c) Others.

The accounting policies of the reportable segments are the same as the Group's accounting policies applied to the consolidated financial statements as at and for the year ended 31 December 2022. 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 are analysis of the Group's revenue and results by reportable segments for the six months and the year ended 31 December, respectively:

Group	Six months ended 31 December							
	2023				2022			
	\$'000				\$'000			
	Singapore	North Asia*	Rest of Asia#	Total	Singapore	North Asia*	Rest of Asia#	Total
<b>Revenue</b>								
Flexible staffing	177,294	61,745	11,296	250,335	174,128	64,460	11,702	250,290
Professional Recruitment	10,634	18,975	1,630	31,239	15,480	27,080	2,252	44,812
Others	1,012	1,078	49	2,139	990	1,453	72	2,515
	<u>188,940</u>	<u>81,798</u>	<u>12,975</u>	<u>283,713</u>	<u>190,598</u>	<u>92,993</u>	<u>14,026</u>	<u>297,617</u>
<b>Gross Profit</b>								
Flexible staffing	26,108	7,137	1,099	34,344	27,038	7,145	1,113	35,296
Professional Recruitment	10,621	18,914	1,626	31,161	15,451	27,000	2,252	44,703
Others	941	989	34	1,964	880	1,311	64	2,255
	<u>37,670</u>	<u>27,040</u>	<u>2,759</u>	<u>67,469</u>	<u>43,369</u>	<u>35,456</u>	<u>3,429</u>	<u>82,254</u>
Other income				18,432				11,048
Other employee benefit expenses				(34,417)				(42,343)
Facilities and depreciation expenses				(5,299)				(5,600)
Selling expenses				(1,577)				(1,453)
Other expenses				(1,657)				(2,676)
Finance costs				(256)				(200)
<b>Profit before income tax</b>				<u>42,695</u>				<u>41,030</u>

### 3. Segment and revenue information (cont'd)

Group	Year ended 31 December							
	2023				2022			
	\$'000				\$'000			
	Singapore	North Asia*	Rest of Asia#	Total	Singapore	North Asia*	Rest of Asia#	Total
<b>Revenue</b>								
Flexible staffing	361,722	124,226	22,959	508,907	362,708	123,407	24,005	510,120
Professional Recruitment	22,264	39,739	3,532	65,535	32,450	60,011	4,572	97,033
Others	1,868	2,044	115	4,027	1,753	2,729	140	4,622
	<u>385,854</u>	<u>166,009</u>	<u>26,606</u>	<u>578,469</u>	<u>396,911</u>	<u>186,147</u>	<u>28,717</u>	<u>611,775</u>
<b>Gross Profit</b>								
Flexible staffing	53,744	13,980	2,228	69,952	57,434	13,831	2,138	73,403
Professional Recruitment	22,215	39,635	3,527	65,377	32,376	59,735	4,571	96,682
Others	1,706	1,833	98	3,637	1,524	2,435	110	4,069
	<u>77,665</u>	<u>55,448</u>	<u>5,853</u>	<u>138,966</u>	<u>91,334</u>	<u>76,001</u>	<u>6,819</u>	<u>174,154</u>
Other income				28,089				19,982
Other employee benefit expenses				(71,076)				(87,867)
Facilities and depreciation expenses				(10,836)				(11,499)
Selling expenses				(3,064)				(2,757)
Other expenses				(3,610)				(4,835)
Finance costs				(454)				(418)
<b>Profit before income tax</b>				<u>78,015</u>				<u>86,760</u>
<b>Total assets</b>	<u>377,814</u>	<u>92,739</u>	<u>9,389</u>	<u>479,942</u>	<u>373,294</u>	<u>100,580</u>	<u>10,112</u>	<u>483,986</u>

\* North Asia comprises People's Republic of China, Taiwan, Hong Kong S.A.R., Japan and South Korea.

# Rest of Asia comprises Malaysia, Thailand and Indonesia.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales.

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.

#### 4. Profit before income tax

##### 4.1 Significant items

	Group			
	Six months ended		Year ended	
	31 December		31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Net fair value gain (loss) on financial assets mandatorily measured at FVTPL <sup>(1)</sup>	1,782	(785)	1,419	(6,565)
(Loss) gain on disposal of investments	-	(2)	-	865
Government subsidies <sup>(2)</sup>	6,583	1,246	9,223	6,951
Reversal of trade related accruals	5,624	8,012	9,324	14,840
Interest income	3,746	1,886	6,899	2,719
Dividend income	430	546	843	941
Net fair value gain on other assets	167	13	235	13
Depreciation of right-of-use assets	(3,183)	(3,466)	(6,732)	(7,243)
Depreciation of plant and equipment	(370)	(412)	(760)	(989)
Amortisation of intangible assets	(230)	(181)	(425)	(348)
Foreign exchange loss	(126)	(950)	(496)	(1,507)
(Allowance) write-back for doubtful receivables	(62)	170	(106)	71

(1) FVTPL refers to fair value through profit or loss.

