



HRNETGROUP LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

**RESPONSE TO QUESTIONS FROM SHAREHOLDERS
FOR ANNUAL GENERAL MEETING ON 21 APRIL 2021**

The Board of Directors (the “**Board**”) of HRnetGroup Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to:

- (a) the annual report of the Company for the financial year ended 31 December 2020 (the “**Annual Report**”); and
- (b) the notice of Annual General Meeting (“**AGM**”) issued on 6 April 2021 informing shareholders that the Company’s AGM will be convened and held by way of electronic means on Wednesday, 21 April 2021 at 10.00 a.m.

The Company would like to express its appreciation to its shareholders for submitting their questions in advance of the AGM. The Company would also like to inform shareholders that the substantial and relevant questions received by the Company by the deadline, i.e. 5:00 p.m. on 15 April 2021, have been responded to and are published in this announcement.

Please refer to Annex A of this announcement for the details of the questions and responses of the Company.

By Order of the Board

Sim Yong Siang
Founding Chairman

19 April 2021

ANNEX A – RESPONSE TO QUESTIONS FROM SHAREHOLDERS

No.	Shareholders' Questions	Company's Response
1.	<p>What is the current status for Staffline PLC ? Does the Board intends to accumulate more stakes in Staffline or do a general offer for Staffline?</p> <p>Pls share and elaborate your UK (Staffline) and HK (Bamboos Health Care Hldgs) investments in term of your growth direction to these coys.</p>	<p>As disclosed in page 121 of the Annual Report, the Group has a 29.95% equity interest in Staffline. The Group has no significant influence over Staffline as it does not have a board representation and there is no access to financial information of Staffline. The investment is not held for trading but for medium to long-term strategic purposes.</p> <p>The Group has no plans to increase its stake in Staffline at the present moment.</p>
2.	<p>If and when the company has achieved good surplus funds which are well in excess of its financial needs and growth plans, will the company consider giving special payout or dividend to shareholders for the coming interim period.</p>	<p>The Group intends to continue with the dividend practice of 50% payout from net profits, subject to discretionary adjustments for one-off and/or other exceptional items.</p>
3.	<p>Pls share your current stake and going-forward direction for 1) Bamboos Health Care Holdings Limited in HKEx and 2) Staffline in UK, you have invested. Are the invested coys mainly for interest income, or any mean to integrate with your HR ecosystem?</p>	<p>Our stake in Bamboos Health Care Holdings Limited is less than 10%; and in Staffline 29.95%. These are strategic investments for long-term purposes and realising their performance potential in the long run. The Group has no intention to integrate them with our HR ecosystem at the present moment.</p>
4.	<p>Can you describe how COVID changes the recruitment process for Professionals and the opportunities and challenges identified by HRNet? Has professionals recruitment improved since COVID-19?</p>	<p>The need for social distancing arising from Covid-19 resulted in the mode of interaction between our consultants and our clients with candidates changing from face-to-face to online virtual meetings. There were more opportunities for professional recruitment and contracts in essential services sectors including government services and healthcare services. We are seeing some signs of improvement in professional recruitment activities recently.</p>
5.	<p>Have you been using CRM (Customer Relational Management) and HR software (something like Salesforce and Paycom) to accelerate your coy digitalisation?</p>	<p>We have in place our proprietary CRM-equivalent and HR information system based on which continuous enhancement is being made to accelerate the digitalization efforts of the Group.</p>
6.	<p>I refer to page3 of the Annual Report about "Professional Recruitment". Placements by "Professional Recruitment" segment has declined by 17.7% from 8,530 placements to 7,022 placements. Which sectors were the declines coming from?</p>	<p>The declines were generally across most sectors.</p>