(2) Relates to Progressive Wage Credit Scheme / Wage Credit Scheme and Special Employment Credit given by the Singapore government, and grants, subsidies and reliefs from the various governments of geographies that the Group operates in.

##### 4.2 Related party transactions

There are no significant related party transactions during the six months and the year ended 31 December 2023.

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

The remuneration of directors and other members of key management during the six months and the year ended 31 December was as follows:

	Group			
	Six months ended		Year ended	
	31 December		31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Short-term benefits	1,560	2,340	3,208	5,029
Share-based payments	51	71	221	71
Post-retirement benefits	45	81	106	136
	1,656	2,492	3,535	5,236

## 5. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss for the six months and the year ended 31 December are:

	Group			
	Six months ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Current tax	5,867	5,729	11,683	13,690
Withholding tax	215	296	377	470
Deferred tax	168	265	(83)	335
Under (over) provision of current tax in prior year	10	(8)	(21)	(195)
	<u>6,260</u>	<u>6,282</u>	<u>11,956</u>	<u>14,300</u>

## 6. Dividends

	Group	
	2023	2022
	S\$'000	S\$'000
<b>Ordinary dividends paid</b>		
Final dividends of 1.87 cents (2022: 3.0 cents) tax exempt (one-tier) per share paid in respect of prior financial year	18,465	30,113
Interim dividends of 1.87 cents (2022: 2.13) tax exempt (one-tier) per share paid in respect of the financial year	18,445	21,328

## 7. Net asset value

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2021
	S\$	S\$	S\$	S\$
Net asset value per ordinary share	<u>0.3826</u>	<u>0.3651</u>	<u>0.2143</u>	<u>0.2224</u>

## 8. Plant and equipment

During the year ended 31 December 2023, the Group acquired assets amounting to S\$1,364,000 (31 December 2022: S\$1,132,000) and disposed of assets amounting to S\$1,000 (31 December 2022: S\$3,000).

## 9. Share capital and treasury shares

### Share capital

	Group and Company			
	Number of shares		Issued and paid up	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	'000	'000	S\$'000	S\$'000
Issued and paid up	1,011,407	1,011,407	260,605	260,605

### Treasury shares

	Group and Company			
	Number of treasury shares		Amount	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	'000	'000	S\$'000	S\$'000
At 1 January	20,390	7,634	14,494	4,503
Treasury shares purchased	7,035	12,894	5,432	10,085
Treasury shares reissued pursuant to share-based payment expenses	(300)	(98)	(217)	(67)
Treasury shares reissued in connection with Octomate's consideration	-	(40)	-	(27)
At 31 December	27,125	20,390	19,709	14,494

Save as disclosed, the Company did not have any outstanding convertibles and subsidiary holdings as at 31 December 2023 and 31 December 2022.

### Number of shares held as treasury shares against total number of issued shares excluding treasury shares

	Group and Company	
	Number of shares	
	31 December 2023	31 December 2022
Issued shares	1,011,406,872	1,011,406,872
Treasury shares	(27,125,383)	(20,389,469)
Issued shares excluding treasury shares	984,281,489	991,017,403
Treasury shares as a percentage of issued shares excluding treasury shares (%)	2.7559	2.0574

## 10. Fair value of financial instrument

This note provides information about how the Group and Company determines fair value of various financial assets and financial liabilities.

Fair value of the Group and Company's financial assets that are measured at fair value on a recurring basis

Some of the Group and Company's financial assets and financial liabilities are measured at fair value at the end of each 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).

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
	Fair value as at (S\$'000)							
	31 December 2023	31 December 2022	31 December 2023	31 December 2022				
<b>Financial assets mandatorily measured at fair value through profit or loss</b>								
1) Quoted equity securities	21,768	20,642	21,768	20,642	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
2) Quoted debt securities	5,418	4,903	5,418	4,903	Level 1	Quoted bid prices in an active market.	N.A.	N.A.
3) Unquoted equity securities	1,601	1,601	-	-	Level 2	Unquoted bid prices in markets that are not active.	N.A.	N.A.
4) Unquoted debt securities	16,163	8,083	16,163	8,083	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</b>								
5) Quoted equity securities	12,223	17,532	12,223	17,532	Level 1	Quoted bid prices in an active market.	N.A.	N.A.

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

## 11. Other payables and accruals

	Group		Company	
	2023	2022	2023	2022
	S\$'000	S\$'000	S\$'000	S\$'000
Accrued operating expenses	47,499	56,289	213	187
Other trade accruals and payables	2,284	11,607	-	-
Advanced billings	4,063	4,765	-	-
Deposits from customers	2,403	2,346	-	-
Dividends payable	1,293	1,686	-	-
Other payables due to subsidiary	-	-	23,668	11
	<u>57,542</u>	<u>76,693</u>	<u>23,881</u>	<u>198</u>

## 12. Subsequent events

There are no known subsequent events which have led to adjustments to this set of condensed financial statements.