7.	<p>More importantly, what are the Board and Management's strategies to gain market share against MNCs such as Michael Page, Robert Walters and Robert Half?</p>	<p>The Group focuses on growth sectors and positions of demand in the respective cities of operation, with profitability as our priority over market share.</p>
8.	<p>I refer to page24 of the Annual Report about "Geographical Segments". In the 2nd paragraph, it was stated that "Gross profits outside Singapore were predominantly in PR which suffered declines, with Hong Kong being the hardest hit." What went wrong specifically at Hong Kong? Which of other 13 cities were the declines for PR coming from? What have the Board and Management planned to do about it?</p>	<p>The Hong Kong market was affected by the protests and the US-China trade war since 2019 and exacerbated by the Covid-19 pandemic in 2020.</p> <p>The decline in PR gross profit was across the geographies we operated in.</p> <p>The Group focused on capability building across all geographies to strengthen skillsets and digital infrastructure for rapid deployment in growth sectors and as soon as the demand for PR picked up.</p>
9.	<p>I refer to page108 of the Annual Report about "flexible staffing revenue". It was understood that "Revenue from the healthcare sector grew by 28.0% to constitute 14.4% (2019: 11.5%) of total revenue; and the government sector grew by 68.2% to constitute 17.3% (2019: 10.5%)", which I believed most came from flexible staffing revenue. While Flexible Staffing business model is asset-light and "The Group recognises revenue from the hourly sales of services by contractor employees to customers", such flexible staffing contracts tend to be "short-term in nature" and thinner in margin. How the Board and Management planned to mitigate volatility in such temporary/contracted Flexible Staffing revenue?</p>	<p>The Group's twin engines of flexible staffing (FS) and professional recruitment (PR) function as a hedge against volatility in business volume at different points of economic cycles.</p> <p>The increase in FS business volume cushioned the declines in PR during challenging economic times in 2020.</p>
10.	<p>I refer to pag134 of the Annual Report about "Segment information". Gross Profit Margin for Flexible staffing has increased incrementally by 0.6% from 14.8% in 2019 to 15.4% in 2020. How did the Group manage to do so?</p> <p>Nevertheless, the GPM for FS is still much thinner compared to GPM for PR. More importantly, how the Board and Management planned to improve its FS margin consistently and sustainably in such a competitive market?</p>	<p>These gross margin levels are within the range of fees we charge our clients. There has been no material change.</p> <p>Gross profit margin is a consequence of the business mix between FS and PR. The board and management will keep reviewing operating strategies to improve further.</p>
11.	<p>I refer to page4 of the Annual Report about "Flexible Staffing". While "Flexible Staffing" segment increased by 10.3% from \$324.165m in 2019 to \$357.552m in 2020, how did the Group manage to grow the contractor employees by 3.6times from 11,929 in 2019 to 42,998 in 2020? How many % of these contractor employees has a (monthly) fixed compensation component in their compensation?</p>	<p>Page 20 of the 2020 Annual Report stated that the total number of contractor employees for the year was 42,998.</p> <p>Page 35 of the 2019 Annual Report stated that the monthly average number of contractor employees as at 31 December 2019 was 11,929.</p> <p>We do not segregate the monthly fixed component from our contractor employees' compensation.</p>

12.	I refer to page111 of the Annual Report about “Lack of significant influence over Staffline Group plc (“Staffline”)”. It was stated that “The Group owns 29.95% of the voting shares of Staffline Group plc. Notwithstanding that Group owns more than 20% of the voting power in Staffline, the Group is unable to obtain timely financial information and it does not have a board representation in order to participate in the financial and operational policy decisions of Staffline.” Will the Board re-attempted to obtain a board representation in Staffline? If not, why not?	It is not our plan to obtain a board representation in Staffline at the present moment.
13.	I refer to page132 of the Annual Report about “Profit for the year”. Noted that “Allowance for doubtful receivables” has increased by 6.1times from \$126K in 2019 to \$781K in 2020. What went wrong? What have the Audit Committee planned to do about it?	The allowance for doubtful receivables in 2020 relates to a debtor whose financial position was adversely affected by the pandemic crisis leading to its inability to pay. The Group has initiated winding up procedures against the debtor.
14.	I refer to page127 of the Annual Report about “Other payables and accruals”. Why “Other payables” increased from \$0 in 2019 to \$28.621m in 2020?	Other payables includes mainly trade related accruals.
15.	I refer to page64 of the Annual Report about “Corporate governance”. Despite a decline in “Profit for the year” of 10.7% from \$55.776m in 2019 to \$49.789m in 2020, the “aggregate remuneration paid to the top five key management personnel of the Group (who are not directors or CEO)” increased from S\$2.3m in 2019 to S\$2.6m in 2020. Can the Remuneration Committee share what remuneration factor(s) specifically led to the increase? How much is attributable to each of these remuneration factor(s)?	S\$2.6m relates to remuneration paid to the top 5 key management personnel (“KMP”) in FY2020, versus S\$2.3m for 4 KMP in FY2019.