## **G. Other Information Required by Listing Rule Appendix 7.2**

### **1. Review**

The condensed consolidated statement of financial position of HRnetGroup and its subsidiaries as at 31 December 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

### **2. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

### **3. Dividend**

#### **a. Current Financial Period Reported on**

For the financial year ended 31 December 2023, a one-tier tax exempt interim dividend of 1.87 cents per ordinary share was paid to registered shareholders on 11 September 2023.

The Directors are pleased to propose the payment of a one-tier tax exempt final dividend of 2.13 cents per ordinary share, in respect of the financial year ended 31 December 2023, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

#### **b. Corresponding Period of the Immediate Preceding Financial Year**

For the financial year ended 31 December 2022, a one-tier tax exempt interim dividend of 2.13 cents and final dividend of 1.87 cents per ordinary share were paid to registered shareholders.

#### **c. Date payable**

Subject to approval by the shareholders at the forthcoming Annual General Meeting, the payment date of the proposed dividend will be announced at a later date.

#### **d. Books Closure Date**

Subject to approval by the shareholders at the forthcoming Annual General Meeting, the books closure date will be announced at a later date.

### **4. Interested person transactions**

The Group has not obtained a general mandate from shareholders of the Company for Interested Person Transactions.

### **5. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to Part A.

## 6. A breakdown of sales

### Breakdown of Revenue and Results

	<b>Group</b>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
	S\$'000	S\$'000	%
<b><u>First Half</u></b>			
Revenue reported for the first half-year	294,756	314,158	(6.2)
Profit after tax reported for the first half-year	29,624	37,712	(21.4)
<b><u>Second Half</u></b>			
Revenue reported for the second half-year	283,713	297,617	(4.7)
Profit after tax reported for the second half-year	36,435	34,748	4.9

## 7. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

	<u>2023</u>	<u>2022</u>
	S\$'000	S\$'000
Ordinary shares (tax exempt one-tier)		
- Interim	18,445	21,328
- Final#	20,962	18,466
Total Annual Dividend	<u>39,407</u>	<u>39,794</u>

# The proposed final tax exempt one-tier dividends in respect of 2023 is subject to shareholders' approval at the forthcoming Annual General Meeting of the company.

**8. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Sim Yong Siang	71	<p>Brother of Sim Joo Siang (Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of Recruit Express Pte Ltd).</p> <p>Father of Sim Wei Ling, Adeline (Director, Deemed Substantial Shareholder, Chief Corporate Officer and Executive Director of HRnetGroup Limited).</p> <p>Husband of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Father of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Founding Chairman and Executive Director of the Company since 21 September 2016, Director of HRnet One Pte Ltd since 9 April 1992, Recruit Express Pte Ltd since 22 February 1996.</p>	None
Sim Joo Siang	67	<p>Brother of Sim Yong Siang (Founding Chairman, Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Uncle of Sim Wei Ling, Adeline (Director, Deemed Substantial Shareholder, Chief Corporate Officer and Executive Director of HRnetGroup Limited).</p> <p>Brother-in-law of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Uncle of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Executive Director of the Company since 21 September 2016, Director of Recruit Express Pte Ltd since 1 April 1999.</p>	None
Sim Wei Ling, Adeline	44	<p>Daughter of Sim Yong Siang (Founding Chairman, Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd, Recruit Express Pte Ltd).</p> <p>Niece of Sim Joo Siang (Executive Director and Deemed Substantial Shareholder of HRnetGroup Limited, Director of Recruit Express Pte Ltd).</p> <p>Daughter of Sim Nelly Nee Tan Kheng Eng (Deemed Substantial Shareholder of HRnetGroup Limited, Director of HRnet One Pte Ltd).</p> <p>Sister of Sim Wei Wen, Aviel (Deemed Substantial Shareholder of HRnetGroup Limited).</p>	<p>Executive Director of the Company since 16 May 2019, Chief Corporate Officer of the Company since 1 April 2022.</p>	None

## 9. 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 the gross proceeds from the Company's initial public offering as of 31 December 2023 is set out as below:

	<b>Amount utilised</b>
	<b>S\$ million</b>
Purchase of equity instrument designated at FVTOCI	64.0
Purchase of financial assets mandatorily measured at FVTPL	39.3
Acquisition and investment in subsidiaries	9.1
Start-up of subsidiaries	9.9
IPO related expenses	9.1
	<hr/> <b>131.4</b> <hr/>

## 10. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

### **Confirmation by the Board**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the year ended 31 December 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Yong Siang  
Founding Chairman

Adeline Sim Wei Ling  
Chief Corporate Officer and Executive Director

Singapore  
22 February 2